

4. 2017 OPERATING AND CAPITAL BUDGET Q1 STATUS REPORT

**BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS 2017 – T1 -
RAPPORT D'ÉTAPE**

COMMITTEE RECOMMENDATION

That Council receive this report for information.

RECOMMANDATION DU COMITÉ

Que le Conseil municipal prenne connaissance de ce rapport à titre d'information.

DOCUMENTATION/DOCUMENTATION

1. Deputy City Treasurer's report, Corporate Finance , dated 25 April 2017 (ACS2017-CSD-FIN-0008)

Rapport de la Trésorière municipale adjointe, finances municipales daté le 25 avril 2017
(ACS2017-CSD-FIN-0008)

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
2 May 2017 / 2 mai 2017**

**and Council
et au Conseil
10 May 2017 / 10 mai 2017**

**Submitted on April 25, 2017
Soumis le 25 avril 2017**

**Submitted by
Soumis par:
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2017-CSD-FIN-0008

SUBJECT: 2017 OPERATING AND CAPITAL BUDGET Q1 STATUS REPORT

**OBJET: BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS 2017 –
T1 - RAPPORT D'ÉTAPE**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council receive this report for information.

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande que le Conseil municipal prenne connaissance de ce rapport à titre d'information.

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 budgeted for the corresponding period. Year-end forecasts are presented in the second and third quarter reports. 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 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 Police Services, Library, Public Health and Transit operations will be presented in separate reports to their respective boards.

DISCUSSION

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

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

Document 3 provides a detailed listing of the capital projects by Departments / Branches sorted by category namely, Renewal, Growth and Strategic Initiatives.

First Quarter year-to-Date Results

The year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2017 budgets on a monthly / quarterly basis based, primarily on past experience. Programs such as winter maintenance and recreational programs (outdoor pools / beaches) have seasonal spending patterns. Other program expenditures or revenues are not seasonal in nature but also may not occur evenly through 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 time 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, as shown in Document 1, are summarized below in Table 1. 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 also provided.

The property tax supported component of the City’s corporate budget ended Q1 with a surplus of \$154 thousand, while the rate supported services (water, sewer and storm water) ended Q1 with a deficit of \$1.391 million. The rate deficit is a result of water consumption being slightly below the calendarized budgeted consumption at 98.6% of budget. As the majority of water consumption occurs during the June to September time period, staff will be monitoring consumption levels in the ensuing months and will provide an update in the Q2 and Q3 report.

The June 30 Status Q2 Report, which includes a forecast for the year, will provide a better indication as to the overall year-end position.

All Departments / Branches 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 is provided below where there was a significant variance from budget that should be highlighted.

Table 1 - 2017 Q1 Operating Results

	1st Quarter Net Budget	1st Quarter Net Actual	YTD Net Surplus / (Deficit)
Tax Supported			
Elected Officials/City Clerk/AG/CMO	10,486	9,778	708
Transportation Services	10,955	11,081	-126
Community and Social Services	48,125	46,265	1,860
Public Works & Environmental Services	48,561	57,235	-8,674
Emergency and Protective Services	45,306	45,240	66
Recreation, Cultural and Facility Services	26,071	25,534	537
Corporate Services Department	29,598	29,048	549
Planning, Infrastructure & Economic Development	10,376	9,753	623
Service Innovation & Performance Department	8,556	7,751	805
Non Departmental - All Services	-808,503	-807,407	-1,095
2017 Tax Policy Report	0	-4,900	4,900
Total Tax Supported Programs	-570,469	-570,622	154
Total Rate Supported Programs	-26,776	-25,385	-1,391
Total Tax & Rate Supported Programs	-597,245	-596,007	-1,237

Surpluses in the tax supported services, and \$4.9 million in tax revenue from additional growth, helped to offset deficits in other areas, primarily in Public Works and Environmental Services due to higher winter maintenance costs.

Highlights of Q1 results include the following:

Road Services Branch within Public Works & Environmental Services in City Operations – Winter Operations \$9.3 million deficit.

Winter maintenance costs in Q1 were higher than budgeted, primarily as a result of extreme winter conditions experienced in the first half of the 2017 winter season. The first half of the 2017 winter season received significant snow accumulation and variable conditions which is second only to 2008 in terms of total snowfall in the last 30 years. Q1 received 172.9 cm's of snow accumulation, 95.2 mm's of rain and in total experienced 50 winter events. Total accumulation for Jan through Mar was significantly above the 20 year average of 137.82 cm's and the 5 year average of 147.96 cm's.

Roads Services continue to be committed to achieving operational efficiencies and identify cost containment strategies and opportunities to achieve further operational efficiencies. Roads Services will report back to Transportation Committee in Q2 with an update on progress made to date on these strategies and operational efficiencies.

Deficits in non departmental accounts are primarily related to the increase in remissions as a result of a higher volume of requests for reassessments which are common in the first year of an assessment cycle. This is offset by higher penalty and interest income along with financial charges and other revenue.

Surpluses in other City programs were primarily due to compensation savings related to unfilled vacancies as a result of the 2016 staffing freeze, reduced heating costs and overall savings across various expenditure accounts.

Rate Supported - \$1.391 million deficit:

Water consumption is slightly below the calendarized budgeted consumption at 98.6% of budget. As the majority of water consumption occurs during the June to September time period, staff will be monitoring consumption levels in the ensuing months and will provide a forecast in the Q2 June 30 Status Report.

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 total actual compensation costs for the first quarter were 25% of the full year 2017 compensation budget which is below normal and attributable to the overall compensation savings.

On a corporate basis, actual overtime costs as a percentage of the annual budget are 47% spent. Additional overtime costs were incurred in Public Works & Environmental Services – Roads Services due to the severe winter conditions in Q1.

Budget Adjustments and Transfers

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

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)	Funding Source	Net Effect on Budget Revenues and Expenditures
Housing Services - 2016 Social Infrastructure Fund Initiatives	29.314	Federal and Provincial funding	Increase in revenue and increase in expenditures
Employment Land Review Study complete	0.120	City-wide Reserve Fund	Decrease in revenue and decrease 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 \$1.7 billion is uncommitted to date. Separate Q1 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

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

ADVISORY COMMITTEE(S) COMMENTS

This section contains any comments or recommendations made by one or more Advisory Committees relating to this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations 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.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the Term of Council priorities (FS2 “Maintain and enhance the City’s financial position”.)

SUPPORTING DOCUMENTATION

Document 1 – Operating Results Summary March 31, 2017 (*Held on file with the City Clerk*)

Document 2 – 2017 Q1 Compensation Summary (*Held on file with the City Clerk*)

Document 3 – Capital Works in Progress (*Held on file with the City Clerk*)

DISPOSITION

This report is for information purposes.