

Executive Summary

This report provides the Finance and Administration Committee with a forecast of the City's year-end position based on revenues and expenditures to the end of August 2019. The projected deficit for 2019 is approximately \$7.0 million.

Background

The purpose of this report is to provide Council with an updated projection of the municipality's year-end position including potential year-end variances based on results as of August 31st. The monitoring and reporting of variances is conducted in accordance with the Operating Budget Policy and bylaw. Council is provided with a variance report quarterly. This report is an update from the May month-end projection provided to the Finance and Administration Committee in August 2019.

Attached is a 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

1) Revenue Summary

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

- Increased tax write-offs of \$500,000 as a result of recent decisions on property appeals.
- A shortfall in supplementary taxation of \$400,000 due to lower than anticipated assessment growth in year.
- The Ontario Municipal Partnership Fund allocation was announced higher than anticipated at the time of budget preparation by \$130,000.
- Payments in lieu of taxation have resulted in higher than anticipated revenues by \$20,000.

2) Office of the CAO

This area is reflecting a projected net under expenditure of \$260,000 as follows:

- Under expenditure in salaries and benefits for communication and community engagement of \$260,000 due to vacancies.

3) Legal and Clerks Services

This area is reflecting a projected net under expenditure of \$300,000 as follows:

- A shortfall in revenues from Provincial Offences Act fees net of the victim fine surcharge of \$40,000.
- Under expenditure in salaries and benefits of \$260,000 due to vacancies in year.
- Over expenditures in legal costs of \$70,000 for external legal resources resulting from a number of protracted litigation files.
- Under expenditure in adjudication and collection services of \$120,000.
- Under expenditure of \$20,000 for services of the Integrity Commissioner.
- Under expenditures in materials and office expenses for Archives of \$10,000.

4) Finance, Assets & Fleet

This area is projecting a combined net over expenditure of \$790,000. The projected variances per section are as follows: Finance – under expenditure of \$320,000; Assets - under expenditure of \$100,000; and Fleet – over expenditure of \$1,210,000.

The Finance net under expenditure of \$320,000 is primarily a result of:

- Higher than anticipated user fees for taxation of \$290,000.
- Under expenditure in salaries and benefits due to vacancies of \$70,000.

- Increased costs of \$40,000 related to printing of the property tax bills, the 2019 budget document, and mailing of tax bills and registered letters.

The Fleet net over expenditure of \$1,210,000 is primarily a result of:

- Over expenditure in transit maintenance costs of \$1.04M are primarily the results of continued costs associated with maintaining an aging bus fleet, particularly parts and unanticipated emergency repair that had to be contracted out. Furthermore, recommendations from the Transit Action Plan to add service and bus availability have further increased costs and will continue to do so until the end of the year.
- Over expenditure in fleet services of \$170,000, largely a result of fleet vehicles remaining in service beyond their useful lives. Staff continue to work on finding better prices for parts, improve ordering and maintenance practices and continue to pursue contracts for other parts and services.

5) Long Term Care

The projected year-end net over expenditure of \$790,000 is a result of:

- Under expenditure in utility costs of \$230,000 due to savings from the use of more efficient technology.
- Increase in revenues of \$110,000 as a result of supplier incentives.
- Over expenditure in salaries and benefits of \$860,000 due to increased benefits related to introduction of short-term and long-term disability programs for CUPE employees.
- Lower than anticipated Case Management Index (CMI) funding rate of \$340,000, offset by an increase of \$70,000 in provincial funding related to extensions of special funding programs.

6) Leisure and Recreation

This area is projecting a net over expenditure of \$210,000 as follows:

- A shortfall in user fee revenues of \$280,000 for arenas, fitness centres, ski hills, pools, and community halls.
- An over expenditure of \$240,000 due to additional winter maintenance required to remove snow load for leisure facilities.
- An over expenditure of \$110,000 due to repairs and maintenance of aging leisure facilities.
- Under expenditures in salary and benefits of \$65,000 due to vacancies in year and a reduction in part time hours to respond to programming requirements.
- Under expenditures in utility costs of \$310,000 due to efficiencies and energy saving initiatives.
- Increased licensing and lease revenues of \$45,000 due to Kivi Park sports and tower rental revenue.

7) Transit

The projected year-end net over expenditure in Transit of \$690,000 consists of the following:

- Over expenditure in salary and benefits for transit bus operators of \$420,000 primarily due to changes as a result of the collective bargaining process, unplanned resources required for the successful launch of the new GOVA services, as well as modified work and unplanned overtime.
- Over expenditure due to increased shelter and bus stop snow removal of \$140,000 as a result of harsh winter conditions.
- Over expenditure in transit bus maintenance \$130,000 is due to continued component and farebox failures and vehicle body work requirements.

8) Linear Infrastructure Maintenance

The projected year-end net over expenditure in Linear Infrastructure Services of \$4.1 million is a result of:

- Roads winter control is anticipating an over expenditure of \$4.7 million by year-end. This is largely due to snow accumulation requiring additional plowing and removal, as well as additional street sweeping and pothole repairs. The City received 262 cm. of snow (8.6 feet) to date in 2019, compared to the 30-year average of 164 cm., or 5.4 feet.
- Summer operations is anticipating a \$600,000 surplus from the extensions of winter control related activities and therefore a delay in summer maintenance commencing.

9) Environmental Services

This area is reflecting a projected net under expenditure of \$240,000 as follows:

- An increase in tipping fee revenues based on higher than average fee rates to date.

10) Fire Services

The projected year-end net over expenditure in Fire Services of \$310,000 consists of the following:

- Over expenditures in salaries and benefits of \$310,000 in overtime as a result of front-line staff shortages, offset by WSIB absences.

11) Police Services

The projected year-end net over expenditure in Police Services of \$340,000 consists of the following:

- Higher than budgeted relief staffing primarily in communications and criminal investigations division.
- Higher than anticipated overtime due to significant disclosure timing requirements and staffing.
- Higher than budgeted outside legal counsel.
- Reduced Prisoner Transportation and Court Security Revenue of approximately \$43,000.

Water / Wastewater Services

Water / Wastewater Services is projecting an overall net over expenditure of \$90,000 as follows:

- User fee revenues are projected to be under budget by \$825,000 as actual billed consumption is estimated to be 13.3 million cubic metres while the budget for 2019 is 13.5 million cubic metres.
- Administrative salaries and benefits are projected to be under budget by approximately \$550,000 due to staffing vacancies in positions approved during previous budget deliberations. This has resulted in the delay in the implementation of capital projects recommended in the Water Wastewater Master Plan and Asset Management Plan.
- Distribution and Collection Services is projected to be under budget by approximately \$350,000 as a result of City crews assuming the responsibility for performing emergency repairs to its linear infrastructure. Due primarily to favourable weather conditions there were a below average number of breaks in 2017 and 2018. There have been 53 watermain breaks through the end of August 2019. That compares to 59 in 2018 (93 annual) and 63 in 2017 (88 annual). Using own crews to complete emergency repairs has resulted in less planned maintenance work being performed. This will be mitigated in the future with additional permanent staff approved during recent collective bargaining negotiations.
- In summary, Water is projecting an under expenditure of \$545,000 which will be contributed to the Capital Financing Reserve Fund – Water in accordance with policy. Wastewater is projecting an over expenditure of \$635,000 which will be funded by a contribution from the Capital Financing Reserve Fund-Wastewater in accordance with policy.

Summary

This is the third year-end projection report. Results based on May month-end anticipated a deficit of \$7.3 million. Since then staff have worked to reduce the anticipated deficit and plans for salary gapping and reduced discretionary spending are helping. Staff will continue to follow this approach in efforts to further mitigate the deficit. As previously discussed, the anticipated annual debt repayments for large projects in the amount of \$3.65 million can also be used to offset the deficit at year-end as the City has not issued debt for these projects. If required, staff will also identify capital projects to be cancelled and redirect those funds.

As per the attached chart, the City's projected net year-end position after the mitigation efforts noted above will be funded from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund – General in accordance with the Reserve and Reserve Fund by-law.