

**Report from** Financial Management Services, Director

**Date of Report:** November 6, 2017

**Date of Meeting:** November 20, 2017

**Report Number:** FMS-B051-2017

**File:** 10.57.10

**Subject:** Year-to-Date Report – 2017 Third Quarter Operating Variance and Year End Forecast

## Recommendation

That the Budget Standing Committee (BSC) receive for information the Year-to-Date Report (YTD) for the third quarter of the year to September 30, 2017.

That the BSC receive for information the year end forecast for 2017.

## Background

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

The information contained within the 2017 Year-To-Date 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 September 30, 2017 and is delivered following the closure of accounts and final accounting processes.

As of September 30, 2017, the City's Total Expenditure Budget for fiscal 2017 is at 68% with 75% 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 third quarter variance report departments provided explanations for divisions that were less than 65% expended or over 85% expended with 75% of the year complete. These details are provided in Appendix 1 attached.

Also included with the third quarter variance report is a forecast to the end of 2017. At this time it is estimated that total expenditures for 2017 will come in at approximately 98% of budget. This results in an expenditure surplus for 2017. As indicated below

revenues are also trending favourably for 2017. Therefore overall, the expectation for 2017 is a surplus that is adequate to contribute 1% (\$1.102 million) towards the 2018 operating budget. Any funds over the 1% for 2018 operating budget are recommended to be transferred to City reserve funds. In particular, the election reserve in case expenditures exceed the \$400,000 provided in the 2018 budget. Other reserve contributions recommended are the litigation/insurance reserve and winter control reserves which are below their targeted balances.

On the Revenue side as of September 30, 2017, we have billed 100% the 2017 tax levy. Non-tax revenues and contributions from other governments are slightly ahead of budget at 85% with 75% of the year complete. A main contributor to positive variance is building permits exceeding the budget. As per section 7(4) of the Building Code Act, 1992, as amended, the total building permit fees collected in excess of the direct and indirect costs of delivering services related to the administration and enforcement of the Building Code Act are to be transferred to a Building Stabilization Reserve Fund. This transfer will occur when the year is complete and total costs are known. Tax appeals and write-offs are over budget by approximately \$523,000. An overage was anticipated with 2017 being the first year of a four-year reassessment period. This unfavourable variance is offset by a positive variance with supplemental tax revenues of \$413,000 and investment income of \$189,000. Overall, in review of revenue accounts there are no concerns identified 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 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 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 by:**

Robyn Shearer, Accounting and Budget Clerk

## **Submitted and Approved by:**

Kristine Douglas, Director, Financial Management Services/City Treasurer

## City of St Catharines

2017 Operating Expenditure Variance  
as at Sept 30, 2017

75 % of year

	Sept 2017 Actuals	2017 Budget	% Used	Variance	2017 forecast	Budget to Forecast \$ Variance	Comments
Office of Mayor and Members of Council	493,157	706,257	69.83%	213,100	698,912	7,345	In line with Budget. City Memberships paid for year. Organizational Effectiveness study deferred, with service contracts and software expenditures to come in Q4.
Grants and Committees	2,531	5,000	50.62%	2,469	4,153	847	Youth Advisory Committee on track; Accessibility Committee is on target with majority of expenditures to follow in Q4.
<b>City Departments</b>							
CAO	967,721	1,267,481	76.35%	299,760	1,356,695	-89,214	In line with budget. Still waiting for invoices from website provider for services rendered.
Legal Services and Clerks	1,525,272	1,972,067	77.34%	446,795	2,026,056	-53,989	In line with budget. Legal Books and Publications at 85% Legal expense costs related to Ice Dogs review exceeded entire budget, and we have used contract legal services to supplement in house due to staff vacancy in Q1
Planning and Building Services	2,145,267	3,859,313	55.59%	1,714,046	3,491,830	367,483	Minor variance and planning application revenues higher than anticipated. CIP façade grant money and heritage committee funds not yet expended for 2017. Some gapping dollars present due to vacancies.
Fire Services	17,144,696	24,338,181	70.44%	7,193,485	24,275,669	62,512	Several personnel off for extended periods of sick time. These all affect sick pay account as well as the overtime budget to maintain minimum staffing requirements. Personnel off on vacation, statutory holidays, and parental leave also impacts overtime.
710.100.002 Salaries/Wages-Overtime	1,234,892	880,098	140.31%	-354,794	1,468,764	-588,666	
710.100.006 Sick Pay	821,648	640,003	128.38%	-181,645	993,957	-353,954	Remaining budget expenditures are currently expected to be on track.
Economic Development & Tourism	591,767	1,010,207	58.58%	418,440	947,756	62,451	In line with budget. Tourism promotion on track, Enterprise Centre expenditures tracking well with larger expenditures coming in Q4. Additional provincial funds are also anticipated in Q4.
<b>Operations Commission</b>							
Transportation & Environmental Services	11,635,402	18,844,317	61.74%	7,208,915	18,408,142	436,175	Pavement Marking has not yet been invoiced for 2017 completion. Watercourse and other major cleanups are still anticipated for Q4. 2017 Street Cleaning for September not yet invoiced. Fall Leaf pick-up still to be completed. 64% of Winter Control Budget spent in Q1 and Q2, remaining to be spent in Q4 - this is typical for this expense.

**City of St Catharines**

**2017 Operating Expenditure Variance  
as at Sept 30, 2017**

75 % of year

	Sept 2017 Actuals	2017 Budget	% Used	Variance	2017 forecast	Budget to Forecast \$ Variance	Comments
Parks, Recreation and Culture Services	10,683,752	16,430,187	65.03%	5,746,435	15,610,578	819,609	Many of PRCS operations (Passive Parks, Park Operations, Kiwanis Fields, Swimming Pools and Beaches, Golf Course, Carousel and Grass Cutting) are seasonal with many Q3 expenditures pending invoices. Grant revenue for seniors centres exceeded forecasts although membership sales are below target. Special Events, including Labour Day & Grape and Wine Parades, Holiday Lighting events are expensed in Q4, therefore not yet expended.
Meridian Centre	585,366	661,548	88.48%	76,182	666,272	-4,724	SMG has provided comments: Reported in Q2 - Ice Dogs upcoming Season Schedule has 3 fewer games than budgeted with a projected impact of \$51,000. Festival of Stars event canceled with a \$43,000 impact. New Comments for Q3 - Additional hockey and basketball events have been added for December but advertising revenue and club seat sales continue to trend low. Indirect expenses are projected under budget, although repairs and maintenance will be higher than anticipated.
First Ontario Performing Arts Centre	1,204,454	1,510,609	79.73%	306,155	1,496,235	14,374	In line with budget. Remaining expenditures/revenue to occur with Fall show season.
<b>Corporate Services Commission</b>							
Financial Management Services	2,582,723	4,053,830	63.71%	1,471,107	4,003,873	49,957	External audit fees not being incurred until Q4. Miscellaneous general expenses to be expended in Q3 and Q4
Corporate Support Services	3,770,230	5,394,008	69.90%	1,623,778	5,359,247	34,761	Tracking in line with budget, with additional safety training and technology upgrades scheduled for Q4. .
Contribution to Capital	1,545,000	1,529,000	101.05%	-16,000	1,545,000	-16,000	Contribution to Capital Expended for 2017
Total City Departments and Commissions	54,877,338	81,582,005	67.27%	26,704,667	79,890,418	1,691,587	
Debt Repayment	9,176,847	12,461,990	73.64%	3,285,143	12,568,237	-106,247	In Line with Budget.
Total City Expenditures	64,054,185	94,043,995	68.11%	29,989,810	92,458,655	1,585,340	
<b>Boards and Commissions</b>							
Library Board	3,150,398	5,491,200	57.37%	2,340,802	5,490,398	802	City Contribution only at 57% with final cash flow payment at end of year being a larger amount. Library at 70% of Operating Expenses and in-line with budget

**City of St Catharines**

**2017 Operating Expenditure Variance  
as at Sept 30,2017**

75 % of year

	Sept 2017 Actuals	2017 Budget	% Used	Variance	2017 forecast	Budget to Forecast \$ Variance	Comments
Transit Commission	9,948,664	10,467,726	95.04%	519,062	10,696,664	-228,938	Transit provided with 95% of their operating budget to date. The City funds the Transit over the year based on their cash flow needs. Transit is on track with 76.5% of total expenses used. Diesel prices are escalating for Q4 which is why an overage has been forecasted for the year. Taxi contracts are higher at 84.4% usage. Paratransit revenue is tracking above budget.
Niagara District Airport	207,853	207,853	100.00%	0	207,853	0	In Line with Budget.
Total Expenditures	77,361,100	110,210,774	70.19%	32,849,674	108,853,570	1,357,204	