

## For Information Only

### 2019 Operating Budget Variance Report - March

Presented To: Finance and  
Administration  
Committee

Presented: Tuesday, Jun 04, 2019

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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 a variance analysis based on the City's first quarter results (January to March 31, 2019). Staff has identified areas where material year end variances in the operating budget may occur.

### Financial Implications

There are no financial implications associated with this report.

#### Signed By

#### Report Prepared By

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## **Executive Summary**

This report provides a variance analysis based on the City's first quarter results (January to March 31, 2019). Staff have identified areas where material year end variances in the operating budget may occur.

## **Background**

The purpose of this report is to provide the Finance and Administration Committee with a preliminary overview of potential year end variances. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. The March variance report reflects 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 realized from January to June 2019. 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. The Finance and Administration Committee will receive this report in September of 2019.

In accordance with the Operating Budget Policy approved by Council, the following explanations relate to areas where a potential variance of greater than \$200,000 may occur within a division or section, or areas that Finance is monitoring closely:

### **1) Taxation Revenue**

The first 2019 supplementary tax roll has not yet been received and therefore staff is unable to forecast the potential year end position. In 2018, the City received \$2.5 million in supplement taxation, approximately \$300,000 over the budgeted amount. This is an area where the potential for a variance exists, therefore staff will monitor and provide an up to date forecast for the June Variance Report when more information becomes available.

### **2) Other Revenue and Expenses**

The City is anticipating that the revenue from the Municipal Accommodation Tax will be greater than budgeted. In accordance with legislation, 50% of the revenue net of costs must be contributed to the City's eligible tourism entity. Of the City's funds, \$800,000 have been previously allocated to fund the debt repayment for the Kingsway Entertainment District Arena / Event Centre. Any additional funds received will be contributed to the Tax Rate Stabilization Reserve.

The City has received funds from The Ontario Cannabis Legalization Implementation Fund to help offset increased costs due to the legalisation of cannabis. The City is currently reviewing the allowable use of funds to determine how to best allocate the funds throughout the organization.

### **3) Fleet Services**

Fleet Services is anticipating that maintenance of the Transit fleet will result in an over expenditure for 2019. Increased maintenance and repairs are required to be contracted out in order to maintain service levels. Additionally, the costs associated with servicing an aging fleet of buses continue to add pressure in the area of parts. Further, it is expected that the additional routes associated with the Transit Action Plan will increase the need for maintenance of the City's bus fleet in the latter half of 2019.

### **4) Pioneer Manor**

Pioneer Manor is forecasting a potential negative variance as a result of several factors. The arbitrated award for the 2016-2019 CUPE 148 CBA was higher than anticipated and includes coverage for short term and long term disability. Additional pressures are due to food costs and snow removal as well as potentially lower revenue from the province. The base funding changes have not been announced but are anticipated to be lower than the past, as well the 2019-2020 Case Mix Index has not been finalized. Pioneer Manor is investigating mitigation strategies to offset these increases. A substantial reduction in sick time is expected with the changes identified in the CBA, as well as reduction in modified work. Pioneer continues to improve operating efficiencies and cost control to help offset these increases.

### **5) Leisure Services**

Leisure services is experiencing budget pressures in both revenues and operating costs. An anticipated shortfall in user fee revenues is primarily related to ice rentals. Further budget pressures are due to increased contract and maintenance costs for additional winter maintenance activities required including removing snow from roofs and additional plowing in the early months of the year.

### **6) Transit Services**

Transit is experiencing budget pressures primarily from farebox breakdowns as well as bus operator salaries. Wear and tear on aging fareboxes is contributing to higher than anticipated repairs and maintenance. Bus operator salaries are estimated to be higher than anticipated as a result of unplanned overtime costs. Transit personnel will continue to monitor these areas throughout the year with the intention of mitigating financial impact, while maintaining approved service levels.

### **7) Roads Winter Control Operations**

Roads winter control is anticipating an over expenditure of \$2.9 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. In accordance with the Reserve and Reserves Fund bylaw, any Roads Winter Control over expenditures may be funded from the Roads Winter Control Reserve Fund. It is to be noted that the Roads Winter Control Reserve Fund has a balance of \$0 at year end (December 31, 2018).

## **8) Environmental Services**

Revenues from sale of recyclable materials and tipping fees continue to decline beyond the adjusted budget in 2019. The security contract is out for tender and will be in effect in October 2019 and may result in a variance at year end.

## **9) Water Wastewater**

Actual user fees are comparable to 2018 first quarter actuals. It is too early in the year to project consumption levels with accuracy. Staff will have a better indication of consumption levels with the June projection report.

It is very difficult to budget for the amount of watermain break related repair work required during the year as breaks fluctuate based on a number of factors. Due primarily to favourable weather conditions there were a below average number of breaks in 2017 and 2018. There were 30 watermain breaks through the end of March 2019. That compares to 37 in 2018 (93 annual) and 25 in 2017 (88 annual).

## **10) Fire Services**

Fire Services is experiencing budget pressures with overtime costs due to current staffing levels. To mitigate this pressure, a career recruitment was initiated in 2018, with 12 new firefighters graduating from the Fire Academy on May 16, 2019. This will reduce the monthly overtime costs, however Fire Services is still projected to be over budget in salaries and benefits for 2019 as additional pressures include an unbudgeted arbitration award and absences due to the WSIB presumptive legislation & modified accommodations.

## **11) Fuel**

The price of diesel and unleaded fuel has increased significantly with the introduction of the Carbon Tax in April. The City has experienced a 9% increase in diesel fuel prices and a 29% increase in unleaded fuel prices between January and May of this year, whereas the price of crude oil per barrel (USD) has increased 32% for the same period. The 2019 budget anticipated increases in fuel costs and current fuel prices are close to budgeted values. However, any further increases will put pressure on the fuel budget.

## **12) Provincial Funding**

The City has begun receiving funding letters from the Provincial Government. The table below illustrates the impact that is known at the time of this report, as well as funding that has not yet been announced.

<b>Funding</b>	<b>2019 Budget</b>	<b>2019 Announcement</b>	<b>2019 Impact</b>
Paramedic Services - Land Ambulance	\$10,803,905	\$10,708,549	\$95,356
Children Services – Expansion Plan	100% Provincial Funding	80% Provincial Funding, 20% Municipal Funding	\$500,000*
Children Services – Administration Funding	Some 100% Provincial Funding, some 50% Provincial Funding Allowable maximum 10%	50% Provincial Funding, 50% Municipal Funding Allowable maximum 5%	\$500,000*
Children Services – Fee Stabilization	\$650,000	\$162,000	\$0**
Pioneer Manor – Personal and Nursing Care	\$16,405,000	Unknown	
Pioneer Manor – High Intensity Needs	\$165,000	Based on actual usage	
Pioneer Manor – Program and Support Services	\$1,966,000	Unknown	
Pioneer manor – raw Food	\$1,538,000	Unknown	
Pioneer Manor - Other	\$2,222,000	Unknown	
Social Services – Service Contract	\$7,530,916	\$7,427,100	\$103,816
Social Services – Program Delivery	\$30,011,843	Unknown	
Social Services – Homemakers and Nurses	\$130,000	Unknown	
Social Services - Community Homelessness Prevention Initiatives	\$3,059,602	\$2,930,117	\$129,485
Police – Police Effectiveness Modernization	\$1,457,832	\$1,093,375 - Subject to CSP Grant Local Priorities Funding Stream approval.	Unknown as new grants may be available.
Police – Court Security Prisoner Transportation	\$1,863,937	\$1,821,132	\$42,806
Police – Reduce Impaired Driving Everywhere	\$37,308	Unknown	

\* Funding changes take place April 1<sup>st</sup>, 2019. Children Services currently has mitigation funding that can be used to offset the 2019 impact.

\*\* Children Services Fee Stabilization is a flow through to the service providers. A reduction in this funding will not result in an impact on the Municipal budget.

## Other Changes

- Children services has been informed that the province will announce updates to contractual service targets

## Summary

The Executive Leadership Team reviews operating variance reports on a monthly basis in an effort to manage costs and strive to mitigate the financial pressures described in this report.

This has been a preliminary review of the revenues and expenditures for the first three months of 2019. It is still too early to provide an accurate year end projection. A more comprehensive review will take place after the June 2019 month end and Council will be presented with a corporate year end projection in September. Quarterly reports will be prepared for Council throughout 2019.