

## Request for Decision

### 2015 Operating Budget Variance Report - December

Presented To:	Audit Committee
Presented:	Tuesday, Jun 21, 2016
Report Date	Wednesday, Jun 01, 2016
Type:	Routine Management Reports

#### Resolution

THAT the City of Greater Sudbury accepts the report dated June 1, 2016 from the Acting Chief Financial Officer/Treasurer regarding the Year End Operating Budget Variance Report.

#### Executive Summary

This report provides Council with an analysis of the City's year-end position. The 2015 year end net under expenditure of approximately \$3.3 Million includes savings realized from the Project 6 Million Initiative (P6M). The City's 2015 net under expenditure reduces the actual draw from Reserves from \$5.5 Million to \$2.2 Million.

#### 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 2015 and the projections included in the 2016 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 Professional Development, Information Technology, Pensioners, Land Reclamation Services, Social Housing Services, Libraries, and Police Services. The total net under expenditures for these areas was approximately \$740,000, however these areas did not retain their respective surpluses for 2015 as a result of Council Resolution FA2015-16 which indicated that 100% of savings achieved during the year would replenish the Tax Rate Stabilization Reserve.

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) Taxation Levy

#### Signed By

**Report Prepared By**

Barbara Dubois  
Co-ordinator of Budgets  
*Digitally Signed Jun 1, 16*

**Recommended by the Department**

Ed Stankiewicz  
Acting Chief Financial Officer/City  
Treasurer  
*Digitally Signed Jun 1, 16*

**Recommended by the C.A.O.**

Ed Archer  
Chief Administrative Officer  
*Digitally Signed Jun 2, 16*

This area is in a net negative variance of \$580,000 as follows:

- Supplemental taxation revenue is under budget by approximately \$20,000
- Payments in lieu of taxation is under budget by approximately \$25,000
- Tax write offs exceeded budget by approximately \$630,000 as a result of appeals, and requests for reconsideration and applications under section 357
- Net under expenditure for vacancy rebates, charity rebates and senior tax grants total \$95,000.

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

This area is reflecting a net positive variance of \$2.2 Million as follows:

- Increased investment income primarily from capital gains realized of \$2.175 Million
- Increased interest on tax arrears net of writeoffs of interest and penalties \$100,000
- Increased miscellaneous revenue net of expenses of \$145,000
- Reduction in OLG slot revenue of \$220,000

## **3) Clerks Admin Services**

This area is reflecting a net positive variance of \$235,000:

- Wages and benefits were under budget by \$150,000 as a result of vacancies and approved leaves and P6M reductions
- Postage costs and other net operating expenditures were under budget by \$85,000 as a result of a conscious effort to reduce spending

## **4) Information Technology**

There is a net under expenditure of approximately \$495,000 primarily due to:

- Reduction in telephone and cellular costs of \$190,000 as a result of reductions in phone rates and postponing of system software and hardware upgrades
- Under expenditure of \$125,000 in IT equipment purchases due to RFP process for new computer/hardware vendor which resulted in delays in purchasing until new contract was finalized and approved by Council
- Reduction in salary and benefit costs of \$80,000 as a result of vacancies and staff on leaves
- Reduction in Purchased Services of \$100,000

The net under expenditure would have been contributed to the Capital Reserve Fund Information Technology in accordance with the Reserves and Reserve Fund by-law had the City not been withdrawing from Reserves in order to achieve a zero percent budget increase.

## **5) Financial Services**

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

- Increased miscellaneous tax user fees due to increased volume of requests \$160,000
- Reduction in contribution to sick leave reserve of \$130,000 as a result of P6M initiative and review of sick leave reserve funding and liability

## **6) Transit and Fleet**

The year-end deficit of approximately \$1.14 Million consists of over expenditures of \$1.1 Million in Transit and \$490,000 in Fleet which are partially offset by a \$450,000 surplus related to acquired rate and timing of debt payments for 1160 Lorne Street.

The Transit net over expenditures of \$1.1 Million is largely a result of:

- Over expenditures in Transit bus repairs and maintenance of \$1.14 Million which includes unanticipated major component rebuild expenses
- Shortfall in Transit fare box revenues of approximately \$380,000 due to a 2 month delay in approving 2015 user fee increases and a decline in ridership

- Under expenditure in Handi-Transit of approximately \$170,000 as a result of favourable consumer price index adjustment in accordance with contract terms
- Other under expenditures of approximately \$240,000 related to transcab service contract, fuel costs and driver salaries

The Fleet net over expenditure of \$490,000 is primarily a result of:

- Over expenditures in vehicle repair and replacement parts, partially a result of fleet vehicles remaining in service beyond their useful lives and damages to department fleet vehicles

## **7) Economic Development**

The year-end under expenditure of \$220,000 in Economic Development is a result of:

- Vacant positions being backfilled/replaced at lower rates than budgeted of \$90,000
- A surplus in marketing costs of \$75,000 due to the implementation of the new Strategic Plan and other initiatives being postponed to 2016, as well as P6M initiatives to reduce overall expenses
- Additional funding approved for the Economic Development Strategic Plan of \$30,000 net of additional expenditures resulting in the project coming in under budget.
- Other miscellaneous under expenditures of \$25,000 in communication costs, PD training and travel, etc.

## **8) Planning and Development**

The year-end under expenditure of \$410,000 in Planning and Development is a result of:

- Vacant positions and staff on leave which results in backfilling/replacement of positions at lower rates than budgeted of \$410,000
- Overall surplus of \$25,000 in EarthCare costs due to unbudgeted donations received as well as under expenditures in promotion costs as a result of P6M initiatives
- Reduction in development services user fees of \$75,000 as a result of fewer applications for committee of adjustments and development services, offset by an increase in unbudgeted user fees of \$25,000 from the renewable energy FIT program
- Under expenditure of \$25,000 in various expense accounts including materials and professional development

## **9) Leisure Services**

The net over expenditure of \$580,000 in this division is as follows:

- Extended ski season by 1 month due to favorable winter weather conditions which generated limited revenues and additional expenses as increased usage primarily came from season pass holders resulting in deficit of \$150,000
- Over expenditure in arenas of \$465,000 is primarily in Sudbury Arena due to lower than average events/shows booked and reduced revenue as a result of poor OHL season
- Other over expenditures in Community Halls \$130,000 were offset by under spending in leisure administration, leisure programs and community partnerships of \$165,000

## **10) Roads**

The net under expenditure of \$580,000 in Roads is as follows:

- The net under expenditure of \$690,000 in roads winter maintenance is a result of a below average snowfall in November and December. Consequently, large under expenditures occurred in sanding/salting/plowing, snow removal and sidewalk maintenance. Over expenditures in winter ditching/spring cleanup and miscellaneous winter roads partially offset some of these savings
- An over expenditure of \$250,000 as a result of an extended summer season allowing for more maintenance work to be completed
- The over expenditure in streetlighting of \$150,000 is a result of higher than budgeted hydro costs

- An under expenditure of \$290,000 in engineering and traffic & transportation is due to vacancies throughout the year

#### 11) Emergency Services

This division has realized an overall under expenditure as follows:

- Fire Services under expenditure of \$130,000 primarily related to fire vehicle maintenance costs, software licensing and training equipment
- Emergency Medical Services under expenditure of \$100,000, including a \$60,000 one time payment received from Ministry for 2014 Ebola Costs
- Lionel E Lalonde Centre operating cost under expenditure of \$30,000
- Emergency Plan under expenditure of \$20,000

#### 12) WSIB Schedule 1 Surcharge for Pioneer Manor

This over expenditure is due to an unexpected and thus unbudgeted WSIB surcharge in excess of \$210,000 related to claims that occurred primarily in 2014 for Pioneer Manor.

#### 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	\$602,110	\$738,040	\$135,930
Building Services	\$16,844	(\$571,031)	(\$587,875)
Cemetery Services	\$211,083	\$165,601	(\$45,482)
RBC Business Centre	(\$206,090)	(\$51,564)	(\$154,526)

#### Summary

As per the attached chart, the City's net year end position will result in a reduction to the budgeted draw from the Tax Rate Stabilization Reserve of approximately \$3.3 Million.

	Annual Net Budget	Y-T-D Net Actuals	Surplus (Deficit)	Notes
<b>Corporate Rev and Exp Summary</b>				
Taxation Levy	(237,492,220)	(236,911,749)	(580,471)	1
Grants and Subsidies	(28,468,100)	(28,468,100)	0	
Other Revenues and Expenses	(16,566,245)	(18,781,969)	2,215,724	2
<b>TOTAL REVENUES</b>	<b>(282,526,565)</b>	<b>(284,161,818)</b>	<b>1,635,253</b>	
<b>Office of the Mayor</b>	<b>603,396</b>	<b>542,766</b>	<b>60,629</b>	
Council Memberships & Travel	72,729	65,624	7,105	
Council Expenses	1,045,904	974,046	71,859	
Healthy Community Initiatives	600,000	600,000	0	
Auditor General	349,501	269,364	80,137	
Office of the C.A.O. Summary	1,547,506	1,579,581	(32,074)	
<b>Executive and Legislative</b>	<b>4,219,036</b>	<b>4,031,381</b>	<b>187,656</b>	
<b>Election Services</b>	<b>200,000</b>	<b>200,000</b>	<b>(0)</b>	
Legal Services	1,528,929	1,447,694	81,234	
Security & By-law	(788,679)	(817,877)	29,198	
Debt & Contribution to Capital	467,110	467,110	0	
Clerks Administrative Services	1,078,602	843,329	235,274	3
Information Technology	(6,798)	(502,623)	495,824	4
<b>Administrative Services</b>	<b>2,479,164</b>	<b>1,637,633</b>	<b>841,530</b>	
<b>Financial Services</b>	<b>7,233,923</b>	<b>6,940,173</b>	<b>293,750</b>	5
Asset Services Summary	4,744,136	4,641,516	102,620	
Transit and Fleet Summary	13,839,602	14,982,539	(1,142,937)	6
<b>Assets &amp; Finance</b>	<b>25,817,661</b>	<b>26,564,228</b>	<b>(746,567)</b>	
<b>Human Resources and O.D.</b>	<b>25,000</b>	<b>(108,533)</b>	<b>133,534</b>	
<b>G.M. Office</b>	<b>271,584</b>	<b>272,124</b>	<b>(540)</b>	
Economic Development	4,991,309	4,772,795	218,514	7
Planning and Development	4,816,775	4,406,010	410,764	8
Building Services	(0)	0	(0)	
<b>Growth and Development</b>	<b>10,079,668</b>	<b>9,450,929</b>	<b>628,739</b>	
<b>Assets Citizen &amp; Leisure -Capital</b>	<b>3,467,043</b>	<b>3,467,043</b>	<b>0</b>	
Citizen Services Summary	11,377,171	11,255,511	121,660	
Leisure-Recreation Summary	18,202,386	18,779,565	(577,179)	9
<b>Growth and Development</b>	<b>33,046,600</b>	<b>33,502,119</b>	<b>(455,519)</b>	
<b>G.M. Office</b>	<b>224,535</b>	<b>210,997</b>	<b>13,538</b>	
Public Works Depots	1,182,058	1,211,618	(29,560)	
Engineering Services	0	0	0	
Water - Wastewater Summary	3,321,002	3,321,000	2	
Roads Maintenance Summary	64,909,372	64,328,166	581,207	10
Environmental Services Summary	11,139,146	11,015,568	123,578	
<b>Infrastructure Services</b>	<b>80,776,113</b>	<b>80,087,348</b>	<b>688,764</b>	
<b>G.M. Office</b>	<b>1,107,647</b>	<b>964,623</b>	<b>143,024</b>	
Emergency Services Summary	34,756,906	34,476,607	280,299	11
Social Services Summary	8,119,981	7,943,600	176,381	
Long Term Care-Senior Services	3,494,073	3,609,322	(115,249)	
WSIB Schedule 1 NEER Costs	0	214,562	(214,562)	12
Housing Services Summary	19,648,364	19,628,157	20,206	
<b>Health, Social &amp; Emergency Svc</b>	<b>67,126,970</b>	<b>66,836,872</b>	<b>290,099</b>	
<b>Outside Boards - SDHU and NDCA</b>	<b>6,428,378</b>	<b>6,428,378</b>	<b>(0)</b>	
Police Services	52,527,975	52,472,999	54,976	
<b>Outside Boards</b>	<b>58,956,353</b>	<b>58,901,377</b>	<b>54,976</b>	
<b>TOTAL EXPENDITURES</b>	<b>282,526,565</b>	<b>280,903,354</b>	<b>1,623,212</b>	
<b>TOTAL</b>	<b>\$0</b>	<b>(\$3,258,465)</b>	<b>\$3,258,465</b>	

Reduction in draw from Tax Rate  
Stabilization Reserve as a result of P6M \$ 3,258,465