

Correspondence for Information Only



For Information Only

2009 Operating Budget Variance Report - June

Presented To:	City Council
Presented:	Wednesday, Sep 23, 2009
Report Date	Friday, Sep 11, 2009
Type:	Correspondence for Information Only

Recommendation

FOR INFORMATION ONLY

Executive Summary

This report will provide a year end projection based on expenditures and revenues to the end of June 2009. This projection has been developed based on input from all user departments. At this point, staff is forecasting a deficit of approximately \$1.38 million. Staff will be monitoring the budgets closely over the next months and reporting to Council regularly.

Background

Based on expenditures and revenues to the end of April, staff provided Council with the preliminary year end financial projection, which ranged from a balanced budget to a \$3 million deficit. Based on this worst case scenario of a \$3 million deficit, staff have taken measures that would mitigate this potential deficit by attempting to curtail discretionary spending wherever possible.

For this June projection, departments reviewed all accounts under their areas of responsibility and provided projected year end values for each account. Based on this exercise, the data has been compiled and a year end deficit of approximately \$2.25 million has been projected. With a draw of \$870,000 from the Winter Control Reserve Fund, the projected year end deficit is \$1.38 million.

This report will provide explanations regarding this potential year end deficit.

The following chart identifies the potential year end variances.

Signed By

Report Prepared By

Ed Stankiewicz
Manager of Financial Planning &
Policy
Digitally Signed Sep 18, 09

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Sep 18, 09

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Sep 18, 09

	Net Under Expenditure / (Net Over Expenditure)
Supplementary Taxation (variance to be determined in November)	0
Grants and Subsidies	480,000
Executive and Legislative	240,000
Legal Services	(360,000)
Transit Services	(770,000)
Housing Services	740,000
Long Term Care & Senior Services	(1,120,000)
Leisure & Recreational Services	350,000
Winter Roads Maintenance	(1,700,000)
Environmental Services	(530,000)
Fire Services	(270,000)
Police Services	250,000
Miscellaneous Items	440,000
Projected Year End Deficit	2,250,000
Potential Draw from the Winter Control Reserve Fund	870,000
Year End Municipal Deficit (after contribution from Reserve)	1,380,000

Attached are charts that reflect the annual budget, the projections and variances.

The following explanations relate to areas where material variances may occur:

1) Taxation Levy

Delays by the Municipal Property Assessment Corporation (MPAC) in delivering supplementary rolls has made it difficult to provide an accurate year end number.

Staff have been in contact with MPAC to develop a year end number for supplementary taxation. The City has been informed that the last supplementary taxation will be very large as they are catching up on assessing the new Business Education Tax Class which was created in 2007, as well as other additions from 2007 and 2008. Although City staff are confident that the

supplementary taxation should exceed budgeted values, a wait and see approach is being adopted to ensure that the potential additional revenue is not overstated since the data is not currently available from MPAC.

In addition, staff undertook an exercise to analyze past building permits to ensure that MPAC adds completed building projects to the assessment roll in a timely fashion to maximize tax revenue. Staff are confident that this exercise will yield additional revenue.

As the next supplementary taxation rolls will not be received until early October and the middle of November, an update of this revenue source will be provided at the end of November when staff have the information to provide a more accurate estimate.

The other area of concern deals with tax write-offs. For 2009, MPAC has received over 1,700 requests for reconsideration (RFR's), approximately 70% higher than in a typical reassessment year. To date, the City has not received details on the majority of RFR's or appeals against property assessments. As staff receives more details, Council will be informed of the potential impact.

2) Grants and Subsidies

In 2009, the Province provided a \$53.8 million Ontario Municipal Partnership Fund (OMPF) grant to the City. Based on the social program expenditure projections provided by Ontario Works, being an under expenditure of \$480,000, this area will reflect additional revenue of \$480,000 since the \$53.8 million is the Provincial guarantee of funding.

3) Investment Income

It was previously reported that investment income may fall short of budgeted values by \$700,000. However, based on a better cashflow position, as well as moving toward the City's new investment strategy, it appears that by year end investment income will meet budgeted values, thus eliminating the previously reported shortfall. The enhanced cashflow position results from delays in some capital projects and unaccounted funds (Investing in Ontario \$15 million) which was expected to be utilized in 2009 and now are available for investment purposes.

In addition, the new investment policy that Council approved in July allows staff to invest up to an additional \$50 million long term. Since July, staff have been purchasing long term investments yielding between 4.5% and 5% when previously these short term investments were yielding under 1%.

4) Executive & Legislative

As reported previously, delays in the hiring of the Auditor General and having his office staffed has resulted in a projected year end net under expenditure of \$170,000. If the Auditor General requires additional one time funding, \$270,000 was reserved for this purpose in the 2008 budget.

In addition, Council miscellaneous expenditures are reflecting a year end net under expenditure of \$40,000 due to Council's fiscal restraint. Overall, this area is anticipating a year end projection of \$240,000.

5) Legal Services

Due to additional reliance on outside legal counsel as a result of work overload, this section is anticipating a year end net over expenditure of \$360,000. The largest portion of this amount (\$160,000) deals with the cost of prosecution for provincial offences, as the prosecutor's position was vacant during periods of 2009.

6) Provincial Offences

Provincial Offences' revenues are not expected to reach budgeted levels in 2009. The economic downturn has also affected this area as more individuals are challenging the charges in court rather than paying the fines, thus potentially delaying payments. In addition, some individuals on monthly payment programs are reducing their monthly payments, while others are not paying fines which results in delays in receiving revenues through the collection process. However, in this past week, the City received payment on a large outstanding fine totalling \$140,000. As a result, this section is reflecting only a \$140,000 year end shortfall.

7) Building Services

Building permits to date reflect a construction value of \$198 million, relatively the same amount as a year ago. However, 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 break for home renovations. Total construction value for new homes is down from last year. It is anticipated that revenues will still exceed expenditures in this area. In accordance with provincial legislation (Bill 124), the net under expenditure must be contributed to a reserve to ensure future viability of this service.

8) Transit Services

Revenues will be under budget at year end by approximately \$850,000. However, this is offset somewhat by lower than budgeted diesel costs. Other areas of the operation are marginally over budget.

Overall, Transit Services is reflecting a year end net under expenditure of \$770,000.

9) Housing Services

The increased demand for rent-geared-to-income subsidies has been 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 projected year end net under expenditure for this area is \$740,000. In accordance with policy, this amount will only be used to offset a municipal deficit. If no municipal deficit exists at year end, this under expenditure will be contributed to their reserve.

10) Long Term Care and Senior Services

There have been significant overruns in salaries as a result of overtime and costs associated with modified workers. A strategy has been put in place to reduce modified work costs as well as overtime costs, which may reduce these costs by \$200,000 by year end. In addition, Pioneer Manor has had its Case Mix Index (CMI) reduced, resulting in \$340,000 of lost revenue. Some increases in per diem rates are expected over and above those budgeted which may reduce this impact by \$120,000. Overall, this area is projecting a year end net over expenditure of \$1.1 million.

11) Ontario Works

Lower than budgeted case loads in the General Welfare Assistance and Sole Support has resulted in a \$480,000 net under expenditure in this area. However, these social program costs are linked to the OMPF grant, therefore, a corresponding reduction to this component of the grant will occur. The grant amount in the general revenue section will increase by this amount, thus reflecting \$480,000 increased revenues in the corporate revenue section. Small net under expenditures in the operation not related to OMPF amount to approximately \$80,000.

12) Leisure and Recreational Services

Increased revenues primarily in the arenas section are responsible for this area reporting an anticipated year end net under expenditure of \$350,000. The largest component of this revenue source is a \$200,000 settlement from the insurer for lost ice revenue at McClelland Arena as a result of the fire.

13) Water / Wastewater Services

Staff are constantly reviewing water consumption data received from Greater Sudbury Utilities. Based on the latest analysis, it appears at this time that the City may experience a revenue shortfall in this area of approximately \$2 million. Staff will be analyzing and monitoring consumption and revenue closely over the next few months. Expenditures are expected to be approximately \$460,000 over budget. In accordance with policy, shortfalls in Water and Wastewater, now projected to be approximately \$2.5 million, are to be offset by contributions from their respective reserve funds.

Water's net over expenditure can be offset by the Water Reserve Fund as the current balance is \$7.2 million. However, the Wastewater Reserve Fund has a balance of \$425,000. If this amount is insufficient to offset the net over expenditure in Wastewater, staff will have to review options to fund the \$4 million borrowed for the South End Rock Tunnel to the Wastewater Reserve fund to ensure the potential shortfall can be funded.

14) Roads Maintenance

In the April 2009 variance report, it was identified that Winter Control would be over budget by \$1.3 million as a result of the pothole patching blitz undertaken in early spring. However, as a result of the winter ditching / spring cleanup exercise that took place in May, which led to a \$400,000 over expenditure, Winter Control is expected to reflect a year end net over expenditure of \$1.7 million. If normal weather conditions occur for November and December, the net over expenditure for winter roads maintenance will be approximately \$1.7 million at year end. The current balance in the Winter Control Reserve fund is approximately \$870,000, which could be used to offset the projected over expenditures.

Summer roads maintenance operation reflects no projected over expenditures. Small positive variances in engineering costs and streetlighting reduce this division's net over expenditures marginally.

Overall, this division is projecting a net over expenditure of approximately \$1.6 million prior to any contributions from the reserve.

15) Environmental Services

Net over expenditures in processing recyclables (\$180,000) due to increased volumes, as well as additional costs of operating the landfill sites (\$190,000) are projected. In addition, as a result of the economic downturn, the City's sale of recyclables will not meet budgeted expectations and is anticipated to be \$230,000 short. Tipping Fee revenue is currently on budget and is expected to be close to budget at year end. This area is anticipating a year end net over expenditure of \$530,000.

16) Fire Services

Over expenditures in vehicle maintenance of \$200,000 is the prime item responsible for this area projecting a year end net over expenditure. Miscellaneous minor net over expenditures in other areas pushes the net over expenditure in this section to \$270,000.

17) Police Services

This area is currently reflecting a net under expenditure of \$250,000. This amount will be contributed to the Police Services Reserve Fund only if the municipality is in a surplus position at year end and in accordance with policy.

Summary

Based on the revenues and expenditures to the end of June 2009, and the departmental projections provided, a year end deficit of approximately \$2.25 million is projected. If required, a contribution from the Winter Control Reserve Fund can be made (\$870,000) to reduce this deficit to \$1.38 million. From the time the April report was presented to Council to now, departments have been working to mitigate this potential deficit. Staff will continue to implement measures to reduce expenditures wherever possible in order to further reduce or completely eliminate this deficit. In addition, once data is received from MPAC regarding supplementary taxation, staff will be in a position to report on this positive variance that will improve the overall projected year end position.

In accordance with policy, if this municipal deficit still exists at year end, a contribution from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund - General must be made to the Operating Fund to offset the deficit. These two Reserve Funds have balances of \$778,000 and \$611,000. At year end, if these funds are not sufficient to offset the deficit, other reserves will be identified to fund the shortfall.

Revenue & Expense Projection
As of June 30, 2009



OPERATING FUND

	Projected Year End Total	Budget for Year	Projected \$ Variance	Projected % of Budget
Taxation Levy	(194,848,721)	(194,845,253)	3,468	100 %
Grants and Subsidies	(35,835,440)	(35,355,046)	480,394	101 %
Other Revenues	(12,105,978)	(12,001,880)	104,098	101 %
Corporate Revenue&Expenditures	(242,771,920)	(242,182,421)	589,499	100 %
Office of the Mayor	556,016	563,394	7,378	99 %
Council Expenses	766,719	806,622	39,903	95 %
Auditor General	148,000	321,300	173,300	46 %
Office of the C.A.O.	449,816	473,474	23,658	95 %
Executive& Administration Dept	1,920,551	2,164,790	244,239	89 %
Comm and French Lang Services	691,836	718,350	26,514	96 %
Admin Serv Exec Directr's Off	559,659	617,520	57,861	91 %
Debt -Contribution to Capital	442,680	442,680	-	100 %
Legal Services	1,631,308	1,276,210	(355,098)	128 %
Clerks Services	655,776	656,683	907	100 %
Election Services	257,550	257,550	-	100 %
Provincial Offences	(1,440,488)	(1,585,432)	(144,944)	91 %
Administrative Services Other	2,798,321	2,383,561	(414,760)	117 %
Information Technology	(73,528)	-	73,528	
Administrative Services	2,724,793	2,383,561	(341,232)	114 %
Human Res & Org Dev	(31,952)	-	31,952	
Growth & Development Other	1,550,294	1,673,123	122,829	93 %
Economic Development	3,090,669	3,041,682	(48,987)	102 %
Planning & Development	4,421,850	4,426,675	4,825	100 %
Build Serv, Enforc & Compliance	409,719	311,364	(98,355)	132 %
Transit & Parking	10,573,297	9,730,548	(842,749)	109 %
Growth & Development Services	20,045,827	19,183,392	(862,435)	104 %
Financial Services	6,813,050	6,797,596	(15,454)	100 %
Community Development - GM	(12,619,383)	(13,004,603)	(385,220)	97 %
Administrative&Financial Serv.	318,362	386,784	68,422	82 %
Regional Geriatric Services	2,715	2,715	0	100 %
Housing Services	17,133,251	17,875,666	742,415	96 %
Long Term Care&Senior Services	3,184,081	2,061,787	(1,122,294)	154 %
Social Services	21,343,052	21,898,759	555,707	97 %
Citizen Services	11,114,184	11,237,210	123,026	99 %
Leisure & Recreation Services	17,512,365	17,857,757	345,392	98 %
Community Development	57,988,626	58,316,075	327,449	99 %

Revenue & Expense Projection
As of June 30, 2009



OPERATING FUND

	Projected Year End Total	Budget for Year	Projected \$ Variance	Projected % of Budget
Infrastructure Services Other	-	-	-	
Financial Support	(44,910)	(44,910)	(0)	100 %
Engineering Services	190,000	190,000	-	100 %
Assets Management	4,274,981	4,214,946	(60,035)	101 %
Water/Waste Water Maintenance	2,927,096	2,927,096	0	100 %
Roads Mtce Other	23,503,159	23,486,935	(16,224)	100 %
Summer Maintenance	13,852,691	13,834,595	(18,096)	100 %
Winter Maintenance	16,425,884	14,734,071	(1,691,813)	111 %
Road Engineering Costs	3,230,929	3,291,551	60,622	98 %
Streetlighting	1,779,451	1,825,945	46,494	97 %
Agricultural Drains	368,156	368,156	0	100 %
Roads Mtce	59,160,271	57,541,253	(1,619,018)	103 %
Operations Division	62,087,366	60,468,349	(1,619,017)	103 %
Environmental Services	12,072,751	11,546,679	(526,072)	105 %
Infrastructure Services	78,580,189	76,375,064	(2,205,125)	103 %
 Emergency Services Division	 9,467,325	 9,465,601	 (1,724)	 100 %
 Fire Services	 19,578,789	 19,313,076	 (265,713)	 101 %
 Outside Boards Other	 5,753,721	 5,753,721	 -	 100 %
Police Services	42,183,433	42,429,545	246,112	99 %
Outside Boards Dept.	47,937,154	48,183,266	246,112	99 %
 (Excess) Deficiency of Revenue Over Expenses	 2,252,430	 -	 (2,252,430)	
 Contribution from Winter Control Reserve Fund			873,000	
 Projected Municipal Year End Deficit			(1,379,430)	
 Projected Water/Waste Water Year End Deficit (funded from Reserve Funds)			(2,500,000)	

Run Time: September 14, 2009 at 12:22 PM