

June 2023 Operating Budget Variance Report

Presented To:	Finance and Administration Committee
Meeting Date:	September 19, 2023
Type:	Correspondence for Information Only
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Report Summary

This report provides a variance analysis based on the City's second quarter results (January to June 30, 2023). The projected surplus for 2023 is approximately \$4.1 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 Council with an overview of year-end variances in accordance with the Operating Budget Policy. In the last forecast, provided in June, staff identified areas where material year-end variances may occur. The monitoring and reporting of variances have been conducted in accordance with the Operating Budget Policy. The June variance report reflects expenditures and revenues for the first half 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) Revenue Summary

This area is reflecting a net under expenditure of \$740,000 relating to property taxes as follows:

- An increase in revenues due to higher than anticipated payment-in-lieu of property taxation.

2) Other Revenues and Expenses

This area is reflecting a net under expenditure of \$5.2 million as follows:

- An increase in investment earnings of \$8.7 million due to a higher than expected portfolio value and higher interest rates.
- An increase in interest revenue of \$200,000.
- Planned staffing vacancies of \$3.3 million, with actual savings presented within each division.
- A reduction in slot revenues of \$380,000 as a result of a delay in return to normal attendance at the casino since COVID-19.

3) Legal & Clerks Services

This area is reflecting an estimated net under expenditure of \$570,000 as follows:

- An under expenditure in salaries and benefits of \$380,000 due to vacancies throughout the year. The Division continues to see difficulty in finding candidates that meet the hard qualifications of vacant roles.
- A surplus in POA revenue of \$170,000 due to an increase in the revenue for the Red Light Camera Program.

4) Social Services

This area is reflecting an anticipated net under expenditure of \$1.2 million as follows:

- An under expenditure of \$900,000 in salaries and benefits due to staff absences, retirements, and difficulty recruiting in the current labour market environment. Staff turnover has increased due to short term disability claims, staff leaving for other roles (both internal and external) and an elevated level of retirements. The Division continues to see difficulty in finding candidates that meet the hard qualifications of vacant roles. The Division has brought back retired staff on occasion to assist with staffing levels and is exploring the use of managed overtime to deal with the persistent staffing vacancies.
- An under expenditure of \$300,000 for the Supervised Consumption Site grant funding.

5) Leisure & Cemetery Services

This area is reflecting an anticipated net over expenditure of \$510,000 as follows:

- A shortfall in revenues of \$100,000 due to the following;
 - Fewer special events at the Sudbury Arena.
 - Delayed opening of campgrounds due to spring flooding.
 - Slight underutilization of fitness centres, community halls and pools.
 - Additional revenue in Cemetery Services due to additional investment income and sales.
- In addition to the shortfall in revenues is an estimated operating and maintenance over expenditure of \$410,000 resulting from:
 - Additional repairs to campgrounds and parks due to increased spring runoff as well as unscheduled maintenance on HVAC and refrigeration units on arenas.
 - An under expenditure in energy costs.

6) Transit Services

This area is reflecting an anticipated net over expenditure of \$230,000 as follows:

- A shortfall in user fee revenues of \$780,000 due to lower than expected ridership.
- An anticipated operating and maintenance saving of \$550,000, primarily due to contract services.

7) Infrastructure Capital Planning

This area is reflecting an anticipated net under expenditure of \$640,000 as follows:

- The surplus is largely due to vacancies and lower than anticipated costs for the Red Light Camera Program. These vacancies have impacted asset management planning activities, master planning activities and the delivery of road safety programming.

8) Linear Infrastructure Services

This area is reflecting an anticipated net over expenditure of \$3.2 million as follows:

- 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 depending on overall corporate financial position.

9) Environmental Services

This area is reflecting an anticipated net under expenditure of \$360,000 as follows:

- This area is reflecting an anticipated net under expenditure of \$360,000 mostly due to higher than anticipated funding for the Blue Box Program.

10) Emergency Medical Services

This area is reflecting an anticipated net under expenditure of \$350,000 as follows:

- An under expenditure in salaries and benefits due to contract paramedic positions being filled at lower than budgeted salary rates. Permanent paramedics are filling vacancies within Community Paramedicine programs.

11) Fire Services

This area is reflecting an anticipated net over expenditure of \$1.2 million as follows:

- An over expenditure in overtime costs due to staffing requirements, training, and ongoing absences including sick time, WSIB, and vacation.

Summary

As per the attached chart, the City is projecting a net year-end surplus of \$4.1 million. Any surplus in Emergency Medical Services may be contributed to the Capital Financing Reserve Fund – Paramedic Services. Furthermore, any roads winter control over expenditures shall be funded from the Roads Winter Control Reserve Fund depending on overall corporate financial position.