

## For Information Only

### 2009 Year End Operating Budget Variance Report

Presented To:	Finance Committee
Presented:	Monday, May 03, 2010
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### Recommendation

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## Background

This report is an update from the September 2009 year-end forecast. This variance report is being presented reflecting material variances in the operating fund as of December 31, 2009. These results are unaudited. When all the budgeted variances were accounted for, the municipal surplus was \$134,500. However, 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. If all of these service areas would have retained their surplus funds, this would have pushed the City into a deficit position. Therefore, these areas have retained their savings on a prorated basis based on the municipal surplus of \$134,500, and each area retained approximately 6% of their savings.

A summary of material variances is as follows:

#### Signed By

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

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*Digitally Signed Apr 29, 10*

##### **Recommended by the Department**

Lorella Hayes  
Chief Financial Officer/City Treasurer

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

Doug Nadorozny  
Chief Administrative Officer

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	Net Under Expenditure (Net Over Expenditure)
Corporate Revenues and Expenditures	\$1,000,000
Executive and Legislative	\$ 365,000
Administrative Services	(\$ 535,000)
Transit Services	(\$1,370,000)
Handi Transit	(\$ 290,000)
Housing Services	\$1,100,000
Long Term Care and Senior Services	(\$1,570,000)
Social Services	\$1,650,000
Leisure & Recreation Services	\$ 688,000
Roads Maintenance	(\$1,800,000)
Environmental Services	(\$ 260,000)
Fire Services	\$ 300,000
Police Services	\$ 310,000
Miscellaneous Items	\$ 546,500
<b>Subtotal</b>	<b>\$ 134,500</b>
Contribution to various reserves	(\$ 134,500)
<b>Year End Position</b>	<b>0</b>

As a result, for the fiscal year 2009, the City is reflecting a balanced budget.

Attached is a table summarizing the cost centre report which reflect annual budgets, actual expenditures and revenues and variances, after reserve and reserve fund transfers.

For this report, year-end variances greater than \$200,000 have been identified and are detailed as follows:

#### **Corporate Revevues and Expenditures: Taxation**

As previously reported, the City has been informed that MPAC is catching up on assessing the new Business Education Tax Class which was created in 2007 and other additions from 2007 and 2008. In addition, due to continued building activity in the last few years, supplementary taxation was received totalling \$1.6 million more than budgeted.

However, MPAC has received over 1,700 requests for reconsideration (RFR's), approximately 70% higher than in a typical reassessment year therefore staff estimated the potential liability to be \$760,000 greater than budget, mitigated in part by savings of \$270,000 due to lower charity and vacancy rebates.

Overall this section experienced a year-end net under expenditure of approximately \$1 million.

## **2) Executive & Legislative**

As previously reported, a delay in the hiring of the Auditor General and having his office staffed has resulted in a year end net under expenditure of \$190,000. In addition, Council miscellaneous expenditures are reflecting a year end net under expenditure of \$93,000 due to Council's fiscal restraint.

Overall, this area experienced a year end under expenditure of \$365,000.

## **3) Administrative Services**

Due to additional reliance on outside legal counsel as a result of work overload, legal services has a year-end net over expenditure of \$600,000 due in part by prosecution for provincial offences, as the prosecutor's position was vacant during periods of 2009. Also, a decrease in POA revenues of \$440,000 increased the over-expenditure. This was mitigated by a \$300,000 under-expenditure in Information Technology. Other savings within Administrative Services has reduced the overall over-expenditure to \$535,000.

## **4) Building Services**

Building permits reflect a construction value of \$405 million, higher than a year ago (2008 - \$309 million). The mix of construction type is quite different from a year ago. There has been a large increase in the commercial sector. As well, the home renovation applications have increased, which is suspected to be as a result of the one year government tax incentive for home renovations. In accordance with provincial legislation (Bill 124), the net under expenditure of \$1.9 million was contributed to a reserve to ensure future viability of this service.

## **5) Transit Services**

User Fees revenues are under budget at year end by approximately \$1 million. Other areas such as staffing, internal recoveries, and allowance for bad debt expense were over budget, offset by savings in fuel, which resulted in an overall deficit of \$1.37 million for Transit Services.

## **6) Handi Transit**

Increased utilization of this service resulted in a year-end net over-expenditure of \$290,000.

## **7) Housing Services**

The increased demand for rent-geared-to-income subsidies continues to be lower than expected. Vacancy rates are slowly on the rise, however, market renters have not been moving from the subsidized housing units to the private sector. In addition, mortgage rates continue to remain lower than anticipated, meaning that mortgage renewals will not likely create a significant cost pressure. When these factors are considered, the year end net under expenditure for this area is \$1.2 million. In accordance with the Reserve and Reserve Fund By-law, any under expenditure will be contributed to the Social Housing Reserve Fund provided this does not put the municipality in a deficit. For this reason, only \$79,000 will be contributed to the reserve fund, while the remaining \$1.1 million will be retained by the operating fund.

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

There have been overruns in salaries of \$2 million as a result of overtime and costs associated with modified workers. Increases in revenues of \$640,000 have partially mitigated this increase in cost. Other material costs were over budget by \$210,000 in part due to bad debt of \$80,000.

Overall, this area has a year end net over expenditure of \$1.57 million.

### **9) Social Services**

While the City has been recently experiencing an increase in actual caseloads, the total caseload still remains under budgeted values. Lower than budgeted case loads in the General Welfare Assistance and Sole Support and the lower forecast for the Ontario Disability Support Program (ODSP) are the main reasons for the positive variance in this area. In addition, there have been a number of vacancies in the administration section of Ontario Works.

All totalled, the net under expenditure in this area is \$1.65 million.

### **10) Leisure and Recreation Services**

Increased revenues in the arenas section and in the Capreol Millenium Centre as well as cost saving measures are responsible for this area reporting a year end net under expenditure of \$688,000. The largest component is a \$200,000 settlement from the insurer for lost ice revenue at McClelland Arena as a result of the fire.

### **11) Roads Maintenance**

Net over expenditures resulting from the pothole patching blitz, at a cost of \$1.5 million, the winter ditching / spring cleanup exercise and additional winter administrative and supervision costs are the main factors causing these activities to reflect a year end net over expenditure of \$2.4 million. These over expenditures were partially offset by under expenditures in sanding and salting of approximately \$800,000 due to favourable conditions in November. Overall, Winter Control was \$1.6 million over budget.

Summer Control experienced a net over expenditure of approximately \$200,000.

Overall, this division reflects a net over expenditure of approximately \$1.8 million. No transfer from the Winter Control Reserve Fund was recorded due to the City's year end surplus position.

## **12) Environmental Services**

As previously reported, this division continues to have a number of financial challenges as a result of increasing volumes. Net over expenditures in processing recyclables (\$360,000) and leaf and yard waste (\$300,000) due to increased volumes, as well as additional costs of operating the landfill sites (\$130,000) have occurred. Mitigating these over expenditures were grants and miscellaneous revenues for projects, blue box recycling and household hazardous waste for a total of \$500,000.

This area has a year-end net over expenditure of \$260,000.

## **13) Fire Services**

This area has resulted in a year-end surplus of \$300,000. This is due to savings in wages and benefits for career suppression.

## **14) Police Services**

This area reflects a net under expenditure of \$331,000. In accordance with the Reserves and Reserve Funds Bylaw, any net under expenditure will be contributed to the Police Services Reserve Fund provided that this does not put the municipality in a deficit. For this reason, \$21,000 will be contributed to the reserve fund, while the remaining \$310,000 will be retained by the operating fund.

## **15) Other Items**

### **OMPF**

In 2009, the Province provided a \$53.8 million Ontario Municipal Partnership Fund (OMPF) grant to the City. The City's Social Services program costs were approximately \$760,000 higher than the provincial estimate. However, at this point, it is uncertain whether the Province will perform a reconciliation of the actual social program expenditures, therefore, a receivable from the province was not set up at this time. If a reconciliation of OMPF for 2009 occurs, it is anticipated that the City would receive these additional funds.

### **Net Under Expenditures allocated to Reserves**

As per City policy, certain operations keep the surpluses generated in their respective areas, only if this does not put the municipality in a deficit position. Prior to these entries being made, the City is in a \$134,500 surplus position, which then requires these areas to have their surpluses prorated to avoid having the City move to a deficit position. As a result, Information Technology, Land Reclamation Services, Social Housing Services, Police Services and professional development will retain approximately 6% of the surplus that their area generated.

## **Summary**

In summary, the City's year end position was a balanced budget after transfers to the above noted reserve funds.

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

**For the Period Ending: December 31, 2009**

	Annual Budget	Y-T-D Actuals	Surplus (Deficit)
<b>Corporate Revenues &amp; Expenditures</b>	<b>(242,182,421)</b>	<b>(243,195,354)</b>	<b>1,012,933</b>
<b>Executive &amp; Administration Dept</b>	<b>2,164,790</b>	<b>1,799,080</b>	<b>365,710</b>
<b>Administrative Services</b>	<b>2,383,561</b>	<b>2,917,817</b>	<b>(534,256)</b>
<b>Financial Services</b>	<b>6,797,596</b>	<b>6,741,105</b>	<b>56,491</b>
<b>Human Res &amp; Org Dev</b>	<b>0</b>	<b>68,819</b>	<b>(68,819)</b>
Growth & Development Services			
Growth & Development Other	1,673,123	1,598,031	75,092
Economic Development	3,041,682	3,064,708	(23,026)
Planning & Development	4,426,675	4,387,320	39,355
Sudbury Airport Personnel	0	0	0
Build Serv, Enforc & Complianc	311,364	415,743	(104,379)
Transit & Parking	9,730,548	11,394,274	(1,663,726)
<b>Growth &amp; Development Services</b>	<b>19,183,392</b>	<b>20,860,077</b>	<b>(1,676,685)</b>
Community Development			
Community Development - GM	(13,004,603)	(13,013,984)	9,381
Administrative & Financial Serv.	386,784	279,444	107,340
Regional Geriatric Services	2,715	2,715	0
Housing Services	17,875,666	16,736,306	1,139,360
Long Term Care & Senior Services	2,061,787	3,628,404	(1,566,617)
Social Services	21,898,759	20,245,743	1,653,016
Citizen Services	11,237,210	11,161,826	75,384
Leisure & Recreation Services	17,857,757	17,169,278	688,479
<b>Community Development</b>	<b>58,316,075</b>	<b>56,209,732</b>	<b>2,106,343</b>
Infrastructure Services			
Infrastructure Services Other	0	(0)	0
Financial Support	(44,910)	(44,910)	0
Engineering Services	190,000	190,000	0
Assets Management	4,214,946	4,103,230	111,716
Roads Contr To Capital	23,503,159	23,503,159	0
Summer Maintenance	13,834,595	14,021,615	(187,020)
Winter Maintenance	14,734,071	16,363,015	(1,628,944)
Road Engineering Costs	3,291,551	3,247,544	44,007
Streetlighting	1,825,945	1,895,909	(69,964)
Environmental Services	11,546,679	11,803,332	(256,653)
<b>Infrastructure Services</b>	<b>76,375,064</b>	<b>78,361,922</b>	<b>(1,986,858)</b>
<b>Emergency Services Division</b>	<b>9,465,601</b>	<b>9,357,045</b>	<b>108,556</b>
<b>Fire Services</b>	<b>19,313,076</b>	<b>19,006,257</b>	<b>306,819</b>
Outside Boards Dept.			
Outside Boards Other	5,753,721	5,753,722	(1)
Police Services	42,429,545	42,119,779	309,766
<b>Outside Boards Dept.</b>	<b>48,183,266</b>	<b>47,873,501</b>	<b>309,765</b>
<b>TOTAL EXPENDITURES</b>	<b>242,182,421</b>	<b>243,195,354</b>	<b>(1,012,933)</b>
<b>Excess (Deficiency) of Revenues over expenditures</b>			<b>0</b>