

2. 2017 OPERATING AND CAPITAL BUDGET Q2 STATUS REPORT

**BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS 2017 – T2 -
RAPPORT D'ÉTAPE**

COMMITTEE RECOMMENDATIONS

- 1. That Council receive this report for information.**
- 2. That Council approve that \$60,000 be transferred from the one time and unforeseen account to support the remissions appeals process.**

RECOMMANDATIONS DU COMITÉ

- 1. Que le Conseil municipal prenne connaissance du présent rapport.**
- 2. Que le Conseil approuve le transfert de 60 000 dollars entre le fonds pour les événements ponctuels et le fonds pour les événements imprévus de la Ville afin de faciliter le processus des demandes de remises d'impôt.**

DOCUMENTATION/DOCUMENTATION

- 1. Deputy City Treasurer's report, Corporate Finance, dated 29 August 2017 (ACS2017-CSD-FIN-0022)**

Rapport de la Trésorière municipale adjointe, finances municipales, daté le 29 août 2017 (ACS2017-CSD-FIN-0022)
- 2. Extract of draft Minutes, Finance and Economic Development Committee, 5 September 2017**

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 5 septembre 2017

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
5 September 2017 / 5 septembre 2017**

**and Council
et au Conseil
13 September 2017 / 13 septembre 2017**

**Submitted on August 29, 2017
Soumis le 29 août 2017**

**Submitted by
Soumis par:
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2017-CSD-FIN-0022

SUBJECT: 2017 OPERATING AND CAPITAL BUDGET Q2 STATUS REPORT

**OBJET: BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS 2017 –
T2 - RAPPORT D'ÉTAPE**

REPORT RECOMMENDATIONS

- 1. That the Finance and Economic Development Committee recommend Council receive this report for information.**
- 2. That the Finance and Economic Development Committee recommend Council approve that \$60k be transferred from the one time and unforeseen account to support the remissions appeals process.**

RECOMMANDATIONS DU RAPPORT

- 1. Que le Comité des finances et du développement économique recommande au Conseil de recevoir le présent rapport à titre d'information.**
- 2. Que le Comité des finances et du développement économique recommande au Conseil d'approuver le transfert de 60 000 dollars entre le fonds pour les événements ponctuels et le fonds pour les événements imprévus de la Ville afin de faciliter le processus des demandes de remises d'impôt.**

BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by Council. Operating reports present actual year-to-date revenues and expenditures against the amounts previously budgeted for the corresponding period. Year-end forecasts are also presented in the second quarter report. Capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, actual expenditures and commitments incurred to date and the remaining amount to be spent.

The purpose of this report is to present the June 30 year-to-date operating and capital results for City Wide Tax Supported Programs and Rate Supported programs along with providing a year-end forecast. Results for boards and commissions are not included with this report. These will be presented in separate reports to their respective governing bodies on the following dates.

- Police Services September 25

- Library Services September 5
- Transit Commission September 20
- Public Health September 18

Document 1 provides operating budget detail on year-to-date results for the various Departments and Branches and the 2017 Forecast.

Document 2 provides a detailed listing of the capital project status.

Document 3 provides compensation information, showing the actual salary, benefit and the overtime costs incurred by departments and branches for the first six months versus the full year budget.

The Q2 results and year-end forecast have been discussed and reviewed with the BRB prior to completing this report.

DISCUSSION

June 30 Year-To-Date Results / Year-end Forecast

The year-to-date budget figures are prepared on a “calendarized” basis. Departments allocate their annual budgets on a monthly / quarterly basis based primarily on past experience.

A high-level corporate summary of the year-to-date net operating results and net year-end forecast for each City department are summarized below in Table 1. A discussion on significant budget variances follows. Document 1 provides additional details on the departmental June 30 position and the year-end forecast.

Table 1 - June 30 Operating Results / Year-end Forecast (in thousands of dollars)

	YTD Net Surplus / (Deficit)	Forecast Surplus (Deficit)
Tax Supported		
Elected Officials	166	240
Office of the Auditor General	0	0
City Clerk & Solicitor	446	640
Transportation Services	-336	0

Community and Social Services	135	-1,933
Public Works & Environmental Services	-8,539	-10,558
City Manager's Office	2	0
Emergency and Protective Services	208	0
Recreation, Cultural and Facility Services	247	63
Corporate Services Department	451	320
Planning, Infrastructure & Economic Development	137	0
Service Innovation & Performance Department	939	700
Non Departmental - All Services	20,479	7,541
Crime Prevention Centre	187	0
Committee of Adjustment	-65	0
Total Tax Supported Programs	14,457	-2,990
Rate Supported Programs	-1,662	-7,735
Total Tax & Rate Supported Programs	12,795	-10,725

June 30 Results

The Q2 results in Table 1 indicate a surplus of \$14.5 million in the tax supported program areas and a deficit of \$1.7 million in the rate area.

Public Works & Environmental Service ended Q2 with a \$8.5 million deficit which is mainly driven by Roads Services with offsetting surpluses in Solid Waste. Overall \$1.3 million of incremental cost related to the Ottawa river flooding contributed to the deficit and \$10.5 million related to the higher winter maintenance costs resulting from the severe weather conditions over the Jan – Apr winter season which were 12% and 22% higher than the 5 yr. and 20 yr. averages. This deficit is partially offset with higher revenues in Solid Waste as a result of soil management and recycling revenues.

The overall incremental City-wide cost of the Ottawa river flooding is \$2 million, mainly impacting Public Works & Environmental Services, Emergency and Protective Services and Service Innovation & Performance.

The small surpluses in other Service Areas is primarily due to timing of expenditures and staffing of vacancies.

Non departmental accounts ended Q2 with a \$20.5 million surplus. Included in this area are:

- \$14.9 million related to Ottawa land sales.
- \$1.9 million related to increase in penalties and interest.
- \$1.6 million in financial charges and other.
- \$1.2 million in additional supplemental assessments.

Rate supported programs (water and sewer) results show a deficit of \$1.7 million. Higher than normal rainfall and wet seasonal conditions are resulting in lower water consumption and billings. Q2 YTD water consumption is below budget at 96.4% of the calendarized budgeted consumption.

2017 Forecast – Tax Supported Services \$2.99M

A deficit of \$2.99 million is projected for 2017.

- 1) Community and Social Services - \$1.9 million deficit, mainly related to Long Term care compensation expenditures as a result of sick leave, and an increase in Housing mainly related to expenditures for housing shelter cost.
- 2) Public Works & Environmental Services - \$10.6 million deficit; \$14 million deficit in Roads Services, of which \$11.7 million related to Winter maintenance as a result of the extreme weather conditions experienced in the Jan – April winter season which were 12% and 22% higher than the 5 yr. and 20 yr averages. The forecast assumes average winter conditions in the final winter months of the year. The deficit is partially offset with higher revenues in Solid waste related to soil management and recycling.
- 3) Non Departmental Accounts \$7.5 million surplus;
 - Sale of Surplus Land \$14.9 million surplus.
 - Investment income and Penalties and Interest \$3.2 million surplus.
 - One-time Unforeseen Provision \$1.5 million surplus.
 - New debenture discount and Financial Charges \$2.5 million surplus.
 - Taxation Related Accounts \$17 million deficit.
 - i. Tax Rebates and Remissions deficit forecast of \$13.1 million. \$10.1 million related to remissions is a result of changes in the rules introduced by the Assessment Review Board (ARB) to accelerate the settlement of

open appeals and reduce the backlog. \$3 million deficit related to Tax rebates is primarily due to increased vacancies in the City's urban core.

- ii. Payment-In-Lieu of Taxation deficit forecast of \$7 million. This shortfall is mainly related to lower assessments from MPAC for the commercial and office sectors.
- iii. Supplemental Assessment surplus \$3 million, based on the growth forecasted by MPAC, this surplus will be used to partially offset the deficits in the overall Taxation related accounts.

2017 Forecast - Rate Supported - \$7.7M

A deficit of \$7.7 million is projected for 2017 due primarily to lower water and sewer surcharge revenues as a result of wetter spring and summer weather. As the majority of the water consumption occurs during the June – September time period, staff have continued to monitor consumption levels and as a result of the continued wetter summer conditions, lower consumption and billings are forecasted. Funds in the water and waste water reserves are available to fund the projected deficit. This is in comparison to the \$13.7 million surplus in 2016, which increased reserves.

Q2 Compensation Results

Document 3 provides compensation information showing the actual salary / benefits and overtime costs incurred by departments for Q2 versus the full year budget. Overall total actual compensation costs for the first half of 2017 were 51% of the full year 2017 compensation budget which is considered normal.

Actual overtime costs as a percentage of the annual budget are 75% spent. Additional overtime costs were incurred in Public Works and Environmental Services – Roads Services due to the winter storm events experienced in the first half of 2017 in addition to additional efforts related to the Ottawa River Flooding. Community and Social Services overtime is higher as it relates to sick leave and training cover off related to 24 x 7 operations.

Provision for Unforeseen and One Time Expenditures

The 2017 budget contained a provision of \$3.4 million to address expenditures of a one-time nature and unforeseen expenditures during the year. Through the 2017 budget process, Council approved spending of \$1.925 million against this provision. \$500,000

of the approved spending for the 2021 Ontario Summer Games bid deposit was returned in March as a result of the unsuccessful bid. In addition, Council approved \$400,000 to address the Unscheduled Asphalt Road and Pathway Surface Repairs program.

As of June 30, the remaining uncommitted balance in the provision is \$1.5 million.

A request to transfer \$60,000 to be allocated to Legal and Revenue Services to fund two positions for the remainder of 2017 to assist with the remission appeals workload is recommended.

Budget Adjustments and Transfers

A summary of the budget adjustments and transfers made in the first half of 2017, either through the delegated authority given to the City Treasurer or through Council-approved reports is provided in the following two tables.

Adjustments between departments (Table 2) were made to reflect administrative adjustments and to realign program costs and revenues. These adjustments do not result in any increase or decrease to the total corporate expenditure or revenue budgets.

Table 2 - Intra-departmental Budget Adjustments & Transfers

Nature of Budget Adjustment	Amount (\$ Millions)
Transfer the BIA anti-graffiti grant program from Roads to Economic Development and Long Range Planning. Approved by Council on report #ACS2017-PWE-GEN-0003.	0.180

Table 3 summarizes the adjustments made that have changed the overall expenditure which are funded from external revenues.

Table 3 - Budget Adjustments and Transfers Impacting Overall Expenditures / Revenues

Nature of Budget Adjustment	Amount (\$Millions)	Funding Source	Net Effect on Budget
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			Revenues and Expenditures
Additional one-time federal gas tax.	0.951	Federal Gas Tax	Increase in revenue and expenditures
Increase in property tax revenue from growth assessment as per report ACS2017-CSD-REV-0002.	4.900	Property tax	Increase in revenue and expenditures
Additional funding - The Province of Ontario's <i>Child Care Expansion Plan (CCEP)</i> is designed to support access to licensed child care for a province-wide total of 100,000 more infants, toddlers and preschoolers over the next five years starting in 2017.	8.377	Provincial funding	Increase in revenue and increase in expenditures
Additional funding - The Canada-Ontario <i>Early Learning and Child Care (ELCC)</i> plan supports a shared commitment by the Ontario and Federal governments to provide investments in early learning and child care to increase quality, accessibility, affordability, flexibility and inclusivity.	5.233	Federal / provincial funding	Increase in revenue and increase in expenditures
Reduced Children's Services funding - The Province reduced annual allocations in the following categories Core Funding, Wage Enhancement Grants, Capital Retrofits, Small Water Works and various smaller programs.	2.192	Provincial funding	Decrease in revenues and decrease in expenditures
Children's Services - Other administrative revenue reductions	1.691	Provincial funding	Decrease in revenues and decrease in expenditures
Revitalization of Byward and Parkdale Markets 2016 unspent balance carry forward. Approved on 2016 Year End Disposition report #ACS2017-CSD-FIN-0004.	0.476	Reserve funding	Increase in revenue and increase in expenditures
Revitalized Neighbourhoods initiative 2016 unspent balance carry forward. Approved on 2016 Year End Disposition report #ACS2017-CSD-FIN-0004.	0.250	Reserve funding	Increase in revenue and increase in expenditures
Addition of one FTE in Treasury Services offset by additional investment income as approved by Council June 14, 2017 on report #ACS2017-CSD-FIN-0015.	0.090	Investment income	Increase in revenue and increase in expenditures
Increase in parking fine revenue and administrative costs due to the revised	0.090	Parking fines	Increase in revenue and

Contravention Act Agreement with the federal government.			increase in expenditures
Adjust budget for rent revenues and offsetting costs on City facilities to reflect accurate actual revenues and costs.	0.330	Rent revenue	Decrease in revenues and decrease in expenditures
Increase in provincial funding from Ministry of Health and Long Term Care for Ottawa Central Ambulance Communication Centre.	0.111	Provincial funding	Increase in revenue and increase in expenditures

Capital Projects / Programs

Document 2 provides a listing of City tax and rate supported capital projects. The listing identifies the lead department, Ward, financial status (approved budget versus actual results) and anticipated completion date. The total for capital works in progress is \$7.1 billion, of which \$1.9 billion is uncommitted to date. Separate Q2 reports for the Police, Library and Public Health Boards and Transit Commission will provide a status on projects that are under their respective mandates.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

As directed by Council, an overview of the report contents was presented to the Budget Review Board for their review and comments prior to finalizing the report.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

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 impact implications with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the 2015-18 Term of Council priorities (FS1 “Demonstrate sound financial management”).

SUPPORTING DOCUMENTATION

Document 1 – Operating Results June 30, 2017 and 2017 Forecast (Held on file with the City Clerk)

Document 2 – Capital Works in Progress (Held on file with the City Clerk)

Document 3 – 2017 Q2 Compensation Summary (Held on file with the City Clerk)

DISPOSITION

This report is for information purposes.