

June 2024 Operating Budget Variance Report

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Report Summary

This report provides a variance analysis based on the City's second quarter results (January to June 30, 2024). The projected surplus for 2024 is approximately \$8.4 million.

Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

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. 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 positive variance of \$596,000 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 positive variance of \$3.8 million as follows:

- An increase in investment earnings of \$5.3 million due to a higher than expected portfolio value. It is estimated that \$5.1 million of this surplus is attributable to unspent debt for large projects.
- Planned cost avoidance from vacancy management worth \$1.7 million, with actual savings presented within the salary and benefits costs of each division.
- An increase in interest revenue of \$350,000.
- A reduction in slot revenues of \$210,000 resulting from a delay in return to normal attendance at the casino since COVID-19.

3) Security, By-Law and Parking

This area is reflecting a net over expenditure of \$740,000 as follows:

- A net over expenditure of \$152,000 in Parking due to a decrease in parking revenue.
- An overall net over expenditure of \$297,000 in Animal Control due to:
 - Additional salary and benefit costs of \$120,000 in temporary staff to meet the increased care required for a higher number of animals at the shelter.
 - An increased reliance on emergency veterinarian services resulted in additional costs of \$81,000 due to a lack of available services.
 - Lower than anticipated canine license sales of \$60,000.
 - Lower than anticipated redemption and boarding fees of \$20,000.
 - Required equipment replacements and health and safety repairs resulted in additional costs of \$10,000 following Ministry of Labour inspections.
- An overall net over expenditure of \$291,000 in Security and By-Law due to:
 - Lower than anticipated parking fines and fees due to a frequent requirement to reassign parking enforcement staff to cover for staff absences and security service requirements in the downtown, at housing properties and on Transit.

4) Human Resources and Organizational Development

This area is reflecting an anticipated net over expenditure of \$347,000 as follows:

- An over expenditure in legal counsel expense of \$225,000 due to increased costs associated with various labour relations and employment matters, including interest arbitration, individual employment matters, and costs associated with grievance mediation and arbitration.
- An over expenditure for retirement allowances of \$125,000 as budget for retiring allowance and retiree benefits was insufficient due to increases in retiree benefit rates.

5) Housing Services and Operations

This area is reflecting an anticipated net under expenditure of \$560,000 as follows:

- A delay in constructing the Lorraine Street Affordable Housing Project has resulted in an under expenditure of \$254,000 in operating costs.
- A \$298,000 rent supplement recovery based 2023 year-end audited financial statements for Housing Operations.

6) Social Services

This area is reflecting an anticipated net under expenditure of \$985,000 as follows:

- An under expenditure of \$585,000 in salaries and benefits due to staff absences and vacancies as well as 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. Reduced staffing levels impacts the turnaround time to complete applications and impacts action requests from clients.
- An under expenditure of \$180,000 due to the closure of Employment Services and other administrative expenditures.
- An under expenditure of \$86,000 in materials and other operating expenditures.
- Unbudgeted one-time revenue of \$76,000 for the Electronic Document Management and Employment Support Transformation funding.

7) Leisure & Cemetery Services

This area is reflecting an anticipated net over expenditure of \$813,000 as follows:

- A surplus in revenues of \$661,000 mainly due to higher than anticipated utilization in arenas, parks and community halls, as well as higher investment earnings in Cemetery Services. Increased revenues are also realized from summer recreation programs and aquatics.
- Savings in energy costs of \$222,000 mainly related to arenas, pools, play fields, community halls and fitness centres, ski hills, and public spaces.
- An under expenditure of \$152,000 due to the discontinuance of services by recipient and/or grant ineligibility.
- An over expenditure of \$1.1 million due to ageing recreation facilities and parks. Costs are related to unscheduled maintenance for HVAC systems, refrigeration units, roofs and major repairs relating to plants, boilers and other equipment in arenas and pools. Furthermore, additional costs for parks are related to an increased removal of aged and diseased trees, increased maintenance required on ageing playgrounds and park fixtures in poor condition. It also includes increased costs associated with Centre for Life washroom and Memorial Park maintenance.
- An over expenditure of \$569,000 in salaries and benefits related to programs and services offered at arenas, cemeteries, and parks. Additional staff were required at various arenas due to an extended spring season for ice rentals. An early start of the spring/summer season required additional staff to deliver service levels at cemeteries and parks. Temporary staff were also hired for the newly formed Community Initiatives and Partnerships Section.
- An over expenditure of \$129,000 in unbudgeted rent and fleet as the division balances the use of City owned fleet and third party seasonal vehicles.

8) Infrastructure Capital Planning

This area is reflecting an anticipated net under expenditure of \$233,000 as follows:

- An under expenditure in salaries and benefits due to vacancies throughout the year.

9) Linear Infrastructure Services

This area is reflecting an anticipated net under expenditure of \$2.9 million as follows:

- The under expenditure is primarily due to milder winter weather conditions, which resulted in reduced requirements for plowing, snow removal, street sweeping and other winter road maintenance activities.
- These conditions allow for the accomplishment of additional summer road maintenance work which will continue until the start of the winter control period in November. This work includes additional pot hole patching, ditching, asphalt and curb repair and tree removal to address, (among other urban forestry related items), concerns with emerald ash borer infestation. It is anticipated that the performance of this work will lower the net under expenditure in this area by up to \$2M while preserving some surplus for contribution to the winter control reserve in accordance with the Reserve and Reserve Fund By-law.

10) Environmental Services

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

- A \$650,000 surplus in the sale of recyclable materials, which are highly volatile. At the time of budgeting, the market was on a downward trajectory, however, recyclable material commodity prices have increased significantly in 2024.
- A surplus in the Blue Box Program revenue of \$550,000, resulting from higher than anticipated funding.

Non-Tax Levy Supported Areas

Water Wastewater Services

Treatment and Compliance is projecting to be over budget by \$2.5 million on budgeted expenditures of \$30.8 million due to the following:

- Salaries and benefits are projected to over budget by \$400,000 due to overtime and staffing needs

caused by breakdowns.

- Material costs are projected to be over budget by \$1.3 million. \$500,000 of this overage is due to significant chemical price increases and incremental quantities used in the treatment processes. The remainder is attributed to ongoing needs for parts arising from the aforementioned breakdowns.
- Purchased services are anticipated to be over budget by \$600,000 due to ongoing reliance on external contractors to address repairs and breakdowns as well as supplementing staffing shortages in the trades.

Distribution and Collection is projected to be under budget by \$800,000 on budgeted net expenditures of \$11.8 million due to the following:

- Salaries and benefits are projected to be under budget by \$680,000 resulting primarily from continued permanent and casual vacancies plaguing the department. This has impaired the preventative maintenance program and has required the use of contractors to supplement the delivery of services.
- Purchased services and materials are projected to be under budget by \$355,000. There will be anticipated savings in watermain break repairs and road restoration costs as a result of the favorable weather conditions experienced during the most recent winter, which will offset the additional use of contractors.

Infrastructure Capital Planning and Business Improvement Sections are projecting savings in salaries and benefits of \$600,000 due to unfilled vacancies. Although some progress has been made in hiring contract staff these vacancies will cause a delay in implementing some Master Plan recommendations and business improvement reviews.

Total revenues are projected to be over budget by \$600,000.

- Other revenues including bulk water sales and hauled liquid waste fees are expected to exceed budgets by \$300,000.
- User fee revenues are anticipated to exceed budgets by \$300,000. This additional revenue is due to surpluses from private hydrant charges, sprinkler charges, and interest and penalties. These additional revenues were offset by lower than anticipated consumption (12.9 million CuM versus 13.0 million CuM) based on data provided from our business partner Greater Sudbury Utilities. Staff will continue to monitor the consumption and will reassess the projection for the remainder of the year.

There is a projected net under expenditure of \$250,000 in water services and a projected net over expenditure of \$750,000 in wastewater services. 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.

Summary

As per the attached chart, the City is projecting a net year-end surplus of \$8.4 million. Any surplus in roads winter control, net of the completion of some additional summer roads maintenance activities, may be contributed to the Roads Winter Control Reserve Fund depending on overall corporate financial position.