

2021 Operating Budget Variance Report

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Report Summary

This report provides information regarding a variance analysis based on the City's second quarter results (January to August 31, 2021). The projected surplus for 2021 is approximately \$3.8 million.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters and has no direct connection to the Community Energy & Emissions Plan.

Financial Implications

There are no financial implications associated with this report

Background

The purpose of this report is to provide the Finance and Administration Committee with an overview of year-end variances in accordance with the Operating Budget Policy. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. The August variance report reflects expenditures and revenues for the first eight months of the year, as well as anticipated expenditures and revenues to the end of the year.

Appendix 1 reflects the annual net budget, projected year end position and variance for each area. In accordance with the Operating Budget Policy, the following explanations relate to areas where a potential variance of greater than \$200,000 may occur within a division or section:

Variance Explanations

1) Other Revenues and Expenses

This area is reflecting a net over expenditure of \$1.9 million as follows:

- An anticipated shortfall in OLG Slot Revenues resulting from Provincial stay-at-home orders and capacity limitations due to COVID-19 of \$1.2 million.
- A reduction in the anticipated contribution from Reserve for COVID-19 expenses based on departmental year end projections of \$1.5 million.
- A reduction in anticipated debt repayments of \$600,000 as a result of not issuing debt in 2021.
- An increase in anticipated interest revenue of \$350,000.

2) Legal and Clerks Services

This area is reflecting a net over expenditure of \$750,000 as follows:

- An anticipated shortfall in POA revenues with offsetting under expenditures of \$500,000 primarily due to COVID-19 restrictions.
- An anticipated shortfall in revenues of \$580,000 due to the delay in implementation of the Red Light Camera Program (this is offset for the corporation as a whole with an under expenditure in Infrastructure Capital Planning).
- These are offset by:
 - An anticipated under expenditure in salaries and benefits of \$240,000 due to vacancies
 - An anticipated under expenditure in legal and counsel services of \$65,000

3) Security, By-Law and Parking

This area is reflecting a net over expenditure of \$720,000 as follows:

- An anticipated shortfall in revenues for lottery licenses, parking fines and fees, and portable sign permits of \$690,000 primarily due to COVID-19 restrictions in the first half of the year.

4) Housing Services & Operations

This area is reflecting a net under expenditure of \$310,000 as follows:

- An anticipated under expenditure of \$100,00 in salaries and benefits primarily due to in year vacancies.
- An anticipated under expenditure of \$210,000 as a result of less than anticipated COVID-19 costs.

5) Leisure & Cemetery Services

This area is reflecting a net under expenditure of \$960,000 as follows:

- An under expenditure in facility operating expenses and salaries and benefits of \$4.4 million due to facility closures during the provincial stay at home orders.
- Offset by a shortfall in user fee revenues of \$3.4 million due to facility closures and capacity limitations to respond to COVID-19 public health measures.

6) Infrastructure Capital Planning

This area is reflecting a net under expenditure of \$540,000 as follows:

- The anticipated surplus is largely due to the delay in implementation of the Red Light Camera Program as well as some staff vacancies.

7) Linear Infrastructure Maintenance

This area is reflecting a net under expenditure of \$3,700,000 as follows:

- An anticipated under expenditure of \$3.4M in winter control as a result of favourable weather conditions in the first half of the year.
- An anticipated surplus of \$335,000 primarily due to less than expected COVID-19 expenditures.

8) Environmental Services

This area is reflecting a net under expenditure of \$1.1M as follows:

- Anticipated under expenditure in waste collection costs of \$630,000 as a result of temporary reductions in waste collection programs related to COVID-19 and centralized collection services.

- Anticipated increase in tipping fee revenue of \$200,000 as a result of re-opening of businesses and increased use of landfill.
- Anticipated under expenditure in processing of various materials at the of \$175,000 as a result of less processing requirements in 2021.
- Anticipated increases in sale of recyclables of \$310,000 as a result of end-market price increases for Blue Box recyclable materials, which is offset by the COVID-19 processing surcharge expenditure of \$165,000.

9) Emergency Medical Services

This area is reflecting a net under expenditure of \$250,000 as follows:

- Anticipated under expenditure of \$250,000 in salaries and benefits primarily due to staff secondment to the vaccination clinics, Community Paramedicine for Long Term Care Program, and in year vacancies.

10) Fire Services

This area is reflecting a net over expenditure of \$250,000 as follows:

- Anticipated over expenditure of \$250,000 primarily due to overtime costs as a result of increases in leaves of absence and retirements.

COVID-19

COVID-19 continues to be a factor in daily operations. Factors such as capacity, and enhanced safety and cleaning measures continue to add additional pressures, as well as costs associated with the closing of facilities for extended times during stay-at-home orders, and the re-opening of those facilities. In addition to extra costs, the City is also experiencing reduced user fee revenue as many services have experienced periods of closures, or reduced utilization. Similar to 2020, several Provincial funding sources have been announced to help offset these added pressures. Over the second and third quarters though, reopening plans have been executed for several services and more recently, full capacities permitted. The City will continue to follow the lead of the Province and Public Health and ensure that services are available to citizens when it is safe to do so.

For the 2021 budget, the City anticipated all COVID-19 related expenditures would be covered through Provincial funding, and a contribution from reserve. A reconciliation of the revenues and expenditures will take place at year end. At present it appears as though Safe Restart funding will be sufficient to cover these additional expenditures. With the anticipated overall year-end surplus, any planned reserve contributions will be returned.

COVID-19 Vaccination

The City continues to be an active partner in Public Health Sudbury and Districts efforts to vaccinate the community. This is a large undertaking with significant financial requirements. To date, \$4.6 M has been spent on vaccination efforts. It is anticipated that the cost to vaccinate the community will be funded from the Province. Most recently, Public Health Sudbury and Districts have made the switch from Mass Immunization Clinics to mobile/pop-up clinics. As a result, three of the four arenas that were previously used for clinic purposes have returned to regular arena functions and will generate user fee revenues. Staff continue to work through Public Health Sudbury and Districts to clarify the funding mechanism for these expenses.

Summary

As per the attached chart, the City's projected net year end position is anticipated to be a \$3.8 million surplus. Any surplus related to winter control activities will be contributed to the Winter Control Reserve if the contribution does not put the City in an overall deficit position. Any remaining surplus will be contributed equally to the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund – General in accordance with the Reserve and Reserve Fund by-law.