

2016 Yearend Operating Budget Variance Report

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 and bylaw. Council is provided with a variance report after each quarter end. This report is an update from the yearend forecast provided to Council in December 2016 and the projections included in the 2017 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 \$200,000, however these areas did not retain their respective surpluses for 2016 as a result of the municipal deficit.

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) Other Revenues and Expenses

This area is reflecting a net over expenditure of \$220,000 as follows:

- Increase in estimated liability relating to legal actions pending against the City

2) Clerks Administrative Services

This area is reflecting a net positive variance of \$210,000:

- Wages and benefits were under budget by \$70,000 as a result of vacancies
- Increased user fee revenue of \$30,000 for marriage licenses, marriage solemnization, and burial license fees
- Overall under expenditure on office expenses of \$110,000 primarily for postage costs and docutech supplies

3) Court Services

This area is reflecting a shortfall of \$220,000 primarily due to:

- Revenues from Provincial Offences Act fees are under budget by approximately \$220,000 and are affected by a number of factors including the number of charges laid, decisions made by the courts, and collection activities

4) Information Technology

There is a net under expenditure of approximately \$290,000 primarily due to:

- Wages and benefits were under budget by \$190,000 as a result of vacancies
- Under expenditures in operating expenses of \$100,000 primarily for telephone costs and equipment purchases

5) Human Resources and Organizational Development

There is a net over expenditure of approximately \$370,000 due to:

- Increases in legal costs of \$320,000 due to a higher number of human rights cases, employee changes and departures, issues related to health and safety, and 2016 being a bargaining year with CUPE and IAFF
- Increases in professional development costs of \$50,000 for employee training

6) Transit and Fleet

The year-end over expenditure of approximately \$1.36 Million consists of over expenditures of \$480,000 in Transit and \$880,000 in Fleet

The Transit net over expenditures of \$480,000 is largely a result of:

- Over expenditures in Transit bus parts and contracting out costs of \$855,000 due to continuing component failures and above average wear and tear throughout the year
- Shortfall in Transit fare box revenues of approximately \$275,000 due to unexpected ridership declines in cash fares during the year
- Under expenditure in Handi-Transit of approximately \$120,000 due to a slight decline in ridership during off peak times
- Under expenditures in Transcab services of \$110,000 primarily due to favourable rates procured during the services contract extension year
- Under expenditure in administrative and bus operator salaries and benefits of \$255,000 due to several vacancies throughout the year
- Under expenditures in fuel costs of approximately \$165,000 due to favourable oil market pricing during the year

The Fleet net over expenditure of \$880,000 is primarily a result of:

- Over expenditure in vehicle repair, replacement parts and contracted services of \$880,000, largely a result of fleet vehicles remaining in service beyond their useful lives, and damages to department fleet vehicles.

7) Long Term Care

The year-end under expenditure of \$270,000 is a result of:

- Increased revenue of approximately \$320,000 from preferred accommodation fees and increased funding from Ministry of Health and Long-Term Care
- Net over expenditure of \$50,000 primarily on salaries & benefits, including WSIB New Experimental Experience Rating (NEER) surcharge net of savings realized on purchases of materials and supplies

8) Social Services

The year-end under expenditure of \$450,000 is a result of:

- Under expenditure of \$380,000 in salaries & benefits as a result of vacancies and turnover of staff, recovery from union representatives and a decrease in employment program related expenses

- A positive variance of \$450,000 as a result of completion of prior years' reconciliations, funding received from the Ministry of Community and Social Services has been recognized in revenue in the current year
- An over expenditure of \$380,000 due to increased spending on discretionary special items and services. A policy report on discretionary expenditures will be prepared for Fall of 2017

9) Leisure Services

The net over expenditure of \$670,000 in this division is as follows:

- Over expenditure of \$360,000 related to utilities primarily for hydro costs in Park facilities and arenas which were impacted by the elimination of the clean energy credit; water over expenditures were partially offset by natural gas under expenditures in Leisure Facilities
- A negative variance in revenues of \$200,000 as a result of reduced user fees and licensing and lease revenue especially in arenas, ski hills, and community halls
- A net over expenditure in salaries and program costs of \$110,000 primarily related to arenas, ski hills, and community halls

10) Roads

The net over expenditure of \$2.65 million in Roads is as follows:

- The net over expenditure of \$2.3 million in roads winter maintenance is a result of the above average snowfall throughout the year
- An over expenditure of \$170,000 as a result of an unbudgeted litigation expense
- The over expenditure in streetlighting of \$550,000 is a result of higher than budgeted hydro costs as well as the City no longer receiving the Clean Energy Credit of approximately \$115,000 due to the program no longer being offered
- An under expenditure of \$370,000 in Engineering and Traffic & Transportation is due to vacancies throughout the year

11) Environmental Services

There is a net under expenditure of \$1.33 million in Environmental Services as follows:

- An under expenditure of \$900,000 as a result of the new Sudbury Landfill operations contract
- Increased revenue of \$530,000 for tipping fees (\$200,000), sale of landfill gas (\$180,000), and the sale of blue box materials (\$150,000)
- The Stewardship Ontario Blue Box Recycling grant came in \$75,000 over budget
- Other miscellaneous under expenditures of \$30,000 in operating costs
- Curbside collection costs are over spent by \$240,000 as a result of the new collection contract, slightly offset by Multi Unit Residential Building collection underspent by \$35,000

12) Emergency Medical Services

The Emergency Medical Services under expenditure of \$400,000 is primarily due to:

- Salaries and benefits are under spent by \$250,000 primarily due to vacancies in year, and sick leaves unable to be filled. Leave of absences were significantly impacted by recently passed presumptive legislation related to Post Traumatic Stress Disorder (PTSD)

- Material expenses are under budget by \$150,000 mostly due to uniform and laundry costs, and equipment repairs

13) Fire Services

The Fire under expenditure of \$500,000 is primarily due to:

- An under expenditure in salaries and benefits of \$330,000 due to vacancies in year primarily for the executive deputy chief as well as volunteer firefighters
- Material expenses are under budget by \$300,000 primarily due to uniforms, firefighting supplies, communications costs and protective clothing. Uniform costs were impacted by delay in getting the clothing contract for Fire and Paramedic Services finalized. It's important to note that some material expenditures/projects were put on-hold pending the outcome of the Fire Optimization review
- User fee revenues are \$130,000 below target, primarily due to revenues from Fire Marquis of \$70,000 (the Fire Marquis agreement is now in place)

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. Water and wastewater variances are included in a separate report.

Area	Budgeted Contribution to (from) Reserve	Actual Contribution to (from) Reserve	Increase (Decrease) in Contribution to Reserve
Parking Services	\$698,370	\$673,936	(\$24,434)
Building Services	(\$818,664)	(\$900,722)	(\$82,058)
Cemetery Services	\$268,765	\$180,524	(\$88,241)
RBC Business Centre	(\$173,689)	(\$29,966)	\$143,723

Summary

As per the attached chart, the City's net year end deficit of \$2.2 million is funded from the Tax Rate Stabilization Reserve, Roads Winter Control Reserve Fund, and the Library and Citizen Services Centre Reserve Fund in accordance with the Reserve and Reserve Fund By-Law.