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| Presented To: | Audit Committee       |
| Presented:    | Tuesday, Jun 16, 2015 |
| Report Date   | Tuesday, May 26, 2015 |
| Type:         | Managers' Reports     |

## Request for Decision

### 2014 Operating Budget Variance Report - December

#### Recommendation

THAT the City of Greater Sudbury accepts the report dated May 26, 2015 from the General Manager of Assets and Finance/Chief Financial Officer regarding the Year End Operating Budget Variance Report.

#### Executive Summary

This report provides Council with an analysis of the City's year-end position. The 2014 deficit of approximately \$2.5 Million will be funded equally from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund – General in accordance with the Reserves and Reserve Fund by-law.

#### Background

The purpose of this report is to provide Council with an overview of year-end variances. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy and bylaw. Council is provided with a variance report after each quarter end. This report is an update from the year-end forecast provided to Council in November 2014 and the projections included in the 2015 budget binder.

In accordance with the Reserves and Reserve Funds by-law, certain service areas within the City that experienced a net under expenditure may retain this under expenditure if it does not put the City in a deficit position or increase the deficit; these areas include Professional Development, Information Technology, Pensioners, Land Reclamation Services, Social Housing Services, Library Services and Police Services. The total net under expenditures for these areas was approximately \$750,000, however these areas did not retain their respective surpluses for 2014 as a result of the municipal deficit.

In accordance with the by-law, any net over expenditure related to winter roads maintenance may be funded from the Roads Winter Control Reserve Fund, and any other deficit shall be funded equally from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund- General. Given the potential volatility of winter weather conditions, management felt it was prudent to not access the Roads Winter Control Reserve Fund as it only has a balance of \$3 Million. Therefore, the deficit will be funded from the two other sources.

Attached is an additional chart that reflects the annual net budget, year-end position and variance for each area. In accordance with the Operating Budget Policy, the following explanations relate to areas where a variance of greater than \$200,000 resulted within a division or section.

#### Variance Explanations

#### Signed By

**Report Prepared By**

Barbara Dubois  
Co-ordinator of Budgets  
*Digitally Signed May 26, 15*

**Division Review**

Ed Stankiewicz  
Manager of Financial Planning &  
Budgeting  
*Digitally Signed May 26, 15*

**Recommended by the Department**

Lorella Hayes  
General Manager of Assets and  
Finance/Chief Financial Officer  
*Digitally Signed May 27, 15*

**Recommended by the C.A.O.**

Bob Johnston  
Interim Chief Administrative Officer  
*Digitally Signed Jun 3, 15*

### **1) Taxation Levy**

There is a negative variance in this cost centre of \$340,000 as follows:

- Supplementary taxation revenue less than budgeted \$230,000
- Provincial payments in lieu of taxation revenue less than budgeted \$260,000
- Under expenditure for tax write offs \$70,000
- Net under expenditure for vacancy rebates, charity rebates and senior tax grants total \$80,000

### **2) Other Revenues and Expenses**

This area is reflecting a net positive variance of \$780,000 as follows:

- Increased investment income primarily from capital gains realized on sale of bonds, due to favorable market conditions in the 4th quarter \$720,000
- Increased interest revenue on property tax arrears of \$190,000
- Miscellaneous net revenue exceeded budget by \$100,000
- Reduction in OLG slot revenue of \$230,000

### **3) Information Technology**

There is a net under expenditure of approximately \$395,000 primarily due to:

- reduced costs to maintain our telephone systems \$200,000
- the delay of some purchases as a result of staff being committed to other projects and a conscious effort to reduce discretionary spending \$195,000

The net under expenditure would have been contributed to the Capital Reserve Fund Information Technology in accordance with the Reserves and Reserve Fund by-law had the City not been in a deficit position.

### **4) Financial Services**

There is a net under expenditure in Finance of \$290,000 as follows:

- revenue from tax administration user fees exceeding budgeted estimates of the volume of transactions \$240,000
- the turnover of staff as a result of retirements and a conscious effort to reduce discretionary expenditures generated a \$50,000 net positive variance

### **5) Human Resources**

The net under expenditure of \$230,000 in this division is comprised of:

- Under expenditure in early retirement benefit costs \$140,000
- Reduction in human resources legal and purchased service costs through increased use of grievance mediation and a conscious effort to reduce expenditures \$90,000

The net under expenditure in Pensioners benefits would have been contributed to the Post Employment Benefit Reserve Fund in accordance with the Reserves and Reserve Fund by-law had the City not been in a deficit position.

### **6) Asset Services**

The net under expenditure of \$230,000 for this section is as follows:

- Approximately \$180,000 was received as a result of an audit conducted in accordance with the provisions of the Thermal Energy Service Agreement for Tom Davies Square
- Unbudgeted net lease revenue received from Fielding Road property prior to sale \$70,000
- Offsetting other net over expenditures \$20,000

### **7) Environmental Services**

The net over expenditure of \$1.5M is a result of the following items:

- Reduction in tipping fee revenues as less industrial, commercial and building related waste has been disposed of at the landfill sites \$460,000
- Increased landfill cover material costs \$590,000; additional cover was required as a result of moving the tipping face to the north side of the site in attempt to alleviate odour concerns, and the rainy season and slope of the tipping face made it difficult to maintain required quantities of cover material on the landfill
- Over expenditure in leaf and yard processing as a result of increased contract costs and higher than estimated quantities \$650,000
- Offsetting under expenditures for Walden landfill costs and household hazardous waste processing costs \$200,000

## **8) Housing Services**

A number of factors contributed to the net under spending of \$210,000 for this Division:

- Non-Profit mortgage renewals came in at lower than expected rates reducing the amount of mortgage subsidy required \$80,000
- The amount of rent-geared-to-income subsidy required by providers was less than expected due to slightly higher tenant incomes and work being deferred to next year \$130,000

The net under expenditure in Housing Services would have been contributed to the Social Housing Capital Reserve Fund in accordance with the Reserves and Reserve Fund by-law had the City not been in a deficit position.

## **9) Pioneer Manor**

There is a net over expenditure of \$330,000 as follows:

- Increased new hire orientation and training costs as a result of staff turnover \$180,000
- Modified work costs exceeding budget \$120,000
- Natural gas costs exceeding budget \$30,000

## **10) Social Services**

There is a net positive variance of \$1,670,000 as follows:

- A positive variance of \$435,000 as a result of the conscious effort to reduce discretionary spending coupled with the turnover of staff as a result of retirements, short term disabilities, long term disabilities as well as the recovery from Union representatives
- Strategically utilizing both Federal and Provincial funding in the homelessness programs, including the one-time funding received from the Ministry of Community and Social Services this generated a net positive variance of \$180,000
- in accordance with new reporting requirements and the completion of prior years reconciliations, net transition funding of \$1,055,000 for the 2012 and 2013 years received from the Ministry of Community and Social Services has been recognized in revenue in the current year

## **11) Leisure Services**

The net over expenditure of \$400,000 in this division is as follows:

- Over expenditure for utilities of \$220,000; Hydro One billing issues resulted in some 2013 hydro invoices not being received until mid 2014, and natural gas as a result of commodity prices exceeding budget and a colder than average winter
- Extended ski season by 1 month due to favorable winter weather conditions which generated limited revenues and additional expenses as increased usage primarily came from season pass holders resulting in \$180,000 deficit
- Other over expenditures (excluding utilities) in Parks \$70,000, Fitness Centres \$30,000, Pools \$80,000 and Arenas \$20,000 were offset by under spending in leisure administration, leisure programs and community partnerships \$200,000

## **12) Roads Maintenance**

The net over expenditure for Roads maintenance is \$2.5 Million as follows:

- The snowfall in 2014 was 22% higher than average and resulted in an over expenditure in salting, sanding, plowing, winter ditching and spring cleanup activities of \$2.65 Million
- Reduction in discretionary spending including summer roads maintenance to offset over expenditure in winter \$150,000

In accordance with the Reserves and Reserve Fund bylaw, any Roads Winter Control over expenditure may be funded from the Roads Winter Control Reserve Fund, however no withdrawal from the Roads Winter Control Reserve Fund was made.

## **13) Transit and Fleet**

The year-end deficit of about \$1.96 million consists of \$1.3 million in Transit and \$660,000 in Fleet.

The Transit net over expenditure of \$1.3 Million is comprised of the following items:

- Higher than budgeted transit bus parts and maintenance costs due to a combination of increased frequency of repairs and the rising costs for parts \$380,000
- Increased Handi Transit demand and fare parity legislation \$340,000

- Market prices for Transit diesel fuel exceeding budget \$170,000
- Decrease in Transit fare box revenues, despite overall ridership growth as ridership increases were primarily from university and monthly pass users \$160,000
- Unbudgeted modified work program costs and new hire training for bus operators \$150,000
- Increased snow removal costs at downtown terminal and bus shelter due to heavier than normal winter conditions \$100,000

The Fleet net over expenditure of \$660,000 is a result of:

- Higher than budgeted vehicle and equipment parts and repair costs due to extreme weather conditions, above average snowfall and the age of vehicles beyond their expected useful life. In addition, the increased winter control vehicle usage resulted in increased regular scheduled and unplanned maintenance activity.

#### **14) Fire Services**

The 2014 year end net over expenditure for Fire Services is \$285,000 as follows:

- Cost overruns related to fire facilities for snow removal and energy costs \$95,000 and vehicle maintenance \$90,000
- Additional wage and benefit costs related to the retirement of Fire Chief and Deputy Fire Chief and unbudgeted overtime for Platoon Chiefs \$100,000
- Overtime for full time firefighters is over budget \$200,000 which is offset by under spending in Volunteer firefighter section \$200,000.

#### **Non Tax Levy Supported Areas:**

In addition to the operating variances reported above, there are a number of areas which are not funded by the municipal tax levy, and therefore any over or under expenditures result in increased contributions to or from Reserves. The chart below indicates the variances between the budgeted and actual contributions to reserve for these areas. Water and wastewater variances are included in a separate report.

| Area                | Budgeted Contribution to/(from) Reserve | Actual Contribution to/ (from) Reserve | Increase(Decrease) in Contribution to Reserve |
|---------------------|---|--|---|
| Parking Services    | \$637,699                               | \$582,809                              | (\$54,890)                                    |
| Building Services   | (\$184,367)                             | \$8,157                                | \$192,524                                     |
| Cemetery Services   | \$251,552                               | \$56,556                               | (\$194,996)                                   |
| RBC Business Centre | (\$122,944)                             | 0                                      | \$122,944                                     |

#### **Summary**

As per the attached chart, the City's net year end deficit of \$2.5 Million is funded in accordance with the Reserve and Reserve Fund By-law by a draw from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund – General of \$1.26 Million each.

City of Greater Sudbury  
Corporate Net Revenue and Expenditure Summary  
For the Year ended December 31, 2014



|                                      | Annual<br>Net Budget | Y-T-D<br>Actuals     | Net (Over) Under<br>Expenditure | Notes*   |
|--------------------------------------|----------------------|----------------------|---------------------------------|----------|
| Taxation Levy                        | (238,282,038)        | (237,944,962)        | (337,076)                       | 1        |
| Grants and Subsidies                 | (31,456,400)         | (31,456,400)         | 0                               |          |
| Other Revenues                       | (10,709,768)         | (11,488,330)         | 778,562                         | 2        |
| United Way                           | 25,144               | 16,144               | 9,000                           |          |
| Other Revenues and Expenses          | (10,684,624)         | (11,472,186)         | 787,562                         |          |
| <b>TOTAL CORPORATE NET REVENUES</b>  | <b>(280,423,062)</b> | <b>(280,873,547)</b> | <b>450,485</b>                  |          |
| <b>Executive and Legislative</b>     |                      |                      |                                 |          |
| Office of the Mayor                  | 619,578              | 562,155              | 57,423                          |          |
| Council Memberships & Travel         | 71,479               | 73,286               | (1,807)                         |          |
| Council Expenses                     | 1,026,897            | 941,819              | 85,078                          |          |
| Healthy Community Initiatives        | 600,000              | 600,000              | 0                               |          |
| Auditor General                      | 367,130              | 289,414              | 77,716                          |          |
| Office of the C.A.O. Summary         | 1,556,194            | 1,455,983            | 100,211                         |          |
| <b>Executive and Legislative</b>     | <b>4,241,278</b>     | <b>3,922,657</b>     | <b>318,621</b>                  |          |
| <b>Administrative Services</b>       |                      |                      |                                 |          |
| Ex Director Admin Services           | 440,527              | 342,574              | 97,953                          |          |
| Clerks Administrative Services       | 609,977              | 497,030              | 112,947                         |          |
| Election Services                    | 228,000              | 228,000              | 0                               |          |
| Information Technology               | 0                    | (395,032)            | 395,032                         | 3        |
| Debt -Contribution to Capital        | 467,110              | 467,110              | 0                               |          |
| Legal Services                       | 1,523,877            | 1,411,420            | 112,457                         |          |
| Corp Security & Court Services       | (1,458,830)          | (1,501,773)          | 42,943                          |          |
| <b>Administrative Services</b>       | <b>1,810,661</b>     | <b>1,049,329</b>     | <b>761,332</b>                  |          |
| <b>Financial Services</b>            | <b>7,395,087</b>     | <b>7,100,994</b>     | <b>294,093</b>                  | <b>4</b> |
| <b>Human Resources and O.D.</b>      | <b>0</b>             | <b>(230,528)</b>     | <b>230,528</b>                  | <b>5</b> |
| <b>Growth and Development Dept.</b>  |                      |                      |                                 |          |
| Growth and Development Other         | 292,741              | 286,512              | 6,229                           |          |
| Economic Development                 | 4,778,422            | 4,684,819            | 93,603                          |          |
| Planning and Development             | 4,595,689            | 4,504,282            | 91,407                          |          |
| Sudbury Airport Personnel            | 0                    | 0                    | 0                               |          |
| Building & Compliance Summary        | 446,208              | 497,833              | (51,625)                        |          |
| Asset Services Summary               | 4,614,649            | 4,382,918            | 231,731                         | 6        |
| Environmental Services Summary       | 10,797,560           | 12,296,009           | (1,498,449)                     | 7        |
| <b>Growth and Development Dept.</b>  | <b>25,525,269</b>    | <b>26,652,373</b>    | <b>(1,127,104)</b>              |          |
| <b>Community Development Dept.</b>   |                      |                      |                                 |          |
| Community Development - GM           | 4,608,773            | 4,568,460            | 40,313                          |          |
| Administrative-Financial Serv.       | 399,001              | 318,449              | 80,552                          |          |
| Housing Services Summary             | 20,349,545           | 20,140,547           | 208,998                         | 8        |
| Long Term Care-Senior Services       | 3,523,107            | 3,851,788            | (328,681)                       | 9        |
| Social Services Summary              | 8,687,922            | 7,017,839            | 1,670,083                       | 10       |
| Citizen Services Summary             | 11,385,063           | 11,290,986           | 94,077                          |          |
| Leisure-Recreation Summary           | 18,029,956           | 18,428,495           | (398,538)                       | 11       |
| <b>Community Development Dept.</b>   | <b>66,983,367</b>    | <b>65,616,563</b>    | <b>1,366,804</b>                |          |
| <b>Infrastructure Services Dept.</b> |                      |                      |                                 |          |
| Infrastructure Services Other        | 213,356              | 210,642              | 2,714                           |          |
| Public Works Depots                  | 1,181,676            | 1,241,450            | (59,774)                        |          |
| Engineering Services                 | 0                    | 0                    | 0                               |          |
| Water - Wastewater Summary           | 3,262,136            | 3,262,136            | 0                               |          |
| Roads Maintenance Summary            | 65,591,468           | 68,047,398           | (2,455,930)                     | 12       |
| Transit and Fleet Summary            | 13,180,290           | 15,141,237           | (1,960,947)                     | 13       |
| <b>Infrastructure Services Dept.</b> | <b>83,428,926</b>    | <b>87,902,863</b>    | <b>(4,473,937)</b>              |          |
| <b>Emergency Services Summary</b>    |                      |                      |                                 |          |
| Chief Office                         | 0                    | 0                    | (0)                             |          |
| Emergency Management                 | 670,488              | 553,950              | 116,538                         |          |
| CLELC Section                        | 261,609              | 414,726              | (153,117)                       |          |
| Emergency Medical Service            | 9,673,631            | 9,696,869            | (23,239)                        |          |
| Fire Services                        | 22,925,255           | 23,210,538           | (285,283)                       | 14       |
| <b>Emergency Services Summary</b>    | <b>33,530,982</b>    | <b>33,876,084</b>    | <b>(345,102)</b>                |          |
| <b>Outside Boards</b>                | <b>57,507,491</b>    | <b>57,507,491</b>    | <b>0</b>                        |          |
| <b>TOTAL NET EXPENDITURES</b>        | <b>280,423,061</b>   | <b>283,397,825</b>   | <b>(2,974,764)</b>              |          |
| <b>DEFICIT</b>                       | <b>(\$0)</b>         | <b>\$2,524,278</b>   | <b>(2,524,278)</b>              |          |

To be funded from:  
Tax Rate Stabilization Reserve 1,262,139  
Capital Financing Reserve Fund - General 1,262,139  
Total Deficit funded from reserve 2,524,278