

Report from Financial Management Services, Director

Date of Report: August 16, 2019

Date of Meeting: September 16, 2019

Report Number: FMS-B030-2019

File: 10.57.99

Subject: Year-to-Date Report – 2019 Second Quarter Operating Variance and Forecast Report

Recommendation

That the year-to-date report for the second quarter of the year to June 30, 2019 and the year-end forecast for 2019 be received.

Background

The quarterly year-to-date (YTD) reports are received initially by the Budget Standing Committee (BSC) throughout the fiscal year (January 1 – December 31). This report is intended to provide Council with the information and details pertaining to the operating budget performance.

The information contained within this year-to-date - 2019 second quarter report is general and summarized.

Report

To prepare this report, City departments are requested to review their second quarter (Q2) figures and provide comments on their financial circumstances that would contribute to any significant shortcomings or overages. Any variances greater or less than 10% of the target (50%) have explanations for the discrepancy. Additionally, a forecast based on YTD actuals and planned expenditures for the fiscal year are also provided as an estimate of the City's financial position at year-end. These details can be found in Appendix 1 of this report.

As of June, 2019, the City's total expenditure for fiscal 2019 is at 47% with 50% of the year complete. It is important to note that not all expenses are evenly expended throughout the year in the City, and departments have identified these operational situations in their comments (Appendix 1).

Transportation and Environmental Services has spent 32% of their annual budgeted expenditures in that there are a number of projects regarding sidewalk replacement, road improvement and environmental monitoring have not yet started and will commence in Q3 and Q4 this year.

Municipal Works is a new department was created April of 2019. Its key areas of focus

are Operations Planning, Fleet, Operations Administration, Parks, Cemeteries, Forestry and Horticulture and Municipal Operations. Municipal Works is a department where expenses are not evenly distributed throughout the year, as noted in their comments. At only 44% expended, it has been identified that the Winter Control budget has been exceeded in the second quarter of 2019 due to a severe and extended winter. The City's position will be reviewed throughout the course of the year to contain this overage and identify savings elsewhere to offset it.

Parks, Recreation and Culture Services also has many operating expenses occurring seasonally opposed to distributed evenly. This year the carousel was late in opening due to high water level at the Lakeside Park. Also majority of Special Events, Labour Day and Grape and Wine Parades and Holiday Lighting occur in Q3 & Q4.

When looking at 2019 revenues at the end of Q2, the City has billed 100% of the 2019 tax levy, with tax instalments being due February 28th, April 30th, June 28th and September 30th. Contributions from other governments are currently at 36%. Most contributions from other governments are received in the third quarter of the year due to invoicing for Payments in Lieu of Taxes occurring in the third quarter. Tax appeals and tax write-offs are at 65% of annual budget as of Q2 due to the City receiving several large assessment reductions during the first two quarters of 2019 regarding assessment appeals related to current and previous years. Assessment reductions included a total reduction of \$400,498 for the Bayshore properties. Supplemental tax and penalties & interest revenues are a little under budget but are estimated to be on track for the year. POA revenues are over budget due to an unexpected payment received in Q2 related to 2018. Overall, in review of revenue accounts there are no concerns identified at this time.

Based on YTD actuals, planned expenditures and departmental comments as of June 30, 2019, it's forecasted that the City's financial position will show a positive variance of approximately \$1.35 million. This would equate to approximately 1% of the 2019 expenditure budget, which would be required for the 2020 operating budget, as per the Budget Standing Committee minutes of December 15, 2015.

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 Council. 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 and Submitted by:

Lucia Chen
Manager, Budgets and Procurement

Approved by:

Kristine Douglas
Director Financial Management Services

City of St. Catharines - 2019 Operating Expenditure Variance
as at June 30, 2019

Appendix 1
50% of the Year

	Jun-19 Actuals	2019 Budget	% Used	Variance	2019 forecast	Budget to Forecast \$ Variance	Comments
Office of Mayor & Members of Council	412,993	805,522	51.27%	392,529	793,948	11,574	In line with budget.
Grants and Committees	18,181	21,000	86.58%	2,819	29,111	-8,111	Variance due to events and expenses occurring in Q1 and Q2.
City Departments							
CAO	638,752	1,484,894	43.02%	846,142	1,421,415	63,479	In line with budget. Favourable variance due to gapping in filling the Project Manager and Executive Administrator positions.
Legal Services and Clerks	778,038	1,674,390	46.47%	896,352	1,587,054	87,336	In line with budget. Civil Ceremonies showing a positive revenue trend
Planning and Building Services	886,344	2,152,470	41.18%	1,266,126	1,883,717	268,753	In line with budget. Favourable variance due to higher than expected Building Permits revenue.
Fire Services	11,532,439	25,336,673	45.52%	13,804,234	25,070,697	265,976	Fire Services in line with budget. Although unfavourable sick pay variances exist due to personnel on long-term sick leave.
710.100.002 Salaries/Wages-Overtime	864,344	1,099,998	78.58%	235,654	1,414,342	-314,344	Overtime budget at higher variance to maintain minimum staffing requirements. Personnel off on vacation, statutory holidays, and parental leave also impacts overtime. Remaining expenditures expected to be on track.
710.100.006 Sick Pay	710,235	1,099,998	64.57%	389,763	1,260,233	-160,235	
Economic Development & Tourism	452,026	1,108,462	40.78%	656,436	1,069,875	38,587	Enterprise Centre is below budget due to the delayed recruitment of the part-time position to cover the reduced Provincial funding.
Operations Commission							
Transportation & Environmental Services	3,338,470	10,398,326	32.11%	7,059,856	10,220,702	177,624	Gapping in Building Repairs and Administration due to vacancies. Sidewalk replacement, road improvement program and environmental monitoring program have underway expenses incurring in Q3 & Q4. Traffic signals are underspent to date on Repairs and Power primarily due to delays in billing from Niagara Region and Alectra. Railway crossing is underspent to date due to delays in billing from CN and Trillium.
Municipal Works	8,357,662	19,088,410	43.78%	10,730,748	18,985,813	102,597	Sidewalk Maintenance program pending invoices, expenditures in Q3 & Q4. Street sweeping program, Cemetery and Parks operations have expenses that are incurred in Q3 & Q4. Winter control at 84% due to severe and extended winter season. Winter control training budget to be expended in Q4. Watercourse cleaning contract to be expended in in Q3 & Q4. Street & Sundry signs trending low to date, with parking stall marking contract to be expended in Q4
Parks, Recreation and Culture Services	2,528,197	6,983,492	36.20%	4,455,295	6,895,254	88,238	Culture budget trending low due to a full-time staff vacancy and unexpected federal grants. Recreation Overhead has favourable variance due to full-time position vacancy. Many of PRCS operations (Kiwanis Aquatic Centre, Swimming Pools and Beaches, Golf Course and Grass Cutting) are seasonal with majority of expenditures to be posted in Q3 and Q4. Carousel was late in opening due to high water level. Special Events, including Labour Day & Grape and Wine Parades, Holiday Lighting events occur in Q3 & Q4.
Meridian Centre	102,437	652,689	15.69%	550,252	607,897	44,792	Addition of 3 Ice Dog games in spring and the higher attendance in concerts and family shows resulted in positive variance in event income. Attendance at some events was below budgeted targets resulting in unfavourable variance in direct event income and significantly reduced ancillary income. Increases in minimum wage and other employment costs significantly added to costs experienced for events and games. Total event income is forecast to be over budget for the year, indirect expenses are expected to come in under budget, producing a favourable
First Ontario Performing Arts Centre	525,145	1,491,701	35.20%	966,556	1,412,250	79,451	Job vacancies have created a positive variance. High ticket sales and derferred grants from 2018 also contribute to the overall favourable variance. Liquor sales are higher than expected and is being offset by lower concession sales. Equipment repairs costs to be expended in Q3 and Q4.
Corporate Services Commission							
Financial Management Services	1,511,805	3,817,345	39.60%	2,305,540	3,771,100	46,245	Higher than expected revenue in tax certificates. External audit fees not being incurred until Q4. Insurance will be expended in Q3

City of St. Catharines - 2019 Operating Expenditure Variance
as at June 30, 2019

Appendix 1
50% of the Year

	Jun-19 Actuals	2019 Budget	% Used	Variance	2019 forecast	Budget to Forecast \$ Variance	Comments
Corporate Support Services	3,041,902	5,662,404	53.72%	2,620,502	5,613,214	49,190	IT service contracts expended 76% of budget, timing of service contracts do not align to equal monthly basis occurrence. Telecommunication support contract to be expended in Q3 and Q4. Over budget in HR legal costs associated with mediations offset
Contribution to Capital	1,553,000	1,563,000	99.36%	10,000	1,563,000	0	Contribution to Capital Expended for 2019
Total City Departments & Commissions	35,677,391	82,240,778	43.38%	46,563,387	80,925,047	1,315,731	
Debt Repayment	6,999,445	14,112,019	49.60%	7,112,574	14,112,005	14	In Line with Budget.
Total City Expenditures	42,676,836	96,352,797	44.29%	53,675,961	95,037,052	1,315,745	
Boards and Commissions							
Library Board	2,701,046	5,512,338	49.00%	2,811,292	5,473,636	38,702	Library provided with 49% of operating budget to date. Staff vacancies have created a positive variance in salaries and benefits. Library has incurred an unfavourable variance due to lower than expected interest revenue, which will be offset by positive variance in utilities.
Transit Commission	8,275,763	12,751,179	64.90%	4,475,416	12,751,179	0	Transit provided with 65% of their operating budget. The City funds the Transit over the year based on their cash flow needs.
Niagara District Airport	122,632	245,263	50.00%	122,631	245,263	0	50% of Budget given at beginning of year with the remainder provided half way throughout the year.
Total Expenditures	53,776,277	114,861,577	46.82%	61,085,300	113,507,130	1,354,447	