Finance Department

TO: Budget and Corporate Services Committee

SUBJECT: 2012 Current Budget Performance as at June 30, 2012 and Preliminary Retained Savings Opportunities

Report Number: F-34-12 File Number(s): 435-06

Report Date: August 16, 2012 Ward(s) Affected: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ All ☒

Date to Committee: September 11, 2012 Date to Council: September 24, 2012

Recommendation: Direct the Director of Finance to report back on the city's retained savings strategy upon confirmation of the 2012 year-end actual.

Purpose:

☐ Address goal or action in strategic plan
☐ Establish new or revised policy or service standard
☐ Respond to legislation
☐ Respond to staff direction
☒ Address other area of responsibility

Reference to Strategic Plan:

☐ Vibrant Neighbourhoods ☐ Prosperity
☒ Excellence in Government ☐ N/A

Executive Summary: As indicated on the attached Appendix A, current budget performance as of June 30, 2012 is $3,785,496 favourable with a preliminary year-end retained savings projection of $1,816,025.

Background:

F-01-12 –2012 Proposed Current Budget Financial Overview
EBC-01-12 – 2012 Budget Overview

Discussion:

The attached Appendix A provides a corporate summary of the 2012 Current Budget Performance at June 30, 2012 plus highlights significant favourable and unfavourable variances +/-$100,000 at the "net program level". This degree of reporting is consistent with the Current Budget Variance Reporting report (F-35-11). Also attached is Appendix B, which provides explanatory notes for each significant "net program variance".

Contributing factors for the projected year-end retained savings include a combination of good fiscal management and result of matters beyond the City's control. A table summarizing key factors is as follows:

SURPLUS AS OF JUNE 30, 2012 (in Millions)			
Category	**Variance-to-Date**	**Year-End Projection**	**Explanation**
Human Resource Cost (excl. Winter Control)	$1.9	$1.3	Due to new full-time positions approved in the 2011 Current budget with a start date of July 1, 2011 or later, re-deployments and anticipated vacancies.
Winter Control	$1.2	$1.2	A result of mild winter conditions in the early part of 2012.
Investments	$0.2	$0.45	Approx. $0.6 million is attributable to capital gains.
Building Permit Revenues	$0.4	$0.06	Increase in Building permit activity due to upcoming increase to Regional development charges in September 2012.
Transit Fare Revenues	$0.2	$0.3	Increased ridership
Other	$0.0	$(1.5)	Various, as discussed below
	$3.9	**$1.8**	

Strategy/Process

In order to be proactive in identifying issues and initiating actions to mitigate over-expenditure and revenue shortfalls, budgetary performance is monitored monthly to provide an early indication of potential problems and gives management time to consider appropriate actions.

In addition, Finance monitors and reports to the Executive Budget Committee, monthly, on the following:

- Human Resource costs,
- Commodity pricing (diesel, gasoline, hydro, natural gas, etc.),
- Winter Control expenses (seasonal),
- Expenditures from the Contingency Reserve,
- Transit Fares,
- Parking Revenues,
- DAAP revenues for the Planning and Building department,
- Parks and Recreation fees and revenues,
- Investment income,
- Supplementary Tax Revenues, and
- Penalties and Interest on Taxes.

Financial Matters:

Analysis by Program Areas

Appendix A identifies favourable/unfavourable variances +/-$100,000 at the "net program level". Department heads have provided detailed explanations of each variance on Variance Accountability forms, as itemized in Appendix B.

The following table summarizes the net programs that have a variance greater than $100,000 at June 30, 2012.

Description	June30, 2012	F/ U
Financial Planning & Taxation	$119,045	F
RPM Support Services	$221,142	F
RPM Parks & Facilities - Horticulture	$(110,065)	U
Winter Control	$1,182,271	F
Storm water & Creeks (RPM)	$(117,230)	U
Engineering Design & Construction	$116,453	F
Traffic Services	$178,200	F
Transit Services	$431,592	F
P&R Aquatic Programming	$106,448	F
P&R Preschool/Child Programming	$127,772	F
P&R Administration	$125,392	F
Planning & Building	$223,071	F
Fire Suppression	$281,784	F
CVA Rebates & Misc Grants	$(163,578)	U
Corporate Related Financial Exp	$(160,256)	U
Supplementary Tax Levy - City	$(173,472)	U
Payment in Lieu of Taxes	$330,838	F
Penalty & Interest on Tax	$(103,299)	U
Interest Earned	$245,582	F

F = Favourable, U = Unfavourable

Departmental Spending/Revenue Patterns

In addition, a brief synopsis of departmental spending and revenue patterns that experienced significant variances (greater than $100,000) is included for information (Appendix C). This analysis included a review of both year-to-date variances and the preliminary year-end estimates provided by staff for each cost element across the corporation.

2012 Retained Savings Opportunities:

Year-end projections continue to be refined by all departments on a monthly basis in order to improve their degree of precision. Departments will also continue to exercise their usual due diligence when authorizing large expenditures in order to ensure savings are realized in 2012.

Any savings are viewed as "one-time" revenue. From a multi-year budgeting perspective, the use of "one-time" revenues should be tied directly to "one-time' corporate expenditure priorities that may include transfers to reserve funds. As Committee is aware, to do otherwise results in the reliance on "one-time" revenues for funding ongoing expenditures, and is contrary to multi-year budgeting principles.

Staff are reviewing the following areas to allocate retained savings and will report to Council in the new year with a specific recommendation once the savings are quantified:

- An allocation to be used in the 2013 Current Budget to help finance one-time expenditures and
- Provisions to the following:
    - Strategic Land Acquisition Reserve Fund,
    - Contingency Reserve,
    - Employee Accident Reserve Fund,
    - Joseph Brant Memorial Hospital Reserve Fund and
    - Tax Rate Stabilization Reserve Fund.

Communication Matters:

An updated status of the year-end financial position will be provided as part of the third quarter financial status report.

Conclusion:

This report provides an overview of the 2012 Current Budget Performance as at June 30, 2012 and projections for the City's year-end financial position. It serves to highlight areas that may have a significant impact on the 2012 year-end financial position. The report further suggests retained savings opportunities to be confirmed in early 2013.

The monitoring of corporate and departmental expenditures and revenues, as part of the Current Budget Performance policy, exists as a key component of the City's financial management control system. Staff will continue to scrutinize expenditure and revenue patterns for the balance of 2012 to ensure a favourable year-end financial position.

Respectfully submitted,

Elisabeth Lewis
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Appendices:

A. Summary of 2012 Current Budget Performance #1
B. Variance Accountability Report – by departments
C. Department-wide Spending and Revenue Analysis

Notifications:
(after Council decision)

Name	Mailing or E-mail Address

Approvals:
*required

*Department	City Treasurer	General Manager	City Manager

	To be completed by the Clerks Department
Committee Disposition & Comments	
	01-Approved 02-Not Approved 03-Amended 04-Referred 06-Received & Filed 07-Withdrawn
Council Disposition & Comments	
	01-Approved 02-Not Approved 03-Amended 04-Referred 06-Received & Filed 07-Withdrawn