

Report from Financial Management Services, Director

Date of Report: November 5, 2018

Date of Meeting: November 19, 2018

Report Number: FMS-B026-2018

File: 10.57.99

Subject: Year-to-Date Report – 2018 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 (Q3) of the year to September 30, 2018.

That the BSC receive for information the year end forecast for 2018.

Background

The YTD reports received by BSC are intended to provide the committee with information and details pertaining to the Operating Budget performance.

The information contained within the 2018 YTD Report is general and summarized.

Report

Scheduled delivery of YTD 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, 2018 and is delivered following the closure of accounts and final accounting processes.

As of September 30, 2018, the City's total expenditure budget (including boards and commissions) for fiscal 2018 is at 72% 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 Q3 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 Q3 variance report is a forecast to the end of 2018. At this time, it is estimated that total expenditures for 2018 will come in at approximately 99% of budget, resulting in a surplus of \$1.18 million or 1% of the 2018 Operating Budget.

As per the Budget Standing Committee minutes of December 15, 2015, the 1% surplus would be applied to the 2019 operating budget. Any surplus over the 1% for the 2018 operating budget are recommended to be transferred to City reserve funds; in particular, the election reserve as the one-quarter annual allocation was not accommodated in the 2019 operating budget. Other reserve contributions recommended include the litigation/insurance and winter control reserves which are below targeted balances.

A revenue analysis at the end of Q3 has shown the City has billed 100% of the 2018 tax levy, with tax instalments being due February 28th, April 30th, June 29th and September 28th. Non-tax revenues and contributions from other governments are ahead of budget at 87% with 75% of the year complete; this is mainly due to Payments in Lieu of Taxes billing and receipts occurring in Q3. Supplemental tax revenues are estimated to be slightly ahead of budget for the year. Tax write-offs have exceeded budget for the year and have an unfavourable impact on revenues. The increase in interest rates has had a positive impact on revenues for 2018. There are tax appeals which have been received, but not processed and other appeals outstanding. Staff will continue to monitor these appeals closely. Overall, in review of revenue accounts tax write offs, appeals and interest and penalty amounts are the areas being watched by staff as we move towards the end of the year.

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.

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Submitted and Approved by:

Kristine Douglas, Director, Financial Management Services/City Treasurer

**City of St. Catharines - 2018 Operating Expenditure Variance
as at September 30, 2018**

75% of the Year

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	Sept 2018 Actuals	2018 Budget	% Used	Variance	2018 forecast	Budget to Forecast \$ Variance	COMMENTS
Office of Mayor & Members of Council	535,049	736,461	72.65%	201,412	724,896	11,565	In line with budget
Grants and Committees	3,319	21,000	15.80%	17,681	21,000	0	Majority of expenditures to follow in Q4.
City Departments							
CAO	914,908	1,183,446	77.31%	268,538	1,135,929	47,517	In line with budget
Legal Services and Clerks	1,045,714	1,507,934	69.35%	462,220	1,453,808	54,126	In line with budget however, Legal and court costs trending high and election costs to be expended in Q4. Staff vacancy creating positive variance.
Planning and Building Services	764,554	2,006,187	38.11%	1,241,633	1,704,144	302,043	Permit, minor variance and planning application revenues higher than anticipated. Vacancies have created a positive variance and forecast.
Fire Services	17,994,073	24,825,636	72.48%	6,831,563	25,013,003	-187,367	Personnel off for extended sick time impact sick pay account. Overtime budget is also affected by sick time, vacation, statutory holidays, and parental leave to maintain minimum staffing requirements. 11 new recruits hired in 2018 to fill vacancies. Remaining budget expenditures are expected to be on track.
710.100.002 Salaries/Wages-Overtime	1,318,349	980,098	134.51%	-338,251	1,563,372	-583,274	
710.100.006 Sick Pay	1,006,404	899,999	111.82%	-106,405	1,231,403	-331,404	
Economic Development & Tourism	735,229	1,061,141	69.29%	325,912	1,000,256	60,885	Economic Development, Tourism and Enterprise Centre on track with expenditures coming in Q4. Delayed hiring of contract position and vacancy creating a positive variance.
Transportation & Environmental Services	11,698,815	18,471,522	63.33%	6,772,707	17,914,775	556,747	Training budget to be expended in Q4 for winter control. Winter control budget already expended with 3 months remaining for 2018 and therefore expecting a negative impact (weather dependent). Staff retirement and vacancies creating positive variance. Street sweeping and fall cleanup expenditures to occur in Q4. Large watercourse cleaning project taking place late in Q4. Sidewalk spot repair invoices to be processed in Q4.
Parks, Recreation & Culture Services	11,682,977	17,341,429	67.37%	5,658,452	16,470,571	870,858	Tree planting, removal and stumping invoices to be processed in Q4. Park water utility bills to be expended in Q4. Grape and Wine Parades and Holiday Lighting invoices to be processed in Q4. Full-time staff vacancies throughout culture, administration, operations, special events and farmers market creating positive variance.
Meridian Centre	497,286	673,941	73.79%	176,655	665,769	8,172	In line with budget. Event income running slightly under budget however, repairs, maintenance and utility cost running under budget are expected to create a positive variance.
First Ontario Performing Arts Centre	1,287,170	1,461,502	88.07%	174,332	1,530,921	-69,419	Key performance cancellation has reduced anticipated revenue significantly. Unexpected replacement of lift equipment has also created negative variance. Delay in transition to Board has negatively impacted expected board fundraising revenues.
Financial Management Services	2,881,801	3,989,715	72.23%	1,107,914	3,953,556	36,159	In line budget
Corporate Support Services	4,016,194	5,642,170	71.18%	1,625,976	5,523,954	118,216	HR recruitment advertising over budget due to advertising costs associated with attracting candidates to the City. Overall, in line with budget.
Contribution to Capital	1,641,000	1,563,000	104.99%	-78,000	1,641,000	-78,000	Contribution to Capital Expended for 2018
Total City Departments	55,698,089	80,485,084	69.20%	24,786,995	78,753,582	1,731,502	
Debt Repayment	9,956,396	13,405,620	74.27%	3,449,224	13,577,064	-171,444	In line with budget
Total City Expenditures	65,654,485	93,890,704	69.93%	28,236,219	92,330,646	1,560,058	
Boards and Commissions							
Library Board	3,602,068	5,398,960	66.72%	1,796,892	5,398,960	0	Significant unbudgeted expenses due to enhanced security, but able to absorb these costs from positive variance in Salaries and Benefits due to unexpected vacancies. Unplanned repairs, some caused by vandalism, has caused negative variance; offset by lower than projected hydro/utility costs. Library expected to be on budget for the year.
Transit Commission	9,601,796	11,164,914	86.00%	1,563,118	11,539,914	-375,000	Ongoing increase of diesel fuel causing negative variance. Unexpected increase to downtown security costs at terminal to provide a safe atmosphere for passengers.
Niagara District Airport	207,853	207,853	100.00%	0	207,853	0	In line with budget - full annual allocation provided.
Total Expenditures	79,066,202	110,662,431	71.45%	31,596,229	109,477,373	1,185,058	