

**Report from** Financial Management Services, Director

**Date of Report:** November 6, 2019

**Date of Meeting:** November 20, 2019

**Report Number:** FMS-B044-2019

**File:** 10.57.99

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

## Recommendation

That Report FMS-B044-2019, regarding Year-to-Date (YTD) report for the third quarter of the year to September 30, 2019 and the year-end forecast for 2019, be received for information purposes.

## Background

The quarterly year-to-date 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 YTD - 2019 third quarter report is general and summarized.

## Report

To prepare this report, City departments are requested to review their third quarter (Q3) 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 (75%) 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 September, 2019, the City's total expenditure for fiscal 2019 is at 70% with 75% 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).

Engineering, Facilities and Environmental Services has spent 60% of their annual budgeted expenditures in that there are a number of projects regarding sidewalk replacement, bridges and culverts, street lighting, railway crossings and environmental monitoring that are underway and with expenses incurring in Q4.

Municipal Works is a new department that was created in 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. Municipal Works has spent 68% of their annual budgeted expenditures in that there are a number of projects including sidewalk maintenance, street sweeping, fall cleanup and drainage and watercourse cleaning which will be expended in Q4. It has been identified that the Winter Control budget is at 84% due to a severe and extended winter in the first part of 2019. Staff will monitor the City's position throughout the course of the year to contain this overage and identify savings elsewhere to offset it.

Community, Recreation and Culture Services also has many operating expenses occurring seasonally opposed to distributed evenly and are currently at 63% expended. This year the carousel was late in opening due to high water levels at the Lakeside Park, resulting in lower than expected revenues. Port Dalhousie Harbour experienced higher than expected repairs. Special Events including Holiday Lighting will occur in Q4.

Also included with the Q3 variance report is a forecast to the end of 2019. At this time, it is estimated that total expenditures for 2019 will come in at approximately 98.9% of budget, resulting in a surplus of \$1.3 million or 1.1% of the 2019 Operating Budget.

As per the Budget Standing Committee minutes of December 15, 2015, the 1% surplus would be applied to the 2020 operating budget. Any surplus over the 1% for the 2019 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 by staff, include the litigation/insurance and winter control reserves which are below targeted balances.

When looking at 2019 revenues at the end of Q3, the City has billed 100% of the 2019 tax levy, with tax instalments being due February 28th, April 30th, June 28th and September 30th. Tax appeals and tax write-offs are over budget as of Q3; expenditures incurred in Q4 will be monitored by staff. Penalties & interest revenues are under budget and estimated to be under budget for the year.

The unfavourable revenue amounts are offset by POA revenues being over budget due to an unexpected payment received in Q2 related to 2018. In addition, investment income is trending slightly ahead of budget projection for 2019 with one quarter remaining. Overall, in review of revenue accounts the only item being closely monitored by staff for 2019 year is penalties and interest on taxes.

## **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 by:**

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### **Approved by:**

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Director of Financial Management Services / City Treasurer

## **Appendices:**

Appendix 1 – Variance and Forecast Comments Q3 2019

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

75% of the Year

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	Sep-19 Actuals	2019 Budget	% Used	Variance	2019 forecast	Budget to Forecast \$ Variance	Comments
Office of Mayor & Members of Council	597,499	805,522	74.18%	208,023	749,411	56,111	In line with budget.
Grants and Committees	11,626	21,000	55.36%	9,374	14,556	6,444	Favourable variance due to Accessibility and Youth Committees; expenditures to occur in Q4.
<b>City Departments</b>							
CAO	1,008,171	1,484,894	67.90%	476,723	1,378,796	106,098	In line with budget. Favourable variance due to gapping in filling the Project Manager and Executive Administrator positions. Gapping dollars also realized in Print Centre.
Legal Services and Clerks	1,173,538	1,674,390	70.09%	500,852	1,589,058	85,332	In line with budget. Civil Ceremonies showing a positive revenue trend.
Planning and Building Services	1,473,475	2,152,470	68.46%	678,995	1,999,452	153,018	In line with budget. Favourable variance due to vacancies and higher than expected Building Permits revenue.
Fire Services	18,859,802	25,336,673	74.44%	6,476,871	25,301,860	34,813	In line with budget. Although unfavourable sick pay variances exist due to personnel on long-term sick leave. 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.
710.100.002 Salaries/Wages-Overtime	1,471,632	1,099,998	133.78%	-371,634	1,746,634	-646,636	
710.100.006 Sick Pay	1,188,909	1,099,999	108.08%	-88,910	1,463,911	-363,912	
Economic Development & Tourism	666,745	1,108,462	60.15%	441,717	990,001	118,461	Remaining promotion and publicity expenses to occur in Q4. \$70K grant received in Q3 for Digital Service Squad Team; expenditure will continue to occur in Q4. Enterprise Centre is below budget due to the delayed recruitment of the part-time position to cover the reduced Provincial funding and planned expenditures in Q4. Staff gapping dollars in Tourism Division.
Engineering, Facilities & Environmental Services	6,222,263	10,398,326	59.84%	4,176,063	10,196,450	201,876	Gapping in Administration due to vacancies. Sidewalk replacement, bridges and culverts, environmental monitoring, street lighting and railway crossings have underway expenses incurring in Q4. Traffic signals are underspent primarily due to delay in billing from Niagara Region. The Courthouse, 350 Niagara Street and Sundry City Properties repairs are trending low, while the Merritton Community Centre repairs are higher than expected.
Municipal Works	12,892,431	19,088,410	67.54%	6,195,979	18,936,982	151,428	Cemetery, sidewalk maintenance, street sweeping, fall cleanup expenditures, drainage and watercourse cleaning contract to be expended in Q4. Safety signals and street and sundry signs trending low to date, with line painting and parking stall marking contract to be expended in Q4. Winter control at 84% due to severe and extended winter season. Winter control training budget to be expended in Q4. Happy Rolph's Bird Sanctuary repairs higher than anticipated.
Community, Recreation and Culture Services	4,402,540	6,983,492	63.04%	2,580,952	6,756,454	227,038	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. Carousel was late in opening due to high water level. Special Events including Holiday Lighting events occur in Q4.
Meridian Centre	499,774	652,689	76.57%	152,915	551,675	101,014	Addition of 3 Ice Dog games in spring and the higher attendance in concerts and family shows and revenues from non traditional arena events have resulted in positive variance in event income. Contracts, materials and expenses are higher than budget due to the additional labour, goods and expenses required to execute the extra events. Total event income is forecasted to be over budget for the year, indirect expenses are expected to come in under budget, producing a favourable variance at year-end.

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

**Appendix 1**  
75% of the Year

	Sep-19 Actuals	2019 Budget	% Used	Variance	2019 forecast	Budget to Forecast \$ Variance	Comments
First Ontario Performing Arts Centre	1,159,411	1,491,701	77.72%	332,290	1,622,003	-130,302	2019 is a transition year for the Performing Arts Centre. The 2019 budget contains Board related items, both in terms of expenses and revenues, that were expected to be executed as part of operating as a local Board during 2019. Since the transition is ongoing, only some spending was made with regards to transition costs. For this reason some spending/revenue accounts are below their expected values at Q3 end. Activity levels at the PAC are highly concentrated towards the last quarter of the fiscal year, so a significant portion of its revenue will be realized in the last 2 months of the year. Unbudgeted recruitment cost occurred in Q3 for executive positions. Liquor sales are higher than expected and are being offset by lower concession sales. Delay in transition to Board has negatively impacted fundraising revenues. The results of the IATSE CBA negotiations will have an impact on our overall budget since any changes in pay rates will apply retroactively from July 2019 forward. The PAC did experience higher than expected equipment repairs in 2019. Unfavourable variance also due to termination of two key management staff members.
Financial Management Services	2,635,444	3,817,345	69.04%	1,181,901	3,707,398	109,947	Higher than expected revenue in tax certificates. External audit fees not being incurred until Q4.
Corporate Support Services	4,012,418	5,662,404	70.86%	1,649,986	5,601,207	61,197	Telecommunications long distance charges higher than expected. Unfavourable variance in HR legal costs associated with mediations offset by cost associated with union bargaining matter.
Contribution to Capital	1,553,000	1,563,000	99.36%	10,000	1,563,000	0	Contribution to Capital Expended for 2019.
<b>Total City Departments</b>	<b>57,168,137</b>	<b>82,240,778</b>	<b>69.51%</b>	<b>25,072,641</b>	<b>80,958,303</b>	<b>1,282,475</b>	
Debt Repayment	10,334,457	14,112,019	73.23%	3,777,562	14,112,019	0	In Line with Budget.
<b>Total City Expenditures</b>	<b>67,502,594</b>	<b>96,352,797</b>	<b>70.06%</b>	<b>28,850,203</b>	<b>95,070,322</b>	<b>1,282,475</b>	
<b>Boards and Commissions</b>							
Library Board	3,952,367	5,512,338	71.70%	1,559,971	5,512,338	0	Library provided with 72% of operating budget to date. Staff vacancies and higher interest revenue have created a positive variance at Q3, offset by increased legal expenses.
Transit Commission	11,038,055	12,751,179	86.56%	1,713,124	12,751,179	0	Transit provided with 87% of their operating budget. The City funds the Transit over the year based on their cash flow needs.
Niagara District Airport	213,532	245,263	87.06%	31,731	245,263	0	Niagara District Airport provided with 87% of their operating budget, remainder to be provided in Q4.
<b>Total Expenditures</b>	<b>82,706,548</b>	<b>114,861,577</b>	<b>72.01%</b>	<b>32,155,029</b>	<b>113,579,102</b>	<b>1,282,475</b>	