

## Request for Decision

### 2011 Operating Budget Variance Report - September

Presented To:	Finance Committee
Presented:	Thursday, Nov 24, 2011
Report Date	Wednesday, Nov 16, 2011
Type:	Managers' Reports

### Recommendation

That Finance Committee accept the September 30, 2011 Variance Report dated November 16, 2011, from the Chief Financial Officer/Treasurer outlining the projected year end position.

### Executive Summary

This report provides a year end projection based on expenditures and revenues to the end of September 2011. This projection has been developed based on input from all operating departments. At this point, staff is forecasting a net under expenditure of approximately \$4.8 million, which will be contributed equally to Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund - General. In addition, the 2012 budget proposes the funding of three budget enhancement options totalling approximately \$760,000 from the Tax Rate Stabilization Reserve.

### Background

The purpose of this report is to provide Council with an overview of potential year-end variances. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy and by-law.

For this September projection, departments reviewed all accounts under their areas of responsibility and provided a projection for the year end variance. Based on this exercise, the data has been compiled and a year-end net under expenditure of approximately \$4.8 million (net of transfer to reserves) has been projected.

This report will provide explanations regarding the potential year end position and explains variances in excess of \$200,000 in a division or section.

The Reserves and Reserve Funds By-law allows certain operations to keep the net under expenditure generated in their respective areas, only if this does not put the municipality in a deficit position; these areas include Information Technology, Land Reclamation Services, Social Housing Services, Police Services and professional development. The total net under expenditures for these areas are estimated to be approximately \$500,000. (\$320,000 in Information Technology, \$90,000 in Social Housing Services and \$90,000 in Police Services).

In accordance with the by-law, the overall net under expenditure would be contributed equally to the Tax Rate Stabilization Reserve and the Capital Financing General Reserve Fund - General.

Attached is a chart that reflects the annual budget, projection and variance.

#### Signed By

**Report Prepared By**

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*Digitally Signed Nov 16, 11*

**Recommended by the Department**

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

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

### **1) Taxation Levy**

Staff has determined that a positive variance of approximately \$1.4 million will occur in supplementary taxation based on final supplementary roll figures received in October. In the area of tax write offs, it is projected that a year-end over expenditure of approximately \$200,000 is realistic as there are still some large appeals outstanding. However, this over expenditure is offset somewhat by slightly higher payment in lieu of taxation revenue, leaving this entire section in a \$1.4 million net under expenditure.

### **2) Other Revenues**

Based on better financial market conditions for bonds, and the City's investment strategy, it appears that by year end investment income could exceed budgeted values by \$2.2 million. Uncertainty in the world economy has caused more investors to attempt to find a safe haven in the bond market, thus lowering yields. As a result, bonds have appreciated in value and City staff has taken full advantage of this situation. To date the City has realized one time additional revenue exceeding \$2.0 million from the sale of these bonds. Other miscellaneous items have also generated a net under expenditure, thus overall this section will realize a positive variance of \$2.3 million.

### **3) Administrative Services**

Costs in the Legal Services Section are projected to be over budget by approximately \$240,000 as a result of two major litigation cases which are currently going through very active phases of the lawsuits. Small surpluses in Clerks, Communications and Provincial Offences totalling \$130,000 will be used to mitigate the Legal over expenditures. Overall the Administrative Services Division is forecasting a net under expenditure of approximately \$200,000 prior to any contributions to reserve. However, in accordance with the Reserve and Reserve Fund By-law, Information Technology's (IT) projected net under expenditure of \$320,000 will be transferred to the Capital Financing Reserve Fund – Information Technology. The IT net under expenditure is due to staff health related absences and difficulties in recruiting staff to fill short term vacancies.

### **4) Environmental Services**

The anticipated net under expenditure of \$380,000 is largely a result of higher than expected tipping fee revenues, sale of recycled materials and operating revenues from multi-unit residential properties on the City's collection program.

### **5) Long Term Care and Senior Services**

The estimated 2011 budget net over expenditure for Pioneer Manor is \$980,000. The main contributors of this over expenditure are staffing shortages and modified work as a result of staff injuries which results in unbudgeted overtime costs, unbudgeted costs associated with the utilization of staffing agencies and unbudgeted hours/costs to replace modified workers .

### **6) Social Services**

This division is reflecting a year end net under expenditure of approximately \$430,000. This is resulting from slightly lower costs than budgeted, high staff turnover, and union leaves throughout the year.

### **7) Roads Maintenance and Winter Control**

The favourable weather conditions resulted in the limited use of contracted services and materials in sanding/salting and plowing, snow removal, and sidewalk maintenance and has resulted in a projected year end net under expenditure of approximately \$1.2 million. Since this activity is very weather dependent, the final year end position may fluctuate considerably.

### **8) Fleet**

Fleet Services is projecting a net over expenditure of approximately \$310,000 as a result of slightly higher labour costs but primarily due to the continuing trend of high mechanical material repair costs. These costs have experienced budget pressures on an annual basis. The main causes for the projected over expenditure are the increases in preventable damage claims to date, the aging fleet requiring higher levels of repairs and maintenance, as well as material price increases exceeding general inflation. Material prices have risen significantly and are a direct result of increases in crude oil prices (used in machinery to manufacture majority of vehicle/equipment parts) and other metals such as steel, a common compound found in many vehicle materials.

## **Summary**

Based on the revenues and expenditures to the end of September 2011, and the projections provided, a year-end net under expenditure for the municipality of approximately \$4.8 million is projected.

The majority of the year end variance has been generated by non-recurring items such as supplemental taxes, investment income and winter control. These areas are highly dependent on external forces and budget variances will occur.

# Revenue & Expense Projection

As of September 30, 2011



	Projected Year End Total	Budget for Year	Projected \$ Variance	Projected % of Budget
Taxation Levy	(214,225,623)	(212,869,920)	1,355,703	101 %
Grants and Subsidies	(32,172,600)	(32,172,600)	-	100 %
Other Revenues and Expenses	(13,560,664)	(11,219,023)	2,341,641	121 %
<b>Corporate Revenue &amp; Expenditures</b>	<b>(259,958,888)</b>	<b>(256,261,543)</b>	<b>3,697,345</b>	<b>101 %</b>
	-		-	
Office of the Mayor	552,739	607,624	54,885	91 %
Council Expenses	980,557	1,021,069	40,512	96 %
Auditor General	359,754	359,754	(0)	100 %
Office of the C.A.O.	548,175	548,175	(0)	100 %
<b>Executive &amp; Administration Dept</b>	<b>2,441,225</b>	<b>2,536,622</b>	<b>95,397</b>	<b>96 %</b>
	-		-	
Information Technology	(324,238)	(4,421)	319,817	7,334 %
Communication and French Lang	836,853	865,556	28,703	97 %
Ex Director Admin Services	602,989	602,989	(0)	100 %
Debt -Contribution to Capital	325,000	325,000	-	100 %
Legal Services	1,640,045	1,398,177	(241,868)	117 %
Clerks Services	767,924	810,516	42,592	95 %
Election Services	268,000	268,000	0	100 %
Provincial Offences	(1,572,114)	(1,517,008)	55,106	104 %
<b>Administrative Services</b>	<b>2,544,460</b>	<b>2,748,809</b>	<b>204,349</b>	<b>93 %</b>
<b>Human Res &amp; Org Dev</b>	<b>(161,933)</b>	<b>(86,988)</b>	<b>74,945</b>	<b>186 %</b>
	-		-	
Growth and Development Other	1,714,992	1,716,058	1,066	100 %
Economic Development	3,068,202	3,078,822	10,620	100 %
Planning and Development	4,432,443	4,588,377	155,934	97 %
Sudbury Airport Personnel	(1)	(1)	0	100 %
Building and Compliance Summary	327,050	287,390	(39,660)	114 %
Asset Management Summary	4,281,696	4,389,329	107,633	98 %
Environmental Services Summary	8,839,167	9,217,168	378,001	96 %
<b>Growth &amp; Development Services</b>	<b>22,663,550</b>	<b>23,277,143</b>	<b>613,593</b>	<b>97 %</b>
<b>Financial Services</b>	<b>7,667,053</b>	<b>7,775,377</b>	<b>108,324</b>	<b>99 %</b>
	-		-	
Community Development - GM	(1,963,338)	(1,873,491)	89,847	105 %
Administrative-Financial Serv.	303,783	307,860	4,077	99 %
Regional Geriatric Services	214,406	214,406	0	100 %
Housing Services Summary	18,290,024	18,376,838	86,814	100 %
Long Term Care-Senior Services	4,637,036	3,656,696	(980,340)	127 %
Social Services Summary	9,659,275	10,084,666	425,391	96 %
Citizen Services Summary	11,407,529	11,465,683	58,154	99 %
Leisure-Recreation Summary	18,405,201	18,416,324	11,123	100 %
<b>Community Development</b>	<b>60,953,915</b>	<b>60,648,982</b>	<b>(304,933)</b>	<b>101 %</b>
	-		-	
Infrastructure Services Other	7,266	(3,505)	(10,771)	(207) %
Public Works Depots	1,189,258	1,172,920	(16,338)	101 %
Engineering Services	(136,980)	(136,980)	(0)	100 %
Water-Waste Water Summary	2,867,495	2,867,495	0	100 %
Roads Maintenance Summary	59,408,839	60,572,384	1,163,545	98 %
Transit and Fleet Summary	11,928,762	11,555,016	(373,746)	103 %
Operations MMMS Fringe Benefit	-	-	-	
<b>Infrastructure Services</b>	<b>75,264,640</b>	<b>76,027,330</b>	<b>762,690</b>	<b>99 %</b>
<b>Emergency Services Division</b>	<b>30,666,626</b>	<b>30,654,377</b>	<b>(12,249)</b>	<b>100 %</b>
	-		-	
Outside Boards Other	6,074,604	6,074,604	(0)	100 %
Police Services	46,517,444	46,605,287	87,843	100 %
<b>Outside Boards</b>	<b>52,592,048</b>	<b>52,679,891</b>	<b>87,843</b>	<b>100 %</b>
<b>Excess (Deficiency) of Revenue Over Expenses</b>	<b>5,327,304</b>	<b>-</b>	<b>5,327,304</b>	
<b>Contribution to Various Reserve Funds</b>			<b>(494,474)</b>	
<b>Revised Net Under Expenditure</b>			<b>4,832,830</b>	