

Request for Decision

2011 Operating Budget Variance Report - March

Presented To:	Audit Committee
Presented:	Wednesday, Jun 22, 2011
Report Date	Thursday, Jun 16, 2011
Type:	Managers' Reports

Recommendation

That Audit Committee accept the March 31, 2011 Variance Report dated June 16, 2011, from the Chief Financial Officer/Treasurer outlining the projected year end position.

Executive Summary

This report provides a variance analysis of the City's first quarter results (January to March 31, 2011). Staff have identified areas where material year end variances in the operating budget may occur.

Background

The purpose of this report is to provide Council with a preliminary overview of potential year-end variances. The source used is the March 2011 Cost Centre Report, which includes expenditures and revenues for the first three months of the year. In many areas, only three months of data is not sufficient to identify potential variances; however in other areas, there may have been significant factors identified that may result in year-end variances.

A more detailed projection will be undertaken in the summer based on the expenditures and revenues contained in the June 2011 Cost Centre Report. During this process, each department will be requested to project a year-end value for each account. Based on this information, a corporate year-end projection will be made. Council will receive this report in September of 2011.

The following are areas where potential material year-end variances may occur:

1) Supplementary Taxation

It is anticipated that as a result of growth in the last few years, there will be a positive variance in this area. As in previous years, Finance is continually analyzing past building permits to ensure that the Municipal Property Assessment Corporation (MPAC) add completed projects to the assessment roll in a timely basis.

2) Fleet

Fleet Services is expecting an over expenditure of approximately \$500,000 as a result of the continuing trend of high mechanical material repair costs. These costs have experienced budget

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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 that requires 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. The projected deficit may be reduced if projected savings on vehicle conversion costs are realized.

3) Long Term Care and Senior Services

Like many other health care providers in the City of Greater Sudbury, Pioneer Manor continues to experience significant staffing shortages resulting in unbudgeted overtime costs. Pioneer Manor also continues to experience high levels of modified work costs as a result of staff injuries. The impact of these two items and other miscellaneous cost pressures is an estimated 2011 over expenditure of \$950,000.

4) Winter Control

Net under expenditures relating to sanding/salting and plowing, snow removal, snow plowing and sidewalk maintenance is estimated at \$1.39 Million as of April 30th. This section is weather dependant therefore making it challenging to project a potential year end position for this area. Given normal weather conditions for November and December of 2011, this area should reflect an under expenditure.

5) Water Wastewater Services

By the end of March, Water Services had responded to approximately 43 watermain breaks. Approximately 25% of the annual contract services budget has been spent, with large breaks on Barrydowne, Strudwick and University Road accounting for 20% of the \$278,000 spent to date. There is potential for this account to exceed budget if the number of breaks continue at the current frequency and magnitude.

Offsetting this is the fact that there have not been any sewer main breaks and savings in this area could compensate for any potential overage in watermain breaks.

Summary

This has been a preliminary review of the revenues and expenditures for the first three months of 2011. It is still too early to provide an accurate year-end projection. A more comprehensive review will take place after the June 2011 month end and Council will be presented with a corporate year-end projection in September. Quarterly reports will be prepared for Council throughout 2011.