



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: June 26, 2019

Report Number: [SRCFS.19.016]

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.19.016 - Year-End Operating Results as of December 31, 2018**

Purpose:

To present the financial operating results for the year ending December 31, 2018

Recommendation(s):

- a) That this overview of the 2018 operating results be received for information purposes;
- b) That the 2018 Operating budget carry-forward items listed in Appendix "B", totaling \$119,000 be approved;
- c) That the surplus allocation measures listed in Appendix "C" be approved.

Contact Person:

H. Leung, Financial Management Advisor, Financial Planning and Budgets, ext. 5484

Report Approval:

Submitted by: Mary-Anne Dempster, Commissioner of Corporate and Financial Services

Approved by: Neil Garbe, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Background:

This report provides the financial results of the Town’s operating funds for the year ending December 31, 2018.

Financial/Staffing/Other Implications:

Appendix “A” provides a financial overview of the operating results by division for each department. Appendix “B” lists the requested 2018 Operating Budget carry-forward items.

Operating Fund

The Financial Control By-law framework was utilized to reallocate personnel and non-personnel resources to fulfill department priorities and initiatives in order to effectively accomplish the objectives set by Council and remain within respective budgets. On the Town’s approved 2018 Operating Expenditure Budget of \$177.6 million, and factoring in all budget carry-forward requests, the year-end surplus is \$181,500.

2018 Year End Surplus before Carry-Forward Requests	\$300,500
Less: Budget Carry-Forward Requests	<u>(119,000)</u>
2018 Year End Surplus.....	\$181,500

Listed below are significant variances experienced in 2018:

Surplus Contributors – higher revenues or lower expenditures

1.	Development Planning Revenue	\$890,400
2.	Personnel Gapping	722,000
3.	PIL - York Region Transit	589,600
4.	Tax Arrears - Penalties & Interest	486,600
5.	Facilities Utilities - Hydro, Water, Heat	418,200
6.	Supplementary Tax Revenue	386,700
7.	Recreation Building Rental Revenue	373,300
8.	Facilities Management – Security and Janitorial	270,200
9.	Refuse Collection and Recycling Contract	260,200

Deficit Contributors – lower revenues or higher expenditures

10.	Investment Income	\$(3,217,300)
11.	AMPS and Parking Revenue	(477,400)
12.	Parks Contracts	(241,400)
13.	Streetlight Maintenance	(227,800)
14.	Vehicle Maintenance Repair and Fuel	(138,400)

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Surplus Contributors – higher revenues or lower expenditures

Development Planning Revenues - The Town experienced an \$890,400 surplus from Development Planning and Committee of Adjustment Fees, driven mainly by volumes in excess of budget as a result of the processing of Official Plan Amendments, draft Plans of Subdivision/Condominium and Site Plans. Development related revenues were higher than originally projected as a result of the approval of major high rise projects, the remaining greenfield areas (North Leslie and West Gormley) and a number of small scale infill residential and commercial projects.

Personnel Gapping contributed a \$722,000 surplus on a total personnel budget of about \$104.5 million. The annual budget includes a gapping factor of \$1,030,000 to account for temporary vacancies from staffing turnover and prolonged hiring processes for new positions. Savings from gapping is primarily from maternity leaves, promotions, along with the recruitment process of vacant positions throughout the organization.

PIL York Region Transit generated a surplus of \$589,600 due to the transit facility at 55 Orlando Drive remaining eligible for payment in lieu of taxation. The Region is in discussions with the Province to make regulatory changes to exempt the municipal transit facilities from property taxation.

Tax Arrears – Penalties & Interest revenues had been trending below budget in previous years, however, revenues had rebounded in 2017 and are \$486,600 above budget in 2018. The increase in revenues is consistent with the general increase in Accounts Receivable balances.

Utilities costs were underspent by \$418,200 due to a combination of leveling of hydro rates and successful implementation of several energy conservation projects.

Supplementary Tax Revenue exceeded budget by \$386,700 due to greater assessment growth and faster turnaround time by MPAC in assessing property values. In addition, the City experienced a higher volume of residential development parcels reassessed as individual lots in 2018.

Recreation Building Rental revenue generated \$373,300 more revenue than anticipated. The increase in prime time hour usage as a result of the popularity of the Richmond Hill Sports Dome as well as the filming revenue from the David Dunlap Observatory contributed to the surplus.

Security and janitorial costs for various facilities was underspent by \$270,200 due to lower than expected contract services costs.

Refuse Collection & Recycling Contracts experienced a surplus of \$260,200 as a result of lower than expected refuse and recycling contract costs from lower than forecasted waste, recycling and organics tonnages and lighter packaging materials.

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Deficit Contributors – lower revenues or higher expenditures

Investment Income results were \$3,217,300 below the \$6,203,200 budget due to lower returns on short-term investments reflective of a continued low interest environment.

Administrative Monetary Penalty System (AMPS) and Parking Revenue were under budget by \$477,400. The majority of this deficit is a result of over-estimates for the combined amount of AMPS and Parking revenue that would be collected in 2018. While the AMPS program generated efficiencies in parking fine revenue, parking tickets have a 2 year payable cycle so the full amount of efficiencies will not be realized until the program has been in full operation for two years. A second contributor to the deficit was that budget estimates did not account for the fact that the Ministry of Transportation had been charging a \$20 administrative fee at plate denial, which would no longer be collected when the Town transitioned to AMPS.

Parks contracts experienced a deficit of \$241,400 due to emergency repairs to parks infrastructure as well as additional stumping required to facilitate tree planting on boulevards and in parks.

Streetlight maintenance has an unfavourable variance of \$227,800 resulting from higher than expected non-LED infrastructure repairs. Two high wind winter storms contributed to several streetlight outages necessitating repair in early 2018.

Vehicle Maintenance Repairs and Fuel experienced an unfavourable variance of \$138,400 due to additional fuel requirements and the outsourced maintenance and repair of winter maintenance equipment.

Water & Wastewater & Stormwater Fund

The Water, Wastewater & Stormwater Fund had a year-end deficit of \$323,600.

Water and wastewater services for residential, commercial and industrial accounts reflected an unfavourable net revenue variance of \$434,600 largely as a result of a 4.1% lower than budgeted volume consumption.

Maintenance Administration and Operations ended the year with \$278,600 deficit as a result of increased water and sewer infrastructure emergency repairs and restoration work in early 2018.

Storm Water Management ended the year with a \$389,600 surplus primarily due to staffing resources working on the Clean Water & Wastewater fund projects.

Carry Forward and Surplus Allocation

The 2018 Budget Carry-Forward requests are listed in Appendix “B”.

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In accordance with the Surplus Control Bylaws No 109-13 and 110-13, Appendix “C” lists the surplus allocation of the Operating Fund and the deficit allocation for the Water, Wastewater and Stormwater Fund.

Relationship to the Strategic Plan:

Presentation of the Year End Operating results reflect the overall use and wise management of resources but also touches on the other goals in the Strategic Plan:

- a) Stronger connections in Richmond Hill to improve access to local information and services; and
- b) Wise management of resources in Richmond Hill to serve as a role model for municipal management, in that, based on forecasting process leading to the year end reporting, staff have been able to analyze municipal operations, adjust resourcing levels, and position surpluses for use in future year(s).

Conclusion:

Based on the 2018 year end results, the Operating Fund has an overall surplus of \$300,500 before the \$119,000 budget carry-forward requests are considered.

Based on the 2018 year end results, the Water, Wastewater & Stormwater Fund has a deficit of \$323,600.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call contact person listed in this document.

- Appendix A – Financial Overview
- Appendix B – Budget Carry-Forward Requests
- Appendix C – 2018 Surplus Allocation

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Report Approval Details

Document Title:	SRCFS.19.016 - Year-End Operating Results as of December 31, 2018.docx
Attachments:	- SRCFS.19.016 - Appendix A – Financial Overview.pdf - SRCFS.19.016 - Appendix B – Budget Carry-Forward Requests.pdf - SRCFS.19.016 - Appendix C – 2018 Surplus Allocation.pdf
Final Approval Date:	Jun 3, 2019

This report and all of its attachments were approved and signed as outlined below:

David Dexter - May 28, 2019 - 1:06 PM

MaryAnne Dempster - May 29, 2019 - 12:51 PM

Neil Garbe - Jun 3, 2019 - 4:39 PM