

For Information Only

2017 Operating Budget Variance Report - September

Presented To: Finance and
Administration
Committee

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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 September 2017. The projected deficit for 2017 is approximately \$2.45 million. With the \$850,000 contribution from the Roads Winter Control Reserve Fund, the projected year end deficit is approximately \$1.6 million.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

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Manager Review

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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 September 2017. The projected deficit for 2017 is approximately \$2.45 million. With the \$850,000 contribution from the Roads Winter Control Reserve Fund, the projected year end deficit is approximately \$1.6 million.

Background

The purpose of this report is to provide Council with an updated projection based on third quarter results of the municipality's year end position including potential year-end variances. 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 after each quarter end. This report is an update from the 2nd quarter projection provided to the Finance and Administration Committee in September 2017.

The Reserves and Reserve Funds By-law allows certain operations to keep the surpluses generated in their respective areas, only if this does not put the municipality in a deficit position; these areas include Information Technology, Land Reclamation Services, Housing Services, Libraries, Police Services and professional development. Based on the preliminary projection for 2017, these areas will not be able to retain their respective surpluses as the municipality is projecting a deficit at year end.

Attached is an additional 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 \$170,000. This differs from what was previously reported as increased supplemental taxation revenue in the amount of \$840,000 above what was previously projected has been realized. In addition, there was \$220,000 received from the Ministry of Finance related to changes to the exempt status for non-profit Long Term Care Facilities. These additional revenues are offset by the following:

- Increased tax write offs of \$670,000 as a result of recent assessment review board decisions on property appeals, specifically the province wide ARB decision on big box store appeals.
- Payments in lieu of taxes (PIL) are expected to be \$560,000 below budgeted specifically for provincial, federal, and public utility properties. The 2017 PIL budget was based on 2016 revenues. The assessment roll returned with reassessed values was made available the after tabling of the 2017 budget. The PIL revenues will be adjusted in the 2018 budget to more accurately reflect the new current value assessments.

2) Other Revenues and Expenses

This area is reflecting a projected net over expenditure of \$240,000 as follows:

- One-time unbudgeted funding provided to the Sudbury Theater Centre in the amount of \$200,000 as approved by Council on October 24, 2017
- Revenue from OLG slots is projected to be \$40,000 below budget based on actuals received to date.

3) Legal & Clerks Services

The projected year end net under-expenditure of \$740,000 is a result of:

- Revenues from Provincial Offences Act (POA) are projected to be over the budgeted amount by approximately \$870,000 due to a number of factors including increased collection efforts, as well as fines laid by the Ministry of Labour to local mining companies.
- Increased revenues of \$50,000 from Freedom of Information requests, marriage solemnization, and miscellaneous archive revenues.

- Wages and benefits are projected to be under budget by approximately \$50,000 due to vacancies in year.
- An increase in legal costs of \$230,000 for external legal resources resulting from a significant increase in the amount and uniqueness of protracted litigation files, and to cover off vacancies in prosecution. In order to address this issue, the 2018 budget will provide additional financial resources for outside legal counsel and an additional prosecutor to accommodate the provincial download of POA Part III prosecutions. In addition, the use of assistant city solicitors will provide backup prosecution services and should mitigate future over expenditures relating to prosecution.

4) Security and By-Law

The projected year end net over expenditure of \$200,000 is a result of:

- Canine Licenses sales are projected to be under budget by \$90,000 due to it being the first year of new rates, licensing options and the difficulty projecting demand for these new options.
- Taxi Licenses are projected to be under by \$15,000 due to the elimination of inspection fees that were previously included. The budget for 2018 has reflected this change.
- Wages and benefits are projected to be over budget by approximately \$65,000 due to increased overtime required to resolve sensitive matters and respond to the service demand of Animal Control.
- Office expenses are projected to be over budget by approximately \$30,000 due to the necessary tools required based on the additional staff previously approved by Council.

5) Human Resources and Organizational Development

The projected year end net over expenditure of \$300,000 is a result of:

- Retirement fringe benefits are projected to be over budget by approximately \$200,000 due to the rise of health and dental benefit costs, and increased number of retirees.
- Legal Services are also projected to be over budget by approximately \$100,000 and can be attributed to the following: higher number of arbitration cases, human rights cases, employee changes and departures, issues related to health and safety and expenditures related to interest arbitration with IAFF.

6) Finance, Assets & Fleet

This area is projecting a combined net over expenditure of \$900,000. The variances per section are as follows:

Finance – under expenditure of \$200,000; Assets – over expenditure of \$40,000; and Fleet – over expenditure of \$1.06 million

The projected year end under expenditure in Finance of \$200,000 is a result of vacancies throughout the year.

The projected year end over expenditure in Fleet of \$1.06 million is a result of:

- Over expenditures in vehicle/equipment parts and contracted servicing costs are projected to be approximately \$940,000. This is largely a result of an aging fleet remaining in service beyond its useful life, welding services, and unforeseen damage to fleet vehicles. Staff have taken steps to mitigate these pressures in the short term, with additional long term solutions to be implemented. Some of these initiatives include an increased focus on inventory management, expanding the breadth of procurement contracts to include parts and supplies, rationalization of vehicles, and others. Fleet Services has been historically over budget and therefore in concert with these initiatives, there has been a proposed modest increase in the 2018 budget to address the underfunding of this service.
- Over expenditures in shop supplies and tire replacements costs of \$120,000.

7) Long Term Care (Pioneer Manor)

The projected year end net over expenditure of \$200,000 is a result of:

- The over expenditure is due to WSIB New Experimental Experience Rating (NEER) surcharge.

8) Transit

The projected year-end net over expenditure in Transit of \$680,000 for fleet maintenance consists of the following:

- Over expenditure in transit bus parts, contracting out, and salaries totaling \$630,000 is due to the rise in material prices beyond the rate of inflation, continued unexpected component failures, and unexpected collision and damage repairs.
- Over expenditure in contracting out, lubricants, shop supplies and tire replacement totalling \$70,000 will be mitigated going forward as fleet services will procure these expenses during 2017-2018 in an attempt to receive lower unit pricing.
- Transit operations are projecting an under expenditure of \$20,000 as a result of staffing vacancies.

9) Roads Maintenance

Roads maintenance is projecting an overall net over expenditure of \$900,000 as follows:

- The more frequent freeze thaw cycle and above average snowfall in the first four months of the year contributed to an over expenditure of approximately \$850,000 in winter control activities. Large over expenditures occurred in sanding/salting/plowing, winter ditching and winter asphalt patching. In accordance with the Reserve and Reserve Fund by-law, any Roads Winter Control over expenditures may be funded from the Roads Winter Control Reserve Fund.
- Summer Maintenance is projecting a net under expenditure of \$40,000 due a combination of activities performed for rural and urban storm water management
- Increased utility costs are contributing to a projected \$160,000 over expenditure in street lighting. This area has been historically underfunded and an adjustment will be made to the 2018 budget to more accurately reflect current expenditures.
- Roads engineering costs are projecting an under expenditure of \$70,000 due to vacancies in year.

Summary

As per the attached chart, the City's projected net year end position will result in a draw from the Winter Control Reserve Fund of \$850,000, and approximately \$1.6 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. Staff will continue to implement measures to reduce expenditures wherever possible in order to further reduce this deficit.

City of Greater Sudbury
Net Revenue and Expenditure Projection
(Based on results up to September 30, 2017)
For the year ended December 31, 2017



	Annual Budget	Year End Net Projections	Surplus (Deficit)	Projected YE Variance %	Notes
Corporate Rev and Exp Summary					
Revenue Summary	(281,244,749)	(281,072,928)	(171,821)	(0.00)	1
Other Revenues and Expenses	(10,467,583)	(10,225,220)	(242,363)	(0.02)	2
TOTAL CORPORATE REVENUES	(291,712,332)	(291,298,148)	(414,184)	(0%)	
Executive and Legislative					
Office of the Mayor	626,749	628,582	(1,833)	(0.00)	
Council Memberships & Travel	74,896	59,790	15,106	0.20	
Council Expenses	1,041,395	1,019,795	21,600	0.02	
Auditor General	365,314	365,520	(206)	(0.00)	
Office of the C.A.O. Summary	2,890,364	2,821,055	69,309	0.02	
Executive and Legislative	4,998,719	4,894,742	103,977	2%	
Corporate Services					
Corporate Services -GM Office	895,543	944,193	(48,650)	(0.05)	
Legal & Clerks Services	1,270,047	530,630	739,417	0.58	3
Security and By-Law	579,310	786,646	(207,336)	(0.36)	4
Information Technology	0	(41,275)	41,275	100.00	
Human Resources and O.D.	(46,614)	248,082	(294,696)	6.32	5
Finance, Assets and Fleet	13,772,164	14,660,333	(888,169)	(0.06)	6
Corporate Services	16,470,450	17,128,609	(658,159)	(4%)	
Economic Development Summary	5,345,363	5,227,526	117,837	2%	
Community Development Services					
G.M. Office	5,177,940	5,169,387	8,553	0.00	
Housing Services Summary	19,428,389	19,433,770	(5,381)	(0.00)	
Long Term Care	3,871,407	4,084,947	(213,540)	(0.06)	7
Social Services Summary	5,988,783	6,028,730	(39,947)	(0.01)	
Children and Citizen Services	9,878,878	9,904,120	(25,242)	(0.00)	
Leisure-Recreation Summary	19,172,207	19,190,390	(18,183)	(0.00)	
Transit Summary	12,627,206	13,304,224	(677,018)	(0.05)	8
Community Development Services	76,144,810	77,115,568	(970,758)	(1%)	
Growth and Infrastructure					
Growth I.S. Other	194,933	193,432	1,501	0.01	
Public Works Depots	1,226,307	1,254,427	(28,120)	(0.02)	
Engineering Services	0	0	0		
Water - Wastewater Summary	3,619,000	3,619,000	(0)	(0.00)	
Roads Maintenance Summary	66,965,166	67,864,015	(898,849)	(0.01)	9
Environmental Services Summary	12,962,204	12,930,198	32,006	0.00	
Planning and Development	4,694,346	4,723,284	(28,938)	(0.01)	
Building Services	0	0	0		
Growth and Infrastructure	89,661,955	90,584,356	(922,401)	(1%)	
Community Safety					
C.S. G.M.'s Office	0	0	0		
Emergency Management	692,291	618,638	73,653	0.11	
CLELC Section	309,636	349,490	(39,854)	(0.13)	
Emergency Medical Service	10,439,577	10,340,480	99,097	0.01	
Fire Services	25,333,475	25,242,308	91,167	0.00	
Community Safety	36,774,978	36,550,916	224,062	1%	
Outside Boards					
Outside Boards Other	6,711,854	6,711,854	0	0.00	

City of Greater Sudbury
Net Revenue and Expenditure Projection
(Based on results up to September 30, 2017)
For the year ended December 31, 2017



	Annual Budget	Year End Net Projections	Surplus (Deficit)	Projected YE Variance %	Notes
Police Services	55,604,204	55,546,430	57,774	0.00	
Outside Boards	62,316,058	62,258,284	57,774	0%	
TOTAL EXPENDITURES	291,712,332	293,760,001	(2,047,669)	(1%)	
TOTAL	\$0	\$2,461,853	(\$2,461,853)		