

**Report to
Rapport au:**

**Council
Conseil
13 May 2020 / 13 mai 2020**

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**Submitted by
Soumis par:**

**Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance Services
Department / Trésorière municipale adjointe, Services des finances municipales,
Direction générale des services des finances**

Contact Person

Personne ressource:

**Cyril Rogers, Manager, Financial Services Branch, Corporate Finance, Finance
Services Department / Gestionnaire, Direction des services financiers, Services
des finances municipales, Direction générale des services des finances
613-580-2424, ext. / poste 21562, Cyril.Rogers@ottawa.ca**

Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-FSD-FIN-0009

SUBJECT: 2020 OPERATING AND CAPITAL BUDGET – Q1 STATUS REPORT

**OBJET: BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS – 2020
T1 RAPPORT D'ÉTAPE**

REPORT RECOMMENDATION

That Council receive this report for information.

RECOMMANDATION DU RAPPORT

Que le Conseil reçoive le présent rapport à titre d'information.

BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by Council. The operating reports present actual year-to-date revenues and expenditures against the amounts budgeted for the corresponding period. Year-end forecasts are presented in the second and third quarter reports. The capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, along with the actual expenditures and commitments incurred to date.

The purpose of this report is to present the first quarter operating and capital budget results for City Wide Tax Supported Programs and Rate Supported programs along with providing an overview of any issues or risks that will be monitored during the year and reported in subsequent quarterly reports.

First quarter results for Ottawa Police Services, Ottawa Public Library, Ottawa Public Health and Transit Services will be presented in separate reports to their respective Boards and the Transit Commission.

DISCUSSION

First Quarter Year-to-Date Results

The year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2020 budgets on a monthly and quarterly basis established primarily on past experience. Programs such as winter maintenance and recreational programs (outdoor pools and beaches) have seasonal spending patterns. Other program expenditures or revenues are not seasonal in nature but also may not occur evenly throughout the year. These expenditures are more difficult to allocate to a specific month, or months, so historical spending patterns are used. These types of program costs or revenues may occur at specific periods during the year. For example, a maintenance contract may be expected to be paid by the end of March; therefore, the budget is reflected in March.

A high-level corporate summary of the operating results for each City department are attached to this report in Document 1, and a summary is provided in Table 1 below. Document 1 shows the first quarter actual expenditures and revenues compared to the budget for the same period. For reference purposes, the annual budget for the department or program area is provided.

The property tax supported component of the City’s corporate budget ended Q1 with a deficit of \$6.63 million, which was primarily due to lost revenues and increased costs

from the COVID-19 measures. The rate supported services (water, sewer and storm water) ended Q1 with a deficit of \$876 thousand.

The Q2 Status Report, which includes a forecast for the year, will provide a better indication as to the overall year-end position.

All departments and services areas were asked to review their first quarter results to ensure that their respective spending and revenue results were not indicative of any underlying issues needing to be highlighted or addressed at this time. Additional information on specific program areas, where there was a significant variance from budget that should be highlighted, is provided in the next section. Table 1 summarizes the Q1 operating results for all City Wide Tax Supported and Rate Supported service areas.

Table 1 - 2020 Q1 Operating Results (\$ thousands)

Tax and Rate Supported	1st Quarter Net Budget	1st Quarter Net Actual	YTD Net Surplus / (Deficit)
Elected Officials	3,257	3,161	96
Office of the Auditor General	451	443	8
City Clerk & Solicitor	4,707	4,568	140
Transportation Services	13,830	13,655	175
Community and Social Services	52,852	55,196	-2,344
Public Works & Environmental Services	55,567	55,894	-326
City Manager's Office	516	510	6
Emergency and Protective Services	49,229	51,010	-1,781
Recreation, Cultural and Facility Services	29,334	34,040	-4,706
Finance Services Department	7,705	6,901	803
Planning, Infrastructure & Economic Development	8,332	8,185	147
Innovative Client Services	34,583	33,963	619
Non-Departmental - All Services	-908,729	-909,263	534
Total Tax Supported Programs	-648,367	-641,737	-6,630
Water	-15,904	-15,971	67
Wastewater	-11,908	-10,532	-1,376
Stormwater	-9,837	-10,271	433
Total Rate Supported Programs	-37,649	-36,773	-876
Total Tax & Rate Supported Programs	-686,016	-678,510	-7,506

Highlights of Q1 Results

Recreation, Cultural and Facility Services – Deficit of \$4.7 million in recreation and cultural programming and facility rentals due to the closures of facilities and cancellations of programs in response to the COVID-19 pandemic. The deficit in revenues of \$3.9 million is due to the lost revenue from arena rentals, programming revenues and lost membership and registration fees. Additional expenditure deficit of \$797 thousand due to unbudgeted settlement of liability claims and additional expenditures related to COVID-19 for the Brewer Assessment Centre.

Emergency and Protective Services – Deficit of \$1.8 million in Paramedic Services and By-law & Regulatory Services driven by reduced parking fine revenues and increased compensation costs in Paramedic Services, both impacts related to COVID-19.

Community and Social Services – Deficit of \$2.3 million due to increased costs in Housing Services' emergency shelters services. Demand for emergency shelters continues to remain high, and the use of motels and hotels for overflow capacity has contributed to a deficit in operations. This deficit was partially offset by lower costs in Social Housing rent supplements.

Public Works and Environmental Services – Deficit of \$326 thousand mainly due to a Winter Operations deficit of \$1.1 million resulting from increased fleet maintenance costs and overtime in support of the winter events, and a Solid Waste deficit of \$375 thousand due to fleet maintenance cost. This deficit was partially offset with savings in Forestry due to reduced maintenance activities.

Innovative Client Services – Surplus of \$619 thousand due to compensation savings driven by vacancies and miscellaneous savings across various expenditure accounts.

Finance Services Department – Surplus of \$803 thousand due to surpluses in fee revenues related to change in ownerships and tax and water certificates, and expenditure savings due to vacant positions.

The surplus in non-departmental accounts of \$534 thousand is primarily related to the increase in investment income and provincial offense revenues, both which are expected to decline as the COVID-19 pandemic continues. This surplus was offset by lower revenues in penalties and interest, and lower red-light camera revenues due to COVID-19.

Surpluses in other City programs were primarily due to compensation savings related to unfilled vacancies in the first quarter and overall savings across various expenditure accounts.

Rate Supported Services - \$876 thousand deficit

The deficit in Wastewater of \$1.4 million is due to increased repairs and reduced capital recovery work, and lower revenues related to discharges and hauled waste and water billing revenue. This deficit is partially offset by a Water surplus of \$67 thousand which is mainly due to reduced overtime, and a Stormwater surplus of \$433 thousand driven by higher revenue from Industrial, Commercial & institutional properties which are driven by assessment value.

Q1 Compensation Results

Document 2 provides compensation information showing the actual salary / benefits and overtime costs incurred by departments for Q1 versus the full year budget. Overall, the total actual compensation costs for the first quarter were 26 per cent of the full year 2020 compensation budget.

On a corporate basis, actual overtime costs as a percentage of the annual budget are 45 per cent spent. Additional overtime costs incurred in the Public Works and Environmental Services Department are attributed to Roads Services. Overtime usage in this service area is reflective of the seasonal nature of winter maintenance.

Capital Projects and Programs

Document 3 provides a list of City tax and rate supported capital projects. The list identifies the lead department, category (renewal, growth, or strategic initiatives), total approved budget authority, expenditures as of March 31, 2020, and contractual obligations as of March 31, 2020. The total for capital works in progress is \$12.1 billion, of which \$2.7 billion is uncommitted to date. Separate Q1 Status Reports will be provided to the Transit Commission, the Ottawa Police Services Board, the Ottawa Public Library Board, and the Ottawa Board of Health, and include a status on projects that are under their respective mandates.

Budget Adjustments and Transfers

A summary of the budget adjustments and transfers made in the first quarter of 2020, either through the delegated authority given to the City Treasurer or through Council-approved reports, is provided in Document 4.

Council policy requires these transactions be reported for information purposes.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

ADVISORY COMMITTEE(S) COMMENTS

There are no comments by an Advisory Committee required for this report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving the information in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this report.

FINANCIAL IMPLICATIONS

As outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's on-going commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – Operating Results Summary March 31, 2020 provides operating budget detail on year-to-date results for the various departments and service areas.

Document 2 – 2020 Q1 Compensation Summary provides compensation information showing the actual salary / benefits and overtime costs incurred by departments for Q1 versus the full year budget.

Document 3 – Capital Works in Progress provides a detailed listing of the capital projects by departments / service areas sorted by category namely, Renewal, Growth and Strategic Initiatives. This report is for information purposes.

Document 4 – Budget Adjustments and Transfers.

DISPOSITION

There are no disposition requirements as this report is for information purposes.