

**Report to
Rapport au:**

**Council
Conseil**

8 April 2020 / 8 avril 2020

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**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-FSD-FIN-0005

**SUBJECT: DISPOSITION OF 2019 TAX AND RATE SUPPORTED OPERATING
SURPLUS / DEFICIT**

**OBJET: RÈGLEMENT DE L'EXCÉDENT / DU DÉFICIT DE 2019 DES
OPÉRATIONS FINANCÉES PAR LES RECETES FISCALES ET LES
REDEVANCES**

REPORT RECOMMENDATIONS

That Council approve:

- 1. That the \$2.012 million 2019 operating surplus in City Wide be transferred to the Tax Stabilization Reserve.**
- 2. That the \$3.282 million 2019 operating surplus in Police Services be transferred to the Tax Stabilization Reserve.**

3. That the \$204,000 2019 operating surplus in Library Services be transferred to the Library Reserve.
4. That the \$148,000 2019 operating surplus in Water Services be transferred to the Water Reserve.
5. That \$1.41 million be transferred from the Wastewater Reserve to fully fund the 2019 Wastewater Services program.
6. That \$6.462 million be transferred from the Stormwater Reserve to fully fund the 2019 Stormwater Services program.
7. That \$4.412 million be transferred from the Transit Services Capital Reserve to fully fund the 2019 Transit Services program.
8. That \$750,000 of the 2019 operating surplus in City Wide be transferred to provide funding towards the Land Management Solution technology.

RECOMMANDATIONS DU RAPPORT

Que le Conseil approuve que :

1. Le surplus des opérations de 2,012 millions de dollars du budget pour l'ensemble de la ville en 2019 soit transféré au fonds de réserve de stabilisation des taxes.
2. Le surplus des opérations de 3,282 millions de dollars du budget des services policiers en 2019 soit transféré au fonds de réserve de stabilisation des taxes.
3. Le surplus des opérations de 204 000 dollars du budget de la bibliothèque en 2019 soit transféré au fonds de réserve de la bibliothèque.
4. Le surplus des opérations de 148 000 dollars du budget des Services d'eau en 2019 soit transféré au fonds de réserve pour les services d'eau.
5. Un montant de 1,41 million de dollars soit transféré du fonds de réserve pour les services d'eau pour financer entièrement le programme de traitement des eaux usées de 2019.
6. Un montant de 6,462 millions de dollars soit transféré du fonds de réserve pour des eaux pluviales pour financer entièrement le programme de gestion des eaux pluviales de 2019.
7. Un montant de 4,412 millions de dollars soit transféré du fonds de réserve pour les immobilisations du transport en commun pour financer entièrement le programme du Service de transport en commun de 2019.
8. Un montant de 750 000 dollars du surplus opérationnel de 2019 du budget de l'ensemble de la ville soit transféré afin de financer la solution technologique pour la gestion des terres.

BACKGROUND

As part of the finalization of 2019 operations, and in conjunction with the preparation of the financial statements, it is necessary to obtain Council approval of the disposition of any surplus or funding of any deficit. This report provides an analysis of the results of the 2019 operations for all tax and rate supported City programs.

DISCUSSION

Year-End Results

The City of Ottawa has several operations funded from sources that cannot be co-mingled, or which require separate reporting, the year-end results are presented on a business area basis. These business areas include City Wide, Police, Library, Transit, Water, Wastewater, and Stormwater. For services such as Transit and Police that have their own tax rate, the business area results include both the operating results and an allocation of the various taxation related revenue and expenditure accounts.

The City-Wide tax supported services ended the year with a \$2.762 million surplus in comparison to the 2019 forecast of \$2.055 million surplus which was provided as part of the tabled 2020 Draft budget on November 6, 2019. Non departmental account surpluses due to rebates and remissions, investment income, growth in fees collected related to penalty and interest, improved interest rates on short term investments and *Provincial Offense Act* revenue are the main factors contributing to the surplus. Deficits related to winter maintenance operations and flood related costs partially offset the overall City-Wide tax supported surplus. Document 1 presents a summary of the year-end operating results by business area.

The Transit Services operational budget that falls under the Transit Commission finished 2019 with a \$6.169 million deficit in comparison to the 2019 forecast of \$5.708 million deficit which was provided as part of the tabled 2020 Draft budget on November 6, 2019. The various taxation related accounts are allocated to the business area and as a result of the additional tax rebates and remissions and supplementary assessments, the overall Transit Commission business area ended with a \$4.412 million deficit.

The Police Services operational budget that falls under the Police Services Board mandate finished 2019 with a \$2.393 million surplus in comparison to the 2019 forecast of \$2.4 million surplus which was provided as part of the tabled 2020 Draft budget on November 6, 2019. Once the various Police taxation related accounts are allocated to the business area the result is an overall \$3.282 million surplus.

The following provides a brief overview of the major areas that contributed to the 2019 year-end results. Additional information is provided in Document 2.

A) City Wide Departmental Accounts

Community and Social Services \$5.956 million surplus:

Lower social housing expenditures and higher revenues have offset the deficit in Emergency Shelters resulting in a net surplus of \$6.629 million in Housing Services which will be transferred to the Housing Reserve. A deficit of \$1.823 million in Long Term Care from increased staff replacement costs for sick leave in a 24 hour a day, 7 days a week operation was mitigated by surpluses from Employment and Social Services of \$611,000, Children's Services of \$517,000 and Partner & Stakeholder Initiatives of \$320,000 mostly as a result of the final provincial revenue funding allocation agreements and lower program delivery costs.

Public Works and Environmental Services \$26.806 million deficit:

The Roads Services budget finished 2019 with a deficit of \$21.952 million in comparison to the forecasted \$18.74 million which was provided as part of the 2020 Draft budget on November 6, 2019. This deficit is mainly related to Winter maintenance operations, which ended the year with a \$21.3 million deficit which is a result of increased snow accumulation, which was 46 per cent higher than the 20-year average, increased freeze thaw cycles, which were 16 per cent higher than the 20-year average and a 76 percent increase in freezing rain hours when compared to the 20-year average. These severe weather conditions resulted in significant operational costs associated with maintaining the road, sidewalk and pathway networks. Roads Services also incurred \$1.5 million in expenditures in support of the 2019 Spring Freshet. Solid Waste deficit of \$4.022 million due to increased fleet costs for the in-house operations associated with waste, recycling and green bin collection and reduced revenues due to a decrease in commodity prices related to the recycling market.

Recreation, Cultural and Facility Services \$988 thousand deficit:

Reduced registration revenue and a shortfall in sponsorship & advertising revenue and lease revenues were partially offset with surplus from expenditure savings in compensation and utilities.

Finance Services \$1.863 million surplus:

Compensation savings due to vacancies, various expenditure savings across multiple accounts, and additional revenues associated with water and tax billing services.

Planning, Infrastructure & Economic Development \$8.65 million surplus:

Expenditure savings resulting from deferred environmental remediation work and additional revenues associated with inspection and sewer connection fees and an increase in development application revenue attributed to growth in the Subdivision applications and increase in subsequent phase applications.

Non-Departmental Accounts

Penalty, Interest and Investment Income \$7.715 million surplus:

Growth in fees collected and higher investment returns due to increased short-term interest rates and larger short-term investment balances.

Tax Rebates and Remissions \$4.688 million surplus:

Significant reduction in property assessment appeals and several properties settled at below historical trends which are a result of the Assessment Base Management Team's involvement in high risk appeals.

Supplementary Assessment \$3.136 surplus / Payment in Lieu of Taxes (PILT) \$2.255 million deficit:

Supplementary assessment revenues were higher than projected due to a higher number of residential and commercial properties being added to the property assessment base. Lower PILT revenue due to the lower MPAC assessments for commercial and office properties.

Provincial Offences Act \$3.738 million surplus:

Revenues are higher than budgeted primarily due to an increase in the number of tickets issued.

B) Transit Services \$4.412 Million Deficit

OC Transpo operations, under the Transit Commission mandate, ended the year in a \$6.169 million deficit attributable to higher Para Transpo costs to meet the increased ridership demand and lower fare revenue driven by customers purchasing lower-priced fares. This was partially offset by the allocation of a \$1.757 million surplus to the business area from the various taxation related accounts which reduced the overall Transit deficit to \$4.412 million.

C) Police Services \$3.282 Million Surplus

The Police operational budget that falls under the Police Services Board mandate finished 2019 with a \$2.393 million surplus as result of compensation savings related to collective agreement changes in relation to movement between constable ranks, savings in various expenditure accounts and various revenue and recoveries including additional provincial grant funding. Once the various Police taxation related accounts

are allocated to the business area the result is an overall \$3.282 million surplus. This surplus is contributed to the Tax Stabilization reserve.

D) Rate Supported Programs

Drinking Water Services \$148 thousand surplus:

Surplus mainly due to vacancies, and savings in utility and chemical cost as a result of lower consumption volume, partially offset with decreased water revenues due to lower volume billed driven by the wet spring weather conditions.

Wastewater Services \$1.41 million deficit:

Deficits due to lower consumption volume driven by the wet spring weather conditions and expenditures related to legal claims, partially offset with surpluses due to increased recoveries from Stormwater due to efforts as a result of spring flooding.

Stormwater Operations \$6.462 million deficit:

Deficit mainly driven by spring flooding efforts and support, and additional drainage cost related to the severe winter weather conditions and freeze thaw events and lower stormwater revenues because of the delay in implementing the new stormwater rate structure.

Disposition of Surplus and Deficits

The surpluses and deficits in the various business areas are recommended to be disposed of as outlined in Tables 1, 2 and 3 (amounts are in thousand of dollars).

Table 1 – Year-end dispositions of Surplus and Deficits – in thousands of dollars

	Tax Supported City Wide	Tax Supported Police	Tax Supported Transit	Tax Supported Library	TOTAL Tax Supported	Rate Water & Sewers	Total
Overall City Surplus/(Deficit) per Document	9,391	3,282	(4,412)	204	8,465	(7,724)	741
1-Disposition per existing by-law/Council direction:							
Transfer to Housing Reserve	(6,629)	0	0	0	(6,629)	0	(6,629)

	Tax Supported City Wide	Tax Supported Police	Tax Supported Transit	Tax Supported Library	TOTAL Tax Supported	Rate Water & Sewers	Total
Total Disposition	(6,629)	0	0	0	(6,629)	0	(6,629)
Remaining Surplus/ (Deficit)	2,762	3,282	(4,412)	204	1,836	(7,724)	(5,888)
2-Disposition of Surplus and Deficits							
City Wide Reserve – LMS	(750)	0	0	0	(750)	0	(750)
Transit Reserve	0	0	4,412	0	4,412	0	4,412
Library Reserve	0	0	0	(204)	(204)	0	(204)
Tax Stabilization	(2,012)	(3,282)	0	0	(5,294)	0	(5,294)
Police Reserve	0	0	0	0	0	0	0
Water Reserve	0	0	0	0	0	(148)	(148)
Wastewater Reserve	0	0	0	0	0	1,410	1,410
Stormwater Reserve	0	0	0	0	0	6,462	6,462
Remaining Balance	(2,762)	(3,282)	4,412	(204)	(1,836)	7,724	5,888

Additional Year-End Adjustments

The recommendation to transfer \$750,000 of the Planning, Infrastructure and Economic Development (PIED) operating revenue surplus is required to allocate funding towards

the Land Management Solution (LMS). LMS will replace the current Municipal Applications Partnership (MAP) technology used to manage planning and permit applications, an integral software application for PIED.

The investment into this technology will improve delivery of services through mobile devices and electronic service delivery.

Continuity of Reserves and Reserve Funds

Document 3 presents a continuity schedule of the City's reserves and reserve funds. The schedule reflects the impact on reserve balances of the recommendations as presented in this report.

Budget Adjustments

During the year, adjustments to budgets are made to better reflect the alignment of budget authority with spending needs. These transfers are made either through the delegated authority given to the City Treasurer or through Council-approved reports. Document 4 and 5 shows the changes in budgets processed since the June 30, 2019 quarterly Status Report. Council policy requires the reporting of these transactions for information purposes.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

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

The financial implications are outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility implications with this report.

TERM OF COUNCIL PRIORITIES

This report meets Council's priority with respect to Financial Sustainability and Governance, Planning and Decision-making.

SUPPORTING DOCUMENTATION

- Document 1 – 2019 Operating Results Summary
- Document 2 – Variance Analysis of 2019 Operating Results
- Document 3 – 2019 Reserve Continuity Forecast
- Document 4 – Budget Adjustments and Transfers Impacting Overall Expenditures / Revenues
- Document 5 – Inter and Intra-departmental Budget Adjustments & Transfers are all attachments to this report.

DISPOSITION

Staff will implement the report recommendations as outlined in the report.