



## **Staff Report for Budget Committee of the Whole Meeting**

**Date of Meeting:** June 23, 2020

**Report Number:** SRCFS.20.014

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** SRCFS.20.014 - Year-End Operating Results as of December 31, 2019

---

### **Purpose:**

To present the financial operating results for the year ending December 31, 2019

### **Recommendation(s):**

- a) That this overview of the 2019 operating results be received for information purposes;
- b) That the 2019 Operating Budget carryforward items listed in Appendix “B” be approved;
- c) That the surplus allocation measures detailed in Appendix “C” be approved.

### **Contact Person:**

Andrew Li, Financial Management Advisor, Ext. 3646

Gigi Li, Manager, Fiscal Planning & Strategy, Ext. 6435

### **Report Approval:**

**Submitted by:** Sherry Adams, Interim Commissioner of Corporate and Financial Services

**Approved by:** Mary-Anne Dempster, 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.

## Page 2

### Background:

The purpose of this report is to provide a financial overview of the City's operating results for the year ending December 31, 2019. The City's operations are separately presented based on their predominant funding sources. The main Operating Fund is largely funded through property tax revenues and user fees, which are used to support City services such as parks operations, road and winter maintenance, recreation and community programs, amongst other services and initiatives.

Water & Wastewater fees collected from residents and businesses help support the City's operation, maintenance and repair of the water and sanitary system; these results are shown within the Water & Wastewater Fund. Meanwhile, the Stormwater Fund reflects the balance of stormwater fee revenues offset against the costs to maintain stormwater ponds, sewers and catch basins.

Appendix "A" details the operating results by Fund and furthermore by the divisions within each department. Appendix "B" highlights the unspent 2019 Operating Budget items requested as budget carryforwards. Lastly, Appendix "C" provides a breakdown of the surplus allocations to the various reserve and reserve funds.

### Financial/Staffing/Other Implications:

#### Operating Fund

Each year, the budget process sets forth to establish an operating budget that is reasonable and reflects the efficient and effective use of resources to provide residents with quality levels of service. The budget is a plan and throughout the course of the year, circumstances arise that often times change the expected course of action.

Budget variances occur when there is overspending in some areas and savings in others. These variances are largely unavoidable and happen in the natural course of operations for all municipalities. The Financial Control By-law framework was utilized to reallocate personnel and non-personnel resources to fulfill department priorities, in order to effectively accomplish the objectives set forth by Council to remain within respective budgets. The overall surplus is an accumulation of all the budget variances, both positive contributors (higher revenues or lower expenses) and negative contributors (lower revenues or higher expenditures). The City approved a 2019 Operating Expenditure Budget of \$180.3 million, and after factoring in all budget carryforward requests, the total operating surplus stands at \$298,500.

Total	
2019 Year-end Surplus	\$455,400
Minus: Carryforward Requests	(156,900)
<b>Total Operating Surplus</b>	<b>\$298,500</b>

## Page 3

The following is a list of the significant variances that contribute to the 2019 year-end surplus, before carryforward requests, of \$455,400.

### Positive Contributors (higher revenues or lower expenditures versus budget)

1.	Tax Arrears - Penalties & Interest	\$919,000
2.	Personnel Gapping	759,800
3.	Refuse Collection and Recycling Contract	626,600
4.	PIL - York Region Transit	599,200
5.	Supplementary Tax Revenues	436,300
6.	Facilities Utilities - Hydro, Water, Heat	334,500
7.	Other	32,600
	Total Positive Contributors	\$3,708,000

*Tax Arrears – Penalties & Interest* revenues have been trending upwards over the past few years and have generated an additional \$919,000 over budget in 2019. The increase in revenues is consistent with the general increase in Payment-In-Lieu and Taxes Receivable balances.

*Personnel Gapping* are savings primarily from temporarily unfilled vacancies due to attrition, promotions or turnover, maternity leaves and other unpaid absences. The annual budget includes a gapping factor of \$1,165,000 to account for these temporary vacancies where the hiring process may be delayed. Overall, the City experienced gapping of \$1,924,800, resulting in total savings of \$759,800

*Refuse Collection & Recycling Contracts* experienced a surplus of \$626,600 as a result of lower overall tonnage collection of curbside solid waste, recycling and organics.

*PIL York Region Transit* generated a surplus of \$599,200 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.

*Supplementary Tax Revenues* exceeded budget by \$436,300 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 2019.

*Facilities Utilities (hydro, water, heat)* expenses were underspent by \$334,500 mainly due to lower than expected hydro rates at the beginning of 2019 and lower consumption from the implementation of various energy conservation opportunities.

## Page 4

### Negative Contributors (lower revenues or higher expenditures versus budget)

1.	Winter Maintenance Contracts	(\$1,273,700)
2.	Investment Income	(880,000)
3.	Transfer from EBC Reserve for Building Repairs	(300,000)
4.	Instruction Revenue	(273,000)
5.	Parking Fines/AMPS Revenue	(199,000)
6.	ActiveNet Contracts	(168,400)
7.	Life Safety Systems	(158,500)
	<b>Total Negative Contributors</b>	<b>(\$3,252,600)</b>

*Winter Maintenance Contract costs* experienced an unfavourable variance of \$1,273,700. There was a salt shortage in Ontario, which required the City to pay a premium to obtain salt from the United States resulting in an overage of \$638,600. The remaining variance can be attributable to higher hourly contractor rates due to the severe winter conditions experienced in the first quarter of 2019.

*Investment Income* results were \$880,000 below the \$5,870,000 budget due to lower returns on short-term investments, reflective of a continued low interest environment.

*Transfer from EBC Reserve* was budgeted at \$300,000, as a draw from reserves to help subsidize the cost of annual building repairs. However, given the City's overall surplus position; this draw was not made in 2019 in order to sustain the reserve.

*Instruction revenues* generated \$273,000 less revenues than anticipated. The closure of the Bayview Hill Pool in the last quarter of 2019 did not translate to an increase in participants at other pool locations as had been expected. Overall, there was a decline in participation rates for aquatic programs in 2019.

*Administrative Monetary Penalty System (AMPS)* revenues exceeded budget by \$181,500, however *Parking Fines Revenues* were under budget by \$380,500, resulting in a net deficit of \$199,000. The Ministry of Transportation (MTO) charges a \$20 Administrative fee at plate denial for Parking Fines issued under the Provincial Offences Act (POA) regime. When Parking Fines transitioned from POA to the AMPS program (July 2018), this MTO fee was no longer collected. The budget for Parking Fines revenues was based on prior year amounts and had not been adjusted for the fact that the \$20 MTO fee was no longer collectible. AMPS efficiencies are gradually covering the difference, but the full amount of efficiencies will not be realized until the program is in full operation for two years.

*Activenet contract* costs were over budget by \$168,400 due to a higher than expected number of credit card and refund related transactions as well as an increase in transaction fees mid-way through the year.

*Life Safety System* costs were overspent by \$158,000 compared to budget, due to unforeseen deficiency repairs that required immediate attention in order to maintain the integrity of systems. Additional costs were also incurred due to more stringent regulations placed on testing and inspection.

## Page 5

### Public Works Enhancement Program

At the March 25, 2019 Council Meeting, Council approved the Public Works Enhancements Program, which included a city-wide snow windrow-clearing program offered through an in-house solution. Program preparations commenced and services were available to Richmond Hill residents at the beginning of the 2019/2020 winter season. For 2019, program costs were budgeted at approximately \$2 million which included the provision for 80 additional full-time employees (79 PWO staff, 1 ARH Advisor) to be newly hired or converted from casual staff. All program expenditures were to be fully funded from the Community Enhancement and Economic Vitality Reserve (CEEV) Fund.

In 2019, there were a total of 2 windrow-clearing events and 8 during the first quarter of 2020. In 2019 alone, actual spend included \$2,128,200 for full time personnel expenses, \$238,500 for vehicle/equipment fuel, maintenance and repair costs and \$63,000 for winter de-icing materials. The total cost of the program was funded through the \$1,095,400 savings generated through the conversion of Parks casual staff and \$1,334,300 from the CEEV fund, creating a net zero impact on operating results.

### Water & Wastewater & Stormwater Fund

The Water, Wastewater & Stormwater Fund has a total year-end surplus of \$2,299,200, after budget carryforward requests.

Total	
2019 Year-end Surplus	\$2,549,200
Minus: Carryforward Requests	(250,000)
<b>Total WWW &amp; SWM Surplus</b>	<b>\$2,299,200</b>

*Water and wastewater services for residential, commercial and industrial accounts* produced a favourable net variance of \$620,200. Actual water volume consumption was 6.6% lower than budgeted. However, a surplus was achieved mainly due to greater accuracy in water meter readings, via the newly installed LCD water meters, and less water loss resulting in greater billed revenues.

*Maintenance Administration and Operations* generated savings of \$1,062,000 as a result of a decrease in emergency infrastructure repairs and less restoration work.

*Revenue Services* experienced savings in water reading & testing costs, in addition to increased revenues from ownership change fees and water collection charges. Overall, Revenue Services contributed a net surplus of \$328,900.

*Storm Water Management* resulted in a \$538,100 surplus primarily due to an increase in billed stormwater fees and cost savings from contractor delays from the infrastructure repair program.

## **Page 6**

### **Carry Forward and Surplus Allocation**

The 2019 Budget Carryforward requests are listed in Appendix “B”.

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

### **Relationship to the Strategic Plan:**

Presentation of the Year-End Operating results reflects the overall use and wise management of resources but also touches on 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. Based on the forecasting process through to the year end results 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 2019 year end results, the Operating Fund has produced an overall surplus of \$455,400 before the \$156,900 budget carry-forward requests are considered.

Based on the 2019 year end results, the Water, Wastewater & Stormwater Fund generated a surplus of \$2,549,200, before a \$250,000 budget carry-forward request is considered.

### **Attachments:**

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

- Appendix A – Financial Overview
- Appendix B – Budget Carryforward Requests
- Appendix C – 2019 Surplus Allocation

## Page 7

### Report Approval Details

Document Title:	SRCFS.20.014 Year-End Operating Results as of December 31 2019.docx
Attachments:	<ul style="list-style-type: none"><li>- SRCFS.20.014 Staff Report - Appendix A.pdf</li><li>- SRCFS.20.014 Staff Report - Appendix B.pdf</li><li>- SRCFS.20.014 Staff Report - Appendix C.pdf</li></ul>
Final Approval Date:	Jun 9, 2020

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

**David Dexter - Jun 8, 2020 - 11:14 AM**

**Sherry Adams - Jun 8, 2020 - 11:24 AM**

**MaryAnne Dempster - Jun 9, 2020 - 10:08 AM**