

# **2018 Year End Operating Budget Variance Report**

## **Executive Summary**

This report provides Council with an analysis of the City's year end financial position. The 2018 year end deficit is \$2.1 Million. The deficit will be funded partially from the Roads Winter Control Reserve Fund and the remainder will be funded equally from Tax Rate Stabilization Reserve and General Capital Financing Reserve Fund – General in accordance with the Reserves and Reserve Funds By-Law.

## **Background**

The purpose of this report is to provide Council with an overview of year end variances. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. Council is provided with a variance report after each quarter end. This report is an update from the year end forecast provided to Council in December 2018 and the projections included in the 2019 budget binder.

In accordance with the Reserves and Reserve Funds By-law, certain service areas that experienced a net under expenditure may retain this under expenditure if it does not put the municipality in a deficit position or increase the deficit; these areas include Information Technology, Pensioners, Land Reclamation Services, Social Housing Services, Libraries, and Police Services. The total net under expenditures for these areas was approximately \$700,000, however these areas did not retain their respective surpluses for 2018 as a result of the overall year end deficit.

Attached is an additional schedule that reflects the annual net budget (Appendix 1), 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 net over expenditure of \$630,000 relating to property taxes as follows:

- Increase in tax write off expenses of \$975,000.
- Over expenditure in vacancy rebates of \$165,000.
- Unbudgeted transitional property tax mitigation funding for Non-Profit Long-Term Care Homes of \$225,000.
- Increase in supplemental taxation revenue of \$265,000.
- Decrease in revenue for payment in lieu of taxes, and right of way levy of \$150,000.
- Increase in user fee revenue for minimum property tax bill of \$35,000.

### **2) Other Revenues and Expenses**

This area is reflecting a net under expenditure of \$700,000 as follows:

- Reduction in estimated legal liability relating to legal actions pending against the City in the amount of \$250,000.

- Over expenditures related to the Junction project totaling \$220,000 primarily due to salaries and benefits.
- Increase in investment income of \$610,000.
- Increase in revenue from interest added to current tax arrears of \$245,000.
- Decrease in aggregate resource funding of \$45,000.
- Reduction in anticipated slot revenue of \$25,000.
- Unbudgeted funding provided to the Sudbury Symphony Orchestra of \$50,000.
- Over expenditure in miscellaneous costs including legal, credit/debit charges of \$65,000.

### **3) Security & By-Law**

This area is reflecting a net over expenditure of \$270,000 as follows:

- Under expenditure in Animal Control services of \$120,000 due to higher than anticipated user fee revenues, and an under expenditures in salaries and benefits and operating expenses.
- Lower than anticipated revenues for parking fines of \$140,000.
- Over expenditure in salaries and benefits of \$190,000 as a result of job evaluations and re-classifications of positions.
- Over expenditure in parking enforcement contract costs of \$30,000 for winter control enforcement.
- Over expenditure in miscellaneous materials and purchased services of \$30,000 for fuel, cell phones, and office expenses.

### **4) Finance, Assets and Fleet**

The year end net under expenditure of approximately \$220,000 due to under expenditures in Finance as follows:

- Increased tax administration user fees of \$130,000.
- Under expenditure in salaries and benefits due to vacancies totaling \$90,000.

### **5) Housing Services**

This area is reflecting a net under expenditure of \$920,000 due to recovery of prior year surpluses from Greater Sudbury Housing Corporation.

### **6) Long Term Care**

This area is reflecting a net over expenditure of \$740,000 as follows:

- Over expenditure of \$1,300,000 in salaries and benefits due to modified work, overtime and the WSIB New Experimental Experience Rating.
- An unanticipated reduction in the Case Mix Index funding (CMI) resulting in a funding reduction of \$290,000.
- Under expenditures in energy costs of \$330,000 as a result of reduced consumption from converting to LED lighting, as well as significant rebates for being a multi-unit residential facility.
- Additional funds for high intensity needs subsidy of \$340,000.
- Additional user fee revenue of \$60,000 for preferred accommodations.
- Under expenditure of \$30,000 as a result of the new Nurse Call system and a reduction of battery usage.
- Under expenditure in software costs of \$17,000.
- Under expenditures in medical supplies and infection control totaling \$34,000.

- Under expenditures of \$27,000 for consultants and office equipment as a result of delaying costs to offset the net over expenditure.
- Various under expenditures totaling \$12,000.

## **7) Social Services**

This area is reflecting a net under expenditure of \$560,000 as follows:

- Under expenditure of \$200,000 in salaries and benefits due to staff absences and vacancies in year.
- Under expenditure of \$55,000 in office expenses as a reduction of social services discretionary expenses.
- Under expenditure of \$40,000 in professional development as a reduction of social services discretionary items.
- Under expenditure of \$100,000 for a reduction in purchased and contracted services such as employment programs administered by third parties.
- Under expenditure of \$55,000 for a reduction in and Learning, Earning, and Parenting (LEAP) supports and incentives.
- Under expenditure of \$70,000 as a result of funding the syringe pickup program from CHPI.
- Under expenditure of \$40,000 in homelessness initiatives.

## **8) Leisure - Recreation**

This is reflecting a net over expenditure of \$690,000 as follows:

- A shortfall in user fee revenue of \$350,000 primarily for ice rentals (\$246,000), fitness centres (\$42,000), community halls (\$38,000), and ski hills (\$24,000).
- Over expenditures of salaries and benefits of \$310,000 due to job evaluations and increase in PT wages to backfill for absences at arenas and pools.
- Miscellaneous over expenditures totaling \$30,000 primarily a result of building and equipment repair and maintenance costs.

## **9) Transit**

This area is reflecting a net over expenditure of \$1.05 million as follows:

- Over expenditure in transit maintenance, vehicle repairs and shop supplies totaling \$730,000.
- Over expenditure of \$175,000 in salaries and benefits primarily due to bus operator unscheduled overtime due to road conditions, bus breakdowns, construction & unanticipated supervisor training costs.
- Over expenditure in utility costs of \$430,000 due to increased fuel prices.
- Increase in user fee revenue of \$285,000 due to higher than expected sales of monthly bus passes more than offsetting reductions in farebox revenues.

## **10) Infrastructure Capital Planning**

This area is reflecting a net under expenditure of \$550,000 as follows:

- An under expenditure in salaries and benefits of \$380,000 due to vacancies.
- Under expenditures of \$150,000 in drain maintenance including consultants due to timing and implementation the municipal drainage contract which was not finalized until late fall.

- Under spent \$20,000 in materials, professional and other areas which is directly related to vacancies.

### **11) Engineering Services**

This area is reflecting a net under expenditure in salaries and benefits of \$490,000 resulting from in year vacancies.

### **12) Linear Infrastructure Maintenance**

This area is reflecting a net over expenditure of \$1.42 million as follows:

- The net over expenditure of \$2,390,000 in roads winter maintenance is a result of record setting snowfalls. In accordance with the Reserves and Reserve Funds By-law, this over expenditure may be funded from the Roads Winter Control Reserve Fund.
- Under expenditure in roads summer maintenance of \$740,000 due to a conscious effort to offset over expenditures from winter control, as well as a shortened season due to a late spring and the early snowfall.
- Under expenditure in streetlighting of \$110,000 due to lower hydro costs.
- Under expenditure in Public Works Depots of \$120,000 primarily due to lower expenditures in contract services.

### **13) Environmental Services**

This area is reflecting a net over expenditure of \$380,000 as follows:

- A shortfall in revenues of \$410,000, primarily related to sale of recyclables net of cost sharing due to the downturn in global markets for blue box recyclables.
- Under expenditure in operating costs of \$30,000 is due to reduced contract costs for processing blue box recyclables, under expenditures in waste collection, and staff vacancies, offset by increases contract costs for household hazardous waste program, fuel costs, and processing increased quantity of leaf and year trimmings.

### **14) Fire Services**

This area is reflecting a net over expenditure of \$1.1 million as follows:

- Salaries and benefits are anticipated to be \$990,000 over budget primarily due to increased overtime costs as a result of modified work and WSIB legislation changes, offset by vacant positions.
- Increase in revenues from Fire Marquee net of commission costs of \$130,000.
- Unbudgeted water rescue training at a cost of approximately \$85,000.
- Over expenditure in utility costs of \$70,000 specifically for diesel fuel and water.
- Over expenditure in uniforms and protective clothing costs of \$50,000 for repair, replacement, inspection & cleaning costs for various personal protective equipment, including bunker gear, helmets, gloves, boots, and others.
- Over expenditure in training tower repairs of \$35,000 for wiring issues.

### **Non Tax Levy Supported Areas:**

In addition to the operating variances reported above, there are a number of areas which are not funded by the municipal tax levy, and therefore any over or under expenditures result in increased contributions to or from Reserves. The chart below

indicates the variances between the budgeted and actual contributions to reserve for these areas.

Area	Budgeted Contribution to Reserve	Actual Contribution to Reserve	Increase in Contribution to Reserve
Parking Services	\$765,700	\$817,325	\$51,625
Cemetery Services	\$134,725	\$208,409	\$73,684
Water / Wastewater	\$0	\$1,688,802	\$1,688,802

Area	Budgeted Contribution (from) Reserve	Actual Contribution (from) Reserve	Decrease in Contribution from Reserve
Building Services	(\$888,353)	(\$558,281)	\$330,072
RBC Business Centre	(\$144,316)	(\$85,844)	\$58,472

### **Building Services**

This section experienced a net under expenditure of \$330,072. In accordance with Bill 124, revenues generated from building permits are to be used to support the Building Services department. Therefore any surplus is contributed to the reserve to fund future deficits. In 2018 the Building Services budget included a draw from reserve of \$888,353 to balance the budget, however a slight increase in building permit revenues as well as a decrease in salaries and benefits due to vacancies in year resulted in a lesser draw than anticipated.

### **Water Wastewater Services**

- User fee revenues were under budget by \$870,000 as actual billed consumption was 13.43 million cubic metres while the budget for 2017 was 13.675 million cubic metres.
- Other revenues were over budget by \$280,000 due to increased volumes of hauled liquid waste received at the Sudbury wastewater treatment plant.
- Salaries and benefits were under budget by \$1,250,000 due to staffing vacancies in the management and operations level.
- Materials and operating expenses were over budget by \$205,000 due to increased volumes of chemicals used in both water and wastewater treatment processes offset by inventory consumption adjustments.
- Energy costs were under budget by \$240,000 due primarily to energy savings realized at the Sudbury Wastewater plant as a result of participation in the Industrial Conservation Initiative program.
- Purchased and Contract Services were under budget by \$1,000,000 due primarily to the fact City crews were responsible for performing emergency repairs to its linear infrastructure. There were savings in certain aspects of the purchased service accounts, but there were additional expenses related to rented equipment, cold patching repairs and the fact that some repair work was performed by external contractors due to the size and complexity and unavailability of City crews. There was an under expenditure of \$745,000 in linear

repair related purchased service accounts. Locate costs were under budget by \$340,000 due to decreased activity and the ability of staff to limit the amount of locates performed by contractors.

- In summary, total revenues were under budget by \$600,000 and total expenditures were under budget by \$2.3 million resulting in a net under expenditure of \$1.688 million in Water and Wastewater Services for 2018. Water had an net under expenditure of \$1,753,000 which was contributed to the Capital Financing Reserve Fund – Water in accordance with the Reserves and Reserve Funds By-Law. Wastewater had a net over expenditure of \$65,000 which was funded by a contribution from the Capital Financing Reserve Fund- Wastewater in accordance with the By-Law.

### **Summary**

As per the attached schedule, the City's net year end deficit of \$2.1 million is funded from the Roads Winter Control Reserve Fund, Tax Rate Stabilization Reserve, and Capital Financing Reserve Fund – General, in accordance with the Reserves and Reserve Funds By-Law.