

**Report from** Financial Management Services/Director

**Date of Report:** August 3, 2016

**Date of Meeting:** August 29, 2016

**Report Number:** FMS-B008-2016

**File:** 10.57.99

**Subject:** Year-to-Date Report – 2016 Second Quarter Operating Variance

## Recommendation

That the Budget Standing Committee (BSC) receive for information the Year-to-Date Report (YTD) for the second quarter of 2016.

## Background

The Year-To-Date reports (YTD) received by BSC quarterly are intended to provide the committee with information and details pertaining to the Operating Budget performance.

The information contained within the 2016 2nd Quarter Report is general and summarized.

## Report

Scheduled delivery of year-to-date financial information, often referred to as a variance report, is aligned with the Corporation's fiscal year (January 01 to December 31) and is delivered on a quarterly basis. The appended YTD Report includes facts and figures up to and including June 30, 2016 and is delivered following the closure of accounts and final accounting processes.

As of June 30, 2016, the City's Total Expenditure Budget for fiscal 2016 is at 44% with 50% of the year complete. It is important to note that not all expenses are evenly expended throughout the year. All departments are involved in the development of the YTD reports. Departments are requested to review the variance reports and comment on any variances that are greater or less than 10% of the percentage of the year complete. For the second quarter variance report departments provided explanations for divisions that were less than 40% expended or over 60% expended with 50% of the year complete. These details are provided in Appendix 1 attached.

On the Revenue side we have had several older tax assessment appeals come through in the first two quarters of 2016. This is largely due to Municipal Property Assessment Corporation (MPAC) trying to clear up older appeals before the 2017 reassessments are issued. We still have some appeals outstanding for the former Hotel Dieu site and the big box stores. Currently we are at 97% of the tax write-off budgets. At this time we are estimating the tax write-offs to be 122% of the budget. Vacancy rebates are within budget

and may end year below budget. However, at this time it is too early to predict a surplus amount for fiscal 2016, as there are still some revenue amounts which are unknown, such as supplemental tax billings which are received in Q3 & Q4 and Payment In Lieu of Taxes (PILs) which are invoiced in Q3. Although, reviewing the revenue accounts there are no other concerns at this time.

## **Financial Implications**

There are no financial considerations associated with the preparation of the YTD report other than those highlighted.

## **Relationship to Strategic Plan**

Economic Sustainability is further enhanced with YTD/quarterly variance reporting to the BSC. With these financial controls in place it improves the City's ability to be affordable for young people, families and retired older adults.

## **Conclusion**

The Year to date/quarterly report is an important management tool. It also provides useful and timely information to Council to assist in decision-making, accountability, and tracking of budget performance.

### **Prepared and Submitted by:**

Kristine Douglas, Director, Financial Management Services

### **Approved by:**

Shelley Chemnitz, Commissioner of Corporate Services

## City of St Catharines

2016 Operating Expenditure Variance  
as at June 30, 2016

50 % of year

|  | June, 2016<br>Actuals | 2016<br>Budget | % Used | Variance   | Comments   |
|--|-----------------------|----------------|--------|------------|--|
| Office of Mayor and Members of Council | 337,766               | 668,348        | 50.54% | 330,582    | In line with budget.   |
| Grants and Committees                  | 2,771                 | 10,000         | 27.71% | 7,229      | All committees and grants are under budget.  |
| <b>City Departments</b>                |                       |                |        |            |  |
| CAO                                    | 577,789               | 1,221,506      | 47.30% | 643,717    | In line with budget.   |
| Legal Services and Clerks              | 1,513,008             | 2,795,494      | 54.12% | 1,282,486  | Software for management of Election Voter's list, annual transaction complete in January.<br>Variance also due to legal and court cost expense being overbudget by 157%-details explanation and account to come forward through separate in-camera report to Council in November 2016. Variance also due to books and publications overspent for year by 14% due to increased cost of reference materials required to provide advice to Council and departments. |
| Planning and Building Services         | 1,662,398             | 3,819,656      | 43.52% | 2,157,258  | Planning Agreements and Application Revenue higher than budgeted. Excess funds to be used for Full Cost Recovery User Fee Study in 2017. Committee of Adjustment had more applications/revenue than Budgeted and conference monies will be spend in Q3.<br>Heritage Committee Plaquing will be expended in Q3 and Q4.  |
| Fire Services                          | 10,454,657            | 24,197,713     | 43.21% | 13,743,056 | The wages incurred to date do not reflect any contract increases and are therefore lower than budgeted.<br>Annual clothing requirements expect to be purchased in Q3.<br>Favourable fuel rates to date in 2016.  |
| Economic Development & Tourism         | 300,218               | 940,908        | 31.91% | 640,690    | Bulk of initiatives occur in August and Fall (eg. EcDev Strategy, Tradeshows, Fall/Winter Campaign) and budget will balance out by end of year.  |

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|---|-----------------------|----------------|--------|------------|--|
| <b>Operations Commission</b>            |                       |                |        |            |  |
| Transportation & Environmental Services | 7,696,328             | 18,262,483     | 42.14% | 10,566,155 | <p>Bridges &amp; Culverts, Road Improvement Program and Sidewalk Replacement Contracts underway.</p> <p>Building Improvements expected later in year. Traffic Calming to be spent in Q3 &amp; Q4. Pavement markings to occur in Q3.</p> <p>Watercourse Cleaning estimated to be overspent for 2016 - overage will be offset by positive salary and wage variance in Forestry.</p> <p>Study and Consulting Fees for Environmental monitoring - POs have been issued and work is underway.</p> <p>2016 Street Cleaning and Ditching Programs majority of expenses are incurred in Q3 and Q4.</p> <p>77% of Winter Control Budget spent in Q1 and Q2, remaining to be spent in Q4 - this is typical for this expense.</p> |

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as at June 30, 2016

50 % of year

|  | June, 2016 | 2016       |        |            |   |
|--|------------|------------|--------|------------|---|
|  | Actuals    | Budget     | % Used | Variance   | Comments  |
| Parks, Recreation and Culture Services | 7,583,667  | 18,153,547 | 41.78% | 10,569,880 | <p>Utilities are favourable for the first six months of 2016 at 45% of budget.</p> <p>Many of PRCS operations (Passive Parks, Park Operations, Kiwanis Fields, Swimming Pools and Beaches, Golf Course, Carousel and Grass Cutting) are seasonal with majority of expenditures incurred in latter part of Q2, Q3 and early Q4.</p> <p>Arena Operations are trending slightly ahead of budget at 59%; although summer months have lower usage; therefore reasonable.</p> <p>Many Special Events, including Labour Day &amp; Grape and Wine Parades, Christmas Lighting events occur in Q3 &amp; Q4.</p> <p>Museum Operations within budget. Dunlop and Port Dalhousie Older Adult Centres memberships exceeded budget.</p> <p>Community Centres within in budget expectations at 55% for year.</p> <p>Positive salary variances due to vacancy of Director and two Administration Representatives.</p> <p>PAC operations are at 91% of budget due Artist &amp; Entertainment fees being at 74% of budget and Marketing fees at 63% of budget, both of these items are typical for this line of business. Variance also due to only 22% of Brock Fees being received to date - majority of Brock fees to be received in Q3. Rental revenues at 20% due to reduced rates provided to arts groups.</p> <p>Culture - Events: cNiagara, Arts Awards, Culture Days complete with invoices pending.</p> |

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|--|-----------------------|-------------------|---------------|-------------------|--|
| <b>Corporate Services Commission</b>   |                       |                   |               |                   |  |
| Financial Management Services          | 2,154,969             | 3,886,892         | 55.44%        | 1,731,923         | Variance due to annual Insurance Premium paid in Q1. Also due to external audit and actuarial fees not being incurred until Q4. Miscellaneous general expenses are underbudget - this account is for unforeseen expenditure and usage varies from year to year.  |
| Corporate Support Services             | 2,808,087             | 5,183,761         | 54.17%        | 2,375,674         | 69% of IT service contracts expended at 50% of the year, but will be on track for year.<br>Jostle not budgeted for along with Oracle Software update, but can be accommodated through other expenditures that will be under budget.<br>HR Advertising/Recruitment Costs at 95% due to large volume of Management/Director Vacancies as well as additional unplanned Vacancies.<br>Long Service Recognition - 58.5% used for Volunteer recognition night with the remaining going towards Employee Recognition Night in Q4. |
| Contribution to Capital                | 0                     | 1,400,000         | 0.00%         | 1,400,000         | The capital out of revenue is not transferred out to the capital projects until the capital budget is approved by Council. This is expected to occur in Q3.  |
| Total City Departments and Commissions | 35,091,658            | 80,540,308        | 43.57%        | 45,448,650        |  |
| Debt Repayment                         | 5,916,434             | 12,002,251        | 49.29%        | 6,085,817         |  |
| <b>Total City Expenditures</b>         | <b>41,008,092</b>     | <b>92,542,559</b> | <b>44.31%</b> | <b>51,534,467</b> |  |

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50 % of year

|                               | June, 2016<br>Actuals | 2016<br>Budget     | % Used        | Variance          | Comments   |
|-------------------------------|-----------------------|--------------------|---------------|-------------------|--|
| <b>Boards and Commissions</b> |                       |                    |               |                   |  |
| Library Board                 | 2,450,000             | 5,572,035          | 43.97%        | 3,122,035         | Revenue at 38% due to City Contribution only at 38% with final deposit being a larger amount and AV Service Equipment Revenue is larger than budgeted.<br>Expenditure at 46% due to Operating Capital not yet expended and grounds maintenance and repairs lower than anticipated.         |
| Transit Commission            | 6,300,000             | 10,154,143         | 62.04%        | 3,854,143         | Transit given 70% of their operating budget to date.<br>The City funds the Transit over the year based on their cash flow needs.<br>Paratransit Expenses at 51.4% and Revenue at 49.7%<br>Transit Expenses at 49.9% and Revenue is at 49.2%<br>Total Expenses at 50% and Revenue at 49.22% |
| Niagara District Airport      | 203,793               | 203,793            | 100.00%       | 0                 | Annual allocation provided to Airport in first two quarters of the year.   |
| <b>Total Expenditures</b>     | <b>49,961,885</b>     | <b>108,472,530</b> | <b>46.06%</b> | <b>58,510,645</b> |  |