

March 2023 Operating Budget Variance Report

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Report Summary

This report provides information regarding a variance analysis completed based on the City's first quarter results (January to March 31, 2023). Staff have identified areas where material year-end variances in the operating budget may occur.

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 a preliminary overview of potential year-end variances. The monitoring and reporting of variances have been conducted in accordance with the Operating Budget Policy. The March variance report reflects expenditures and revenues for the first three months of the year. In many areas, only three months of data is not sufficient to identify potential variances; however, in other areas, there may have been significant factors identified that may result in year-end variances.

A more detailed projection will be undertaken in the summer based on the expenditures and revenues realized from January to June 2023. During this process, each department will be requested to project a year-end value for each account. Based on this information, a corporate year-end projection will be made. The Finance and Administration Committee will receive this report in September 2023.

Variations

In accordance with the Operating Budget Policy approved by Council, the following explanations relate to areas where a potential variance of greater than \$200,000 may occur within a division or section, or areas

that Finance is monitoring closely:

Taxation Revenue

The first 2023 supplementary tax roll cannot yet be processed and therefore staff are unable to forecast the potential variance. In 2022, the City received \$2.5 million in supplement taxation, approximately \$40,000 above the budgeted amount. This is an area where the potential for a variance exists, therefore staff will monitor and provide an up to date forecast for the June 2023 Operating Budget Variance Report when more information becomes available.

Corporate Revenue and Expenses

It is anticipated that the City may earn an additional \$5.0 million in investment income due to a higher than expected portfolio value and higher interest rates.

Fire Services

Fire Services is anticipating a net over expenditure of \$1.0 million in overtime costs due to staffing requirements, training, and on-going absences (including COVID-19, sick time, WSIB, vacation, retirements, pregnancy/parental leaves, etc.).

Leisure Services

Leisure Services is anticipating a net over expenditure of \$740,000 by year end mostly because of less than anticipated user fees for arenas, pools, and fitness centers.

Roads Winter Control Operations

Roads winter control is anticipating an over expenditure of \$520,000 by year end. This is largely due to a variety of extreme weather conditions causing an increased need for plowing and an increase in road deterioration requiring increased pothole patching activities. In accordance with the Reserve and Reserve Funds By-law, any roads winter control over expenditures shall be funded from the Roads Winter Control Reserve Fund.

Environmental Services

Environmental Services is anticipating a \$270,000 net over expenditure as a result of a CPI increase in the landfill operating contracts stemming from persistent inflation rates. However, it is still quite early in the year and there is a possibility that this over expenditure could be reduced by increased revenues that cannot be forecast at this early stage.

Transit Services

Transit Services is anticipating a net over expenditure of \$260,000 primarily due to ridership levels that continue to be lower than pre-pandemic levels.

Water Wastewater Services

Distribution and Collection is projecting a net over expenditure of \$400,000 due to the following:

- Salaries and benefits are projected to be under budget by \$800,000 resulting primarily from permanent and casual vacancies as a result of recruitment challenges.
- Purchased services and materials are projected to be over budget by \$1.2 million due primarily to above average watermain breaks with high contract costs for large water main breaks.

At year end, any net under expenditures will be contributed to the respective Capital Financing Reserve Fund in accordance with the Reserves and Reserve Funds By-Law, while any net over expenditures will be funded by a contribution from the Capital Financing Reserve Fund in accordance with the by-law.

Greater Sudbury Police Services

Greater Sudbury Police Services is anticipating an over expenditure of \$770,000. This is a result of costs of goods and services increasing and requirements arising outside of the budget cycle required to ensure core functions are in place for the Greater Sudbury Police Board approved service level.

Summary

This has been a preliminary review of the revenues and expenditures for the first three months of 2023. It is

still too early to provide an accurate year-end projection. A more comprehensive review will take place after the June 2023 month end and Committee will be presented with a corporate year-end projection in September. Regular reports will be prepared for Committee throughout 2023.