

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 1st 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.