

Report to/Rapport au :

**Finance and Economic Development Committee
Comité des finances et du développement économique**

and Council / et au Conseil

**August 20, 2012
20 août 2012**

Submitted by/Soumis par : Marian Simulik, City Treasurer / trésorière municipale

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2012-CMR-FIN-0033

SUBJECT: 2012 OPERATING AND CAPITAL BUDGET Q2 STATUS REPORT

**OBJET : BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS 2012
– T2 - RAPPORT D'ÉTAPE**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee:

1. receive this report for information; and
2. recommend that Council approve:
 - a. the operating budget adjustment to transfer \$1.3 million from the Social Housing reserve to the Housing operating budget; and
 - b. the capital budget adjustment to allow for the establishment of the Strandherd Road project (Fallowfield to Jockvale section).

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique :

1. reçoive le rapport aux fins d'information;
2. recommande au Conseil d'approuver :
 - a. l'ajustement du budget de fonctionnement visant à transférer 1,3 million de dollars des provisions destinées au Logement social au budget de fonctionnement du Logement social; et
 - b. l'ajustement du budget d'immobilisations permettant la création du projet de construction du chemin Strandherd (section de Fallowfield à Jockvale).

BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by Council. Operating reports present actual year-to-date revenues and expenditures against the amounts previously budgeted for the corresponding period. Year-end forecasts are also presented in the second quarter report. Capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, along with the actual expenditures and commitments incurred to date.

The purpose of this report is to present the June 30 year-to-date operating and capital results for City Wide Tax Supported Programs and Rate Supported programs along with providing a year-end forecast. Results for boards and commissions are not included with this report.

Document 1 provides operating budget detail on year-to-date results for the various Departments and Branches.

Document 2 provides a detailed listing of the capital project status.

Document 3 provides compensation information, showing the actual salary, benefit and the overtime costs incurred by departments and branches for the first six months versus the full year budget.

Year-to-date results and a year-end forecast for services reporting to boards or commissions (Police Services, Library, Public Health and Transit operations) will be presented in separate reports to their respective governing bodies.

DISCUSSION

June 30 Year-To-Date Results / Year-end Forecast

The year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2012 budgets on a monthly / quarterly basis based primarily on past experience.

A high-level corporate summary of the year-to-date net operating results and net year-end forecast for each City department are summarized below in Table 1. A discussion on significant budget variances follows. Document 1 provides additional details on the departmental the June 30th position and the year-end forecast.

All Departments / Branches were asked to review their June 30 results and to develop their year-end forecasts. Based on this review, staff is projecting that the tax supported City services will be in a surplus position of \$2.5 million and the rate supported services will be on budget. The combined surplus represents 0.1% of the 2012 budgeted expenditures on tax and rate supported programs (excluding boards and commissions) of \$1.9 billion.

Table 1 – June 30 Operating Results / Year-end Forecast

2012 2nd Quarter Status Report	YTD Net Surplus / (Deficit)	Forecasted Expenditures	Forecasted Revenues	Forecast Surplus / (Deficit)
	\$000	\$000	\$000	\$000
Tax Supported				
Elected Officials	242	10,144	-	300
Office of the Auditor General	10	1,616	-	-
City Manager's Office	(282)	71,108	(6,561)	145
City Operations	(1,229)	1,293,738	(538,202)	1,944
Planning & Infrastructure	354	69,301	(49,758)	-
Non Departmental Accounts	4,441	206,566	(1,060,452)	111
Total Tax Supported - City Services	3,536	1,652,473	(1,654,973)	2,500
Water	(390)	132,886	(133,931)	1,045
Wastewater	(2,493)	146,319	(145,323)	(996)
Total Rate Supported Programs	(2,883)	279,205	(279,254)	49
Total Tax & Rate Supported	653	1,931,678	(1,934,227)	2,549

Tax Supported Services - \$2.5M Surplus

1) City Operations \$1.9M surplus

- **Parks & Recreation**
Results to date indicate that revenues are under budget and it is currently estimated that the program may be in a \$2.8M deficit position at year end. Program changes and initiatives have been put in place to mitigate this situation. These include increasing the program cancellation cut off and the implementation of a management reorganization. Additionally, the Community and Protective Services Committee approved a report on May 17th delegating authority to the General Manager of Parks and recreation to adjust program fees and program offerings as a means of maximizing revenues and maintaining or increasing participation levels, which should help to reduce the forecast budget shortfall.
- **Social Housing**
Due to higher rent-geared-to-income (RGI) subsidy payments resulting from lower tenant incomes, Housing services is projecting a \$1.3M deficit. It is recommended that a transfer \$1.3M from the Housing reserve be made to cover this shortfall.
- **Community and Social Services**
A deficit of \$2.2M is projected in the following areas.

The Ontario Works Discretionary Benefits program is projecting a \$2.5M deficit as a result of the Provincial Budget announcement to cap the benefits as of July 1st and Council's decision to maintain them for the balance of 2012. Additional Provincial revenue of \$1M is being realigned to mitigate the impact of this projected deficit.

A deficit of \$0.8M is projected in the ODSP Community Bus Pass program due to increased usage.

- **Emergency & Protective Services**

By-law services are projecting a \$0.5M surplus due to increased parking fines revenue from the Private Property External Agency program.

Paramedic services are projecting a \$0.7M surplus resulting from increased provincial revenues.

- **Public Works**

In the March 31 Status report, a year-to-date deficit in the Roads and Traffic Management Division was identified as a result of the increased cost in winter maintenance operations associated with the abnormal number of freezing rain events in January and February. The October - December winter season results will determine the year end position of the winter maintenance accounts.

The projection for 2012 for these 3 months has been based on a review of the actual results for the past 2 years which has seen a less severe start to the winter season. The Division is assuming that this will continue for the start of the 2012-13 winter season and is therefore projecting a year-end surplus of \$1.3M in winter maintenance accounts. Should the winter maintenance expenditures be higher than forecast, any deficit will be funded from the Winter Maintenance Reserve which currently has a balance of \$10.8 million.

An additional surplus of \$3.7M is projected due to reduced summer maintenance activities (grass cutting) as a result of the drought conditions and increased recovery of costs to capital projects stemming from works associated with Ottawa on the Move projects and the Light Rail project.

- **Solid Waste**

A \$1.3 million surplus is projected surplus is due mainly to lower disposal and processing costs. In accordance with Council policy, surpluses from the normal solid waste collection stream are to be contributed to the Solid Waste reserve fund at year end.

2) Planning & Infrastructure Services (On budget)

- **Building Code Services**

Revenues are projected to be \$3.5M higher than budget due to the higher construction values and larger projects than anticipated. In addition, expenditures are projected to be lower than budget by \$1.0M largely due to vacancies. Per Council policy, the surplus will be directed to the Building Code Reserve.

3) Non Departmental Accounts (\$0.1M surplus)

- **Taxation related accounts**
At this time, supplementary taxes, Payments in Lieu of Taxes and Tax remissions are projected to be in a combined deficit of \$2.0M. This situation may change as supplementary tax receipts are processed during the balance of the year.
- **Provision for Unforeseen account**
At this time, the Provision contains \$1.6M in unspent funds. In accordance with Council policy, unspent funds in this provision will be contributed to the Tax Stabilization Reserve.
- **Sales of Surplus Lands**
Revenues, derived from the sale of surplus City lands, currently projected at \$1.5M, are not budgeted for on an annual basis since the amount of land available for sale will vary significantly from year to year.

4) Rate Supported (\$0.1M surplus)

The total program is projected to be on budget.

Disposition of Year-end Surpluses

Table 2 shows the projected year-end position along with the net position after the transfer of program surpluses to or the funding of deficits from the various reserves. In accordance with Council policy, should any year-end surplus occur in the Solid Waste, Housing and Child Care programs, these will be transferred to reserve funds that support those programs. Surpluses in the winter maintenance program would be used first to offset any deficits in the roads and traffic maintenance division, and secondly to offset any other deficits in City expenditures, prior to being transferred to the Winter Maintenance Reserve. Per Council policy, any remaining surplus is to be contributed to the Tax Stabilization Reserve.

Table 2 – Forecast disposition of the year end surpluses and deficits

Surplus / (Deficit)	\$000
• Departmental Forecast	5,700
• Transfer to Building Code Reserve	(4,500)
• Transfer from Housing Reserve	1,300
Projected 2012 Surplus	2,500
Program surpluses to reserve funds under delegated authority	
• Transfer to Solid Waste Reserve	(500)
• Transfer to Tax Stabilization Reserve	(1,570)
Remaining Balance – Contributed to Tax Stabilization Reserve	430

Q2 Compensation Results

Document 3 provides compensation information showing the actual salary / benefits and overtime costs incurred by departments for Q2 versus the full year budget. On a corporate basis, actual overtime costs as a percentage of the annual budget are 58% spent. The main area contributing to these results is in Public Works – Roads & Traffic Maintenance. Overtime usage in the first half of the year is reflective of the seasonal nature of this service.

Overall total actual compensation costs for the first quarter were 51% of the full year 2012 compensation budget.

Staffing – Retirements

City Council at its meeting of March 24, 2010 approved the following motion with respect to positions that become vacant due to retirement:

“That staff routinely analyze each position that will become vacant due to retirement looking at the job description, compensation level and whether work could be consolidated with another position and report to Committee on the results of such analysis on a quarterly basis.”

Results in Q2 2012 indicate that 79 positions were vacated by active employee retirements. Of these, 48 positions are planned for staffing with no change in job requirements. Twenty-four positions were placed on hold while job and organizational requirements are examined. Five positions were referred for review under the City’s job evaluation system with three positions re-evaluated to date. Of these re-evaluations two positions remain at the same pay level and one position increased by two pay grades. Two positions are planned for deletion from departmental position allocations.

Provision for Unforeseen and One Time Expenditures

The 2012 budget contained a provision of \$2.8 million to address expenditures of a one-time nature and unforeseen expenditures that may occur during the year. Through the 2012 budget process, Council approved spending of \$0.730 million against this provision.

During the second quarter of 2012, Council has approved \$0.5 million from the provision to undertake small-scale reviews of existing zoning and to revisit Community Design Plans to resolve any ambiguities between the two.

The uncommitted balance in the Provision for Unforeseen and One Time Expenditures account is projected to be \$1.570 million. In accordance with Council policy, this surplus will be contributed to the tax Stabilization Reserve.

Budget Adjustments and Transfers

A summary of the budget adjustments and transfers made in the second quarter of 2012, either through the delegated authority given to the City Treasurer or through Council-approved reports is reproduced in the following two tables.

Adjustments between departments (Table 2) were made to reflect administrative adjustments and to realign program costs and revenues. These adjustments do not result in any increase or decrease to the total corporate expenditure or revenue budgets. Table 3 summarizes the budgets adjustments made that have increased / decreased the City's overall expenditure or revenue budget.

Table 2 - Intra-departmental Budget Adjustments & Transfers

Description of Adjustments & Transfers	\$ Millions
Transfer of 2 FTE from Corporate Communications to Parks, Recreation & Culture.	0.147
Transfer of 1 FTE from Solid Waste to DCM City Operations.	0.066
Adjustments in compensation budgets to reflect contract settlements.	0.586
Realignment of Provincial subsidy between Childcare and Social Services to mitigate the funding shortfall in the Discretionary Benefit program.	1.000

Table 3 - Budget Adjustments & Transfers Impacting Overall Expenditures / Revenue

Description of Adjustments & Transfers	Funding Source	Net Effect on Budget Revenues & Expenditures	\$ Millions
Increase in Bylaw parking associated with new Private Property Enforcement Agency agreements as per changes to Bylaw 2002-189	Municipal Revenues	Increase in Revenue & Increase in Expenditure	0.500
Consolidated Homelessness additional funding for Cornerstone from Ministry of Community and Social Services to equal 2012 Provincial Contract.	Provincial Funding	Increase in Revenue & Increase in Expenditure	0.255
Ontario Funding Agreement additional funding to equal 2012 Provincial Contract with Community Development & Funding.	Provincial Funding	Increase in Revenue & Increase in Expenditure	0.779

Capital Projects / Programs

Document 2 provides a listing of the capital program provided by the Department/Branches that are tax and rate supported. A separate Q2 report for the Transit Commission will provide a status on projects that are under its respective mandate.

The listing identifies the lead department, Ward, financial status – budget versus actual results and anticipated completion date. The total for capital works in progress is \$4.831 billion, of which \$1.658 billion is uncommitted to date. The capital listing indicates that projects are generally on track with no significant issues noted.

Capital Budget Adjustments

Document 4 provides a listing for the information of Committee and Council of all capital budget adjustments that have been processed under delegated authority since July 2012. These have been processed under the authority delegated to the City Treasurer under By-law 2009-231.

Document 5 provides a listing of capital budget adjustments that require Council approval as they exceed the delegated authority limits. An explanation for each adjustment is also provided by the requesting department.

Included in the adjustments requiring Council approval is a \$23M request to enable the construction of the next section of Strandherd Rd widening from Fallowfield to Jockvale. This segment of the Strandherd Road widening is being advanced to coordinate with the construction of the South Nepean Collector sanitary sewer that is needed for development. This sewer will be within the same road alignment and will achieve significant cost savings by coordinating the works together. Expenditure authority for

this segment will be provided by a transfer of \$13M from the Strandherd Drive (Woodroffe Ave to Prince of Wales section – Project #901182) and \$10M from the Strandherd Drive (Longfields to Woodroffe Ave section – Project #903189). The tendered costs for both projects were significantly under budget. The combined adjustments to refinance these 3 projects will result in the elimination of \$12.3M of previously approved debt authority.

RURAL IMPLICATIONS

There are no rural implications.

CONSULTATION

The purpose of this report is administrative in nature and therefore no public consultation is required. All Departments reporting to Committee were consulted in the preparation of this report.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications.

FINANCIAL IMPLICATIONS

As outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility implications with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications with this report.

TERM OF COUNCIL PRIORITIES

There is no term of council priorities associated with this report.

SUPPORTING DOCUMENTATION

[Document 1 - Operating Results Summary June 30, 2012 / Year-end Forecast](#)

[Document 2 – Capital Works in Progress](#) (Link to the Corporate Capital Summary can be accessed from the on-line version of the report on the City's web site)

[Document 3 – 2012 Q2 Compensation Summary](#)

[Document 4 – Capital Budget Adjustments processed under Delegated Authority](#)

[Document 5 - Capital Budget Adjustments requiring Council Approval](#)

DISPOSITION

Report is provided for information to Committee and Council. Financial Services will process approved budget adjustments.