

## Request for Decision

### 2010 Year End Operating Budget Variance Report

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Wednesday, Jun 15, 2011
Type:	Managers' Reports

### Recommendation

That the Audit Committee accept the 2010 Year End Operating Budget Variance Report dated June 15, 2011, from the Chief Financial Officer/Treasurer.

### Executive Summary

This report provides the Audit Committee with an analysis of the City's year end position and the variances between 2010 budget and actual results. The 2010 year end audit is complete, and the 2010 surplus of \$6 million has been contributed equally to the Tax Rate Stabilization reserve and the Capital Financing Reserve Fund General, in accordance with the Reserve and Reserve fund by-law.

### Background

Council is provided with a variance report after each quarter end is complete. This report is an update from the September 2010 year end forecast provided to Council in November 2010 and the verbal updates during 2011 budget deliberations.

The following summary depicts the total surplus and transfer to reserves.

<b>Year End Surplus, before final reserve transfers</b>	<b>\$10,040,000</b>
Contribution to Winter Control Reserve Fund	(\$2,100,000)
Contribution to Various Reserves - Information Technology, Land Reclamation, Social Housing, Police and Professional Development in accordance with the reserve and reserve fund by-law	(\$1,890,000)
<b>Surplus to be contributed to Tax Rate Stabilization Reserve and Capital Finance Reserve Fund General</b>	<b>\$6,050,000</b>

In accordance with the Reserves and Reserve Funds By-law, certain service areas within the City that experienced a net under expenditure retain this under expenditure if it does not put the City in a deficit position; these areas include Information Technology, Land Reclamation Services, Social Housing Services, Police Services and professional development. These surpluses totaled approximately \$1.89 million.

Since the City is in a surplus position, the Reserves and Reserve Funds By-law also permits a transfer to the Roads Winter Control Stabilization Reserve Fund up to a maximum balance of \$3 million. The maximum transfer for 2010 is \$2.1 million as the reserve balance as of December totaled \$900,000.

In accordance with the by-law, the net surplus of \$6 million is to be contributed equally to the Tax Rate Stabilization Reserve and the Capital Financing General Reserve Fund.

### Signed By

#### Report Prepared By

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Senior Budget Analyst  
*Digitally Signed Jun 15, 11*

#### Recommended by the Department

Lorella Hayes  
Chief Financial Officer/City Treasurer  
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#### Recommended by the C.A.O.

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Attached is an additional chart that reflects the annual budget, year end position and variance for each area. The following explanations relate to areas which experienced year end variances greater than \$200,000:

### **1) Taxation Levy**

The net surplus in this cost centre is the result of a positive variance of approximately \$5.1 million in supplementary taxation revenue based on supplementary rolls received for 2010. A normal part of the assessment process is the delivery of supplementary assessment rolls by MPAC which provides changes to the assessment base due to new construction and additions. The supplementary tax revenue for 2010 is unprecedented when reviewing past years of supplementary taxation. This can be attributed mainly to the significant growth in commercial, industrial and new residential development from 2008 to 2010.

Offsetting this revenue is an increase of approximately \$1.4 million in the provision for possible tax write offs, resulting in a net under expenditure of \$3.7 million.

After including other small positive variances, this section has realized a year end net surplus of approximately \$4.1 million.

### **2) Grants and Subsidies**

In 2010, the Province provided a \$45.4 million Ontario Municipal Partnership Fund (OMPF) grant to the City. The Social programs component of the grant is dependent on the City's Social Services Program costs. In 2010, the City's social services expenses were greater by \$1.3 Million than the Ministry of Finance 2010 OMPF allocation notice. Based on the 2009 OMPF reconciliation, no additional revenue is anticipated for 2010.

### **3) Other Revenues**

The positive net variance of \$2.7 million in this area is almost entirely due to investment income. Investment income surplus was a result of a better cash flow position than anticipated, and the City's new investment strategies.

Furthermore, unanticipated revenues were received in June relating to a refund for Natural Gas incurred in 2009.

### **4) Administrative Services**

This variance of \$420,000 is primarily a surplus of \$220,000 in Provincial Offences, resulting from the unanticipated collection a large fine, and small surpluses in clerk's services, communications, and the Executive Director's office. The Information Technology under expenditure is largely related to staff vacancies, as IT had at least 3 employees off during the year, which also resulted in project work that could not be completed due to staff shortages. In accordance with the Reserve and Reserve Fund By-law, Information Technology's surplus of \$510,000 was transferred to the Capital Financing Reserve Fund – Information Technology.

### **5) Planning and Development**

This section produced a net under expenditure of \$190,000 which is comprised of small positive variances within many cost centres, mostly due to savings in wages and benefits as a result of the difficulties experienced in filling positions. Land reclamation had a surplus as a result of the donations from Vale and Xstrata Nickel. In accordance with the Reserve and Reserve Fund By-law, Land Reclamation's surplus of \$249,000 will be transferred to the Land Reclamation reserve.

### **6) Asset Management**

This area produced an overall deficit of \$1.4 million which is almost entirely comprised of Fleet Services. The deficit is caused primarily by additional parts and maintenance (\$570,000) and labour costs (\$205,000) in order to maintain the City's aging fleet, as well as additional leasing costs (\$140,000) to meet operational requirements. Furthermore, there was a \$400,000 variance between budgeted and actual heavy equipment usage charges which is largely a result of reduced winter control activities due to a mild winter and the effects of an hourly fleet charge system in place for 2010. Assets and Finance have implemented a new fleet rental rate system for the 2011 budget that charges departments for vehicles and equipment on a fixed monthly rate regardless of usage for a consistent investment in future capital replacement. There are also further plans to prepare fleet policies with respect to fleet ownership, repairs and preventable/non-preventable maintenance.

### **7) Environmental Services**

The net under expenditure of about \$1.2 million is the result of several factors. Greater than anticipated market commodity pricing for the sale of recycled blue box materials produced a surplus of \$705,000 which was net of the CGS revenue sharing agreement. There were lower than expected costs in contractual services such as blue box recycling of \$105,000. The new tire funding program resulted in reduced processing costs of \$120,000 for tire recycling requirements, and Project and Studies costs for groundwater monitoring was under spent \$60,000 due to reduced

reporting requirements for 2010. The landfill gas system also produced additional revenues of \$78,000.

#### **8) Housing Services**

In the Non-Profit Housing Program, the anticipated increase in the demand for rent-geared-to-income subsidies was less than expected. Though the vacancy rates were raised slightly, many market renters occupying geared-to-income units either delayed or did not make the move to the private sector. Housing provider mortgage renewal rates were lower than anticipated resulting in an overall lower demand for mortgage subsidies. The combined impact of these factors resulted in a year end under expenditure of \$540,000. In accordance with the Reserve and Reserve Fund By-law, the net under expenditure in this area will be transferred to the Social Housing Capital Reserve Fund.

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

In May 2010, Council approved a staffing enhancement as a result of Long-Term Care Homes Common Assessment Project, new legislation and the conversion of interim to permanent beds, for an annual cost of \$400,000. At that time the projected over expenditure inclusive of all costs associated with new permanent positions was anticipated to be \$1.2 million.

The majority of the \$1.2 million over expenditure, is a result of overtime costs associated with a shortage of registered staff, modified work requirements and a Workers Safety and Insurance Board (WSIB) surcharge based on a high number of claims in 2009, and is partially mitigated by additional revenues.

#### **10) Social Services**

Lower caseload expenditures than budgeted for General Welfare Assistance and Sole Support along with lower administration costs have resulted in this area realizing a year end net under expenditure of \$930,000.

#### **11) Citizen Services**

The under expenditure of \$280,000 relates primarily to Children Services and can be attributed to variances in salaries and benefits, including savings due to maternity and parental leave replacements. Approximately \$220,000 was unspent in the Junior Citizens Day Care through vacancies and scheduling changes related to enrolment. As a result of these changes in enrolment, part time hours were reduced for the 2011 budget.

#### **12) Winter Roads Maintenance**

Due to a mild winter in 2010, winter control operations were approximately \$4.1 million under budget. The \$4.1 million under expenditure was incurred in sanding/salting and plowing (\$2.75 million), snow removal (\$650,000), ditching (\$280,000), sidewalk maintenance (\$210,000) and other miscellaneous road maintenance (\$200,000). In accordance with the Reserve and Reserve Fund By-law, \$2.1 million will be contributed to the Roads Winter Control Reserve Fund to reach the maximum allowable Reserve fund balance of \$3 million.

#### **13) Street lighting**

Based on information obtained from Greater Sudbury Utilities there was an increase in costs beginning February 2010 to adjust the distribution recovery rate (delivery charge) from 6% to 41%. The rates will be progressively increased to achieve an acceptable OEB cost ratio recovery in line with contractual obligations with power generators. As of July 2010 the recovery rate was increased to 55.65% and in 2011 will achieve 70% recovery of distribution costs. These market rate increases resulted in a year-end over expenditure in this area of \$570,000.

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

The deficit in this area is the result of an increase in salary and benefit costs related to a retroactive pay adjustment awarded under salary arbitration. Fire Services was projecting to be on budget prior to this award. The total 2010 over expenditure is approximately \$1.5 million.

#### **15) Police Services**

The Greater Sudbury Police Service had a net under expenditure of approximately \$510,000. The key contributing factor to the variance was reimbursement related to participation in the Olympic Games and the G8 and G20 summits during the year. Additionally, unanticipated revenues were received through joint force operations and grants. As well there were some savings realized through sick leave. In accordance with the Reserve and Reserve Fund by-law, the surplus will be transferred to the Capital Financing Reserve Fund – Police.

#### **Summary**

As per the attached chart, the City's year end surplus is comprised of a positive revenue variance of \$5.51 million or

2.2% of the budgeted revenue and a net under expenditure of \$540,000 or .2% of the budgeted expenses. The surplus of \$6 million will be contributed equally to the Tax Rate Stabilization Reserve and the Capital Financing General Reserve Fund.

**City of Greater Sudbury  
CORPORATE REVENUE  
EXPENDITURE SUMMARY**

**For the Period Ending: December 31, 2010**

	Annual Budget	Y-T-D Actuals	Surplus (Deficit)
Taxation Levy	(201,575,333)	(205,706,850)	4,131,517
Grants and Subsidies	(34,179,001)	(32,881,918)	(1,297,083)
Other Revenues	(10,147,050)	(12,826,136)	2,679,086
<b>Corporate Revenue</b>	<b>(245,901,384)</b>	<b>(251,414,904)</b>	<b>5,513,520</b>
<b>Executive - Administrative</b>	<b>2,195,900</b>	<b>2,056,601</b>	<b>139,299</b>
<b>Administrative Services</b>	<b>2,700,134</b>	<b>2,280,362</b>	<b>419,772</b>
<b>Financial Services</b>	<b>6,859,098</b>	<b>6,855,429</b>	<b>3,669</b>
<b>Human Res and Org Dev</b>	<b>(60,823)</b>	<b>(60,823)</b>	<b>0</b>
Growth - Development Services			
Growth and Development Other	1,198,964	1,209,758	(10,794)
Economic Development	3,419,403	3,460,245	(40,842)
Planning and Development	4,814,714	4,624,897	189,817
Sudbury Airport Personnel	1	0	1
Build Serv, Enforc & Compliance	385,352	472,620	(87,268)
Transit & Parking	10,282,425	10,403,608	(121,183)
Assets Management	3,869,047	5,270,644	(1,401,597)
Environmental Services	11,845,376	10,679,555	1,165,821
<b>Growth - Development Services</b>	<b>35,815,282</b>	<b>36,121,327</b>	<b>(306,045)</b>
Community Development Services			
Community Development - GM	(8,534,884)	(8,663,183)	128,299
Administrative-Financial Serv.	328,410	242,789	85,621
Regional Geriatric Services	0	0	0
Housing Services	17,925,617	17,925,617	0
Long Term Care-Senior Services	2,824,542	4,014,819	(1,190,277)
Social Services	16,652,748	15,726,268	926,480
Citizen Services	11,576,697	11,296,218	280,479
Leisure - Recreation Services	18,233,538	18,201,900	31,638
<b>Community Development Services</b>	<b>59,006,668</b>	<b>58,744,428</b>	<b>262,240</b>
Infrastructure Services			
Municipal Agricultural Drains	358,043	358,043	0
Water and Waste Water	2,901,377	2,901,377	0
Roads Contr To Capital	23,042,222	23,041,723	499
Summer Maintenance	13,976,895	14,050,409	(73,514)
Winter Maintenance	15,102,621	13,099,313	2,003,308
Road Engineering and Admin Costs	3,152,064	3,041,157	110,907
Streetlighting	1,805,596	2,379,453	(573,857)
<b>Infrastructure Services</b>	<b>60,338,818</b>	<b>58,871,475</b>	<b>1,467,343</b>
<b>Emergency Services Division</b>	<b>9,516,891</b>	<b>9,512,722</b>	<b>4,169</b>
<b>Fire Services</b>	<b>19,819,434</b>	<b>21,268,988</b>	<b>(1,449,554)</b>
Outside Boards Dept.			
Outside Boards (Health Unit and NDCA)	5,926,998	5,926,998	0
Police Services	43,782,984	43,782,984	0
<b>Outside Boards Dept.</b>	<b>49,709,982</b>	<b>49,709,982</b>	<b>0</b>
<b>TOTAL EXPENDITURES</b>	<b>245,901,384</b>	<b>245,360,490</b>	<b>540,895</b>
<b>Surplus to be Contributed to Tax Rate Stabilization Reserve and Capital Finance Reserve Fund General</b>	<b>0</b>	<b>(6,054,415)</b>	<b>6,054,415</b>