

## For Information Only

### 2019 Operating Budget Variance Report - May

Presented To: Finance and  
Administration  
Committee

Presented: Tuesday, Aug 13, 2019

Report Date Wednesday, Jul 31, 2019

Type: Correspondence for  
Information Only

### Resolution

For Information Only

### Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

### Report 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 May 2019. The projected deficit for 2019 is approximately \$7.3 million.

### Financial Implications

There are no financial implications associated with this report.

#### Signed By

##### **Report Prepared By**

Liisa Lenz  
Coordinator of Budgets  
*Digitally Signed Jul 31, 19*

##### **Manager Review**

Jim Lister  
Manager of Financial Planning and  
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##### **Division Review**

Ed Stankiewicz  
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##### **Financial Implications**

Liisa Lenz  
Coordinator of Budgets  
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##### **Recommended by the Department**

Kevin Fowke  
General Manager of Corporate  
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*Digitally Signed Jul 31, 19*

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

Ed Archer  
Chief Administrative Officer  
*Digitally Signed Jul 31, 19*

## **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 May 2019. The projected deficit for 2019 is approximately \$7.3 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 May 31st. 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 quarterly. This report is an update from the 1<sup>st</sup> quarter projection provided to the Finance and Administration Committee in June 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 \$260,000 as follows:

- Increased tax write offs of \$500,000 as a result of recent assessment review board decisions on property appeals.
- 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 \$110,000.

### **2) Finance, Assets & Fleet**

This area is projecting a combined net over expenditure of \$790,000. The variances per section are as follows: Finance – under expenditure of \$110,000; Assets is projecting to be on budget; and Fleet – over expenditure of \$900,000.

The Finance net under expenditure of \$110,000 is primarily a result of:

- Higher than anticipated user fees for taxation of \$90,000.
- Under expenditure in wages and benefits due to vacancies of \$20,000.

The Fleet net over expenditure of \$900,000 is primarily a result of:

- Over expenditure in transit maintenance costs of \$730,000 are primarily the results of continued costs associated with maintaining an aging bus fleet, particularly parts, as well as additional costs to maintain the fleet in exceptionally poor spring conditions resulting in an unexpected higher than usual amount of repairs that were contracted out in order to maintain service levels. Furthermore, recommendations from the Transit Action Plan to add service will further increase the need for additional maintenance in the latter half of 2019.
- 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.

### **3) Long Term Care**

The projected year-end net over expenditure of \$860,000 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.

### **4) Leisure and Recreation**

This area is projecting a net over expenditure of \$420,000 as follows:

- An over expenditure of \$210,000 as a result of a shortfall in user fee revenues for arenas, fitness centres, and community halls.
- An over expenditure of \$210,000 due to additional winter maintenance required to remove snow load for leisure facilities.

### **5) Transit**

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

- Over expenditure in salary and benefits for transit bus operators of \$140,000 primarily due to modified work and unplanned overtime.
- Over expenditure due to increased shelter and bus stop snow removal of \$110,000 as a result of harsh winter conditions.
- Over expenditure in transit bus parts totaling \$90,000 is due to continued component and farebox failures.

### **6) Linear Infrastructure Maintenance**

The projected year-end net over expenditure in Linear Infrastructure Services of \$4.2 million is a result of:

- Roads winter control is anticipating an over expenditure of \$4.2 million by year end. This is largely due to snow accumulation and infrequent thaw events. The City received 259 cm. of snow (8.5 feet) to date in 2019, compared to the 30 year average of 164 cm., or 5.4 feet. Operations Committee was presented a projected over expenditure of \$3.9 million in early June, however additional street sweeping and pothole repairs were required.

### **7) 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 due to arbitration awards and overtime as a result of front line staff shortages, offset by WSIB absences.

### **8) 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.
- 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 under expenditure of \$270,000 as follows:

- User fee revenues are projected to be under budget by \$730,000 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 \$300,000 due to staffing vacancies in positions approved during previous budget deliberations.

- Distribution and Collection Services is projected to be under budget by approximately \$700,000 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 29 watermain breaks through the end of May 2019. That compares to 46 in 2018 (93 annual) and 45 in 2017 (88 annual).
- In summary, Water is projecting an under expenditure of \$350,000 which will be contributed to the Capital Financing Reserve Fund – Water in accordance with policy. Wastewater is projecting an over expenditure of \$80,000 which will be funded by a contribution from the Capital Financing Reserve Fund- Wastewater in accordance with policy.

## **Summary**

As per the attached chart, the City's projected net year end position may result in a draw of \$7.3 million to be funded equally from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund – General in accordance with the Reserve and Reserve Fund by-law. Departments have been continually working to mitigate this potential deficit, however; costs of items like the extraordinary snowfall in the period January to April and the snow removal costs to improve sightlines will require mitigation or savings in other areas. Staff will continue to implement measures to reduce future expenditures wherever possible in order to further reduce this deficit. Staff will be deferring the hiring of non-union positions, when possible, and is reviewing the use of the annual debt payments in the operating budget earmarked for projects for which the debt has not been obtained to date as sources of funds. Staff will also be reviewing capital projects to identify projects that can be deferred and reenter the prioritization process to reduce or eliminate the potential deficit and to lessen the reliance on draws from reserves.

City of Greater Sudbury  
Net Revenue and Expenditure Projection  
(Based on results up to May 31, 2019)  
For the year ended December 31, 2019



Annual Budget	May month-end Projections	Surplus (Deficit)	Notes
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**Corporate Rev and Exp Summary**

Revenue Summary	(304,010,483)	(303,754,206)	(256,277)	1
Other Revenues and Expenses	31,421,149	31,283,668	137,481	
<b>TOTAL CORPORATE REVENUES</b>	<b>(272,589,334)</b>	<b>(272,470,538)</b>	<b>(118,796)</b>	

**Executive and Legislative**

Office of the Mayor	696,664	696,664	0	
Council Memberships & Travel	77,411	77,411	0	
Council Expenses	1,194,363	1,194,363	0	
Auditor General	382,911	382,911	0	
Office of the C.A.O.	3,165,232	3,165,635	(403)	
<b>Executive and Legislative</b>	<b>5,516,581</b>	<b>5,516,984</b>	<b>(403)</b>	

**Corporate Services**

Corporate Services -GM Office	542,040	542,040	0	
Legal & Clerks Services	2,096,100	2,137,636	(41,536)	
Security and By-Law	626,612	626,612	0	
Information Technology	110,644	110,606	38	
Human Resources and O.D.	1,044	93,284	(92,240)	
Finance, Assets and Fleet	13,160,472	13,955,092	(794,620)	2
<b>Corporate Services</b>	<b>16,536,912</b>	<b>17,465,270</b>	<b>(928,358)</b>	

**Economic Development Summary**

Economic Development	4,724,491	4,673,870	50,621	
<b>Economic Development Summary</b>	<b>4,724,491</b>	<b>4,673,870</b>	<b>50,621</b>	

**Community Development Services**

G.M. Office	404,084	382,086	21,998	
Housing Services	21,125,986	21,014,386	111,600	
Long Term Care-Senior Services	4,636,257	5,496,299	(860,042)	3
Social Services	5,561,819	5,561,779	40	
Children and Citizen Services	10,059,155	10,118,932	(59,777)	
Leisure-Recreation	20,545,864	20,965,158	(419,294)	4
Transit	14,238,559	14,577,788	(339,229)	5
<b>Community Development Services</b>	<b>76,571,724</b>	<b>78,116,428</b>	<b>(1,544,704)</b>	

**Growth and Infrastructure**

Growth I.S. Other	215,028	215,028	0	
Inf Capital Planning	6,043,315	6,014,946	28,369	
Engineering Services	0	26,058	(26,058)	
Water - Wastewater	0	0	0	
Linear Infr Maintenance	39,237,367	43,463,021	(4,225,654)	6
Environmental Services	14,873,908	14,806,054	67,854	
Planning and Development	5,512,700	5,388,663	124,037	
Treatment & Compliance	0	1	(1)	
Building Services	0	0	0	
<b>Growth and Infrastructure</b>	<b>65,882,318</b>	<b>69,913,771</b>	<b>(4,031,453)</b>	

City of Greater Sudbury  
Net Revenue and Expenditure Projection  
(Based on results up to May 31, 2019)  
For the year ended December 31, 2019



	Annual Budget	May month-end Projections	Surplus (Deficit)	Notes
<b>Community Safety</b>				
C.S. G.M.'s Office	0	0	0	
Emergency Management	471,758	430,354	41,404	
CLELC Section	(854,896)	(806,023)	(48,873)	
Paramedic Services	10,755,750	10,785,173	(29,423)	
Fire Services	25,725,100	26,039,312	(314,212)	7
<b>Community Safety</b>	<b>36,097,712</b>	<b>36,448,816</b>	<b>(351,104)</b>	
<b>Service Partners</b>				
Service Partners	7,271,988	7,271,988	0	
Police Services	59,987,608	60,325,693	(338,085)	8
<b>Outside Boards</b>	<b>67,259,596</b>	<b>67,597,681</b>	<b>(338,085)</b>	
<b>TOTAL EXPENDITURES</b>	<b>272,589,334</b>	<b>279,732,820</b>	<b>(7,143,486)</b>	
<b>TOTAL</b>	<b>\$0</b>	<b>\$7,262,282</b>	<b>(\$7,262,282)</b>	