

**2. DISPOSITION OF 2018 TAX AND RATE SUPPORTED OPERATING
SURPLUS / DEFICIT**

**RÈGLEMENT DE L'EXCÉDENT / DU DÉFICIT DE 2018 DES OPÉRATIONS
FINANCÉES PAR LES RECETES FISCALES ET LES REDEVANCES**

COMMITTEE RECOMMENDATIONS

That Council approve:

- 1. That the \$7.973 million 2018 operating surplus in City Wide be transferred to the Tax Stabilization Reserve.**
- 2. That the \$7.237 million 2018 operating surplus in Drinking Water Services be transferred to the Water Reserve.**
- 3. That the \$7.075 million 2018 operating surplus in Wastewater Services be transferred to the Wastewater Reserve.**
- 4. That the \$379,000 deficit in Stormwater Services be funded from the Stormwater Reserve.**
- 5. That the \$37,000 surplus in Library Services be transferred to the Library Reserve.**
- 6. That \$3.250 million be transferred from the Transit Services Operating Reserve to fully fund the 2018 Transit Services program.**
- 7. That \$215,000 be carried forward from 2018 to 2019 for Phase 3 and 4 of the Rental Accommodation Study.**
- 8. That \$5.0 million be transferred from the City Wide Capital Reserve to the Fleet Reserve.**
- 9. That \$46.633 million be transferred from the Water Reserve to the Stormwater Reserve.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil approuve ce qui suit :

- 1. Que l'excédent d'exploitation de 7,973 millions de dollars enregistré pour l'ensemble de la Ville en 2018 soit transféré au Fonds de réserve de stabilisation des taxes.**
- 2. Que l'excédent d'exploitation de 7,237 millions de dollars des services de gestion de l'eau potable enregistré pour 2018 soit transféré au Fonds de réserve des services d'eau.**
- 3. Que l'excédent d'exploitation de 7,075 millions de dollars des services de traitement des eaux usées enregistré pour 2018 soit transféré au Fonds de réserve des services d'eaux usées.**
- 4. Que le déficit de 379 000 \$ des services de gestion des eaux pluviales soit comblé par un transfert du Fonds de réserve des services d'eaux pluviales.**
- 5. Que l'excédent de 37 000 \$ des services de bibliothèque soit transféré au Fonds de réserve pour la Bibliothèque publique d'Ottawa.**
- 6. Qu'un montant de 3,250 millions de dollars du Fonds de réserve du fonctionnement du transport en commun soit affecté au plein financement du programme de transport en commun pour 2018.**
- 7. Qu'un montant de 215 000 \$ soit reporté de 2018 à 2019 pour les phases 3 et 4 de l'étude sur les logements locatifs.**
- 8. Qu'un montant de 5,0 millions de dollars soit transféré du Fonds de réserve pour immobilisations de la Ville au Fonds de réserve du parc automobile.**
- 9. Qu'un montant de 46,633 millions de dollars soit transféré du Fonds de réserve des services d'eau au Fonds de réserve des services d'eaux pluviales.**

DOCUMENTATION/DOCUMENTATION

1. Deputy City Treasurer's report, Corporate Finance, Corporate Services Department dated 22 March 2019 (ACS2019-CSD-FIN-0006).

Rapport de la Trésorière municipale adjointe, Finances municipales, Direction générale des services organisationnels, daté le 22 mars 2019 (ACS2019-CSD-FIN-0006).

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
2 April 2019 / 2 avril 2019**

**and Council
et au Conseil
10 April 2019 / 10 avril 2019**

**Submitted on March 22, 2019
Soumis le 22 mars 2019**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2019-CSD-FIN-0006

**SUBJECT: DISPOSITION OF 2018 TAX AND RATE SUPPORTED OPERATING
SURPLUS / DEFICIT**

**OBJET: RÈGLEMENT DE L'EXCÉDENT / DU DÉFICIT DE 2018 DES
OPÉRATIONS FINANCÉES PAR LES RECETES FISCALES ET LES
REDEVANCES**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council approve:

1. That the \$7.973 million 2018 operating surplus in City Wide be transferred to the Tax Stabilization Reserve.
2. That the \$7.237 million 2018 operating surplus in Drinking Water Services be transferred to the Water Reserve.
3. That the \$7.075 million 2018 operating surplus in Wastewater Services be transferred to the Wastewater Reserve.
4. That the \$379,000 deficit in Stormwater Services be funded from the Stormwater Reserve.
5. That the \$37,000 surplus in Library Services be transferred to the Library Reserve.
6. That \$3.250 million be transferred from the Transit Services Operating Reserve to fully fund the 2018 Transit Services program.
7. That \$215,000 be carried forward from 2018 to 2019 for Phase 3 and 4 of the Rental Accommodation Study.
8. That \$5.0 million be transferred from the City Wide Capital Reserve to the Fleet Reserve.
9. That \$46.633 million be transferred from the Water Reserve to the Stormwater Reserve.

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'approuver ce qui suit :

1. Que l'excédent d'exploitation de 7,973 millions de dollars enregistré pour l'ensemble de la Ville en 2018 soit transféré au Fonds de réserve de stabilisation des taxes.
2. Que l'excédent d'exploitation de 7,237 millions de dollars des services de gestion de l'eau potable enregistré pour 2018 soit transféré au Fonds de réserve des services d'eau.
3. Que l'excédent d'exploitation de 7,075 millions de dollars des services de traitement des eaux usées enregistré pour 2018 soit transféré au Fonds de réserve des services d'eaux usées.
4. Que le déficit de 379 000 \$ des services de gestion des eaux pluviales soit comblé par un transfert du Fonds de réserve des services d'eaux pluviales.

5. Que l'excédent de 37 000 \$ des services de bibliothèque soit transféré au Fonds de réserve pour la Bibliothèque publique d'Ottawa.
6. Qu'un montant de 3,250 millions de dollars du Fonds de réserve du fonctionnement du transport en commun soit affecté au plein financement du programme de transport en commun pour 2018.
7. Qu'un montant de 215 000 \$ soit reporté de 2018 à 2019 pour les phases 3 et 4 de l'étude sur les logements locatifs.
8. Qu'un montant de 5,0 millions de dollars soit transféré du Fonds de réserve pour immobilisations de la Ville au Fonds de réserve du parc automobile.
9. Qu'un montant de 46,633 millions de dollars soit transféré du Fonds de réserve des services d'eau au Fonds de réserve des services d'eaux pluviales.

BACKGROUND

As part of the finalization of 2018 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 2018 operations for all tax and rate supported City programs.

A surplus was forecasted in the June 30 Quarterly Status Report ([ACS2018-CSD-FIN-0020](#)) for both tax and rate supported programs, \$9.320 million and \$5.095 million, respectively, excluding Ottawa Police Services, Transit Services and Ottawa Public Library.

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 \$13.933 million surplus. Compensation savings, additional capital recoveries, 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 liability claims in Traffic Services 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 operating budget finished 2018 with a \$3.941 million deficit. Once the surplus from the various Transit taxation related accounts are allocated to the business area, the result is an overall \$3.250 million deficit.

The Police Services operational budget that falls under the Police Services Board mandate finished 2018 with a \$6.214 million deficit. Once the various Police taxation related accounts are allocated to the business area the result is an overall \$5.960 million deficit.

The following provides a brief overview of the major areas that contributed to the 2018 year-end results. Additional information is provided in Document 2.

A) City Wide

Departmental Accounts

Elected Officials \$677 thousand deficit:

Deficit due to one-time severance payments associated with the 2018 municipal election.

Transportation Services \$2.249 million deficit:

Deficit primarily related to insurance claim expenditures in Traffic Services.

Community and Social Services \$2.639 million surplus:

Surplus of \$3.687 million in Children Services due to a lower requirement from the Stabilization Initiative as the result of additional provincial funding to increase access and affordability. Surplus of \$428 thousand in Partner & Stakeholder Initiatives due to compensation savings and lower program delivery costs. These two surpluses offset a \$2.389 million deficit in Long Term Care that resulted from increased staff replacement costs for sick leave in a 24 hour a day, 7 days a week operation. Lower social housing expenditures and higher revenues have offset the deficit in Emergency Shelters resulting in a net surplus of \$703 thousand in Housing Services.

Public Works and Environmental Services \$9.021 million deficit:

Additional costs in winter maintenance operations of \$7.2 million were the result of increased snow accumulation, which was 8 per cent higher than the 20-year average. Because of the higher than normal precipitation (snow and freezing rain), some of which

occurred in April and in early November, winter maintenance activities were extended resulting in an increased use of abrasives on roadways, sidewalks and pathways. The winter maintenance operations deficit was partially offset by a surplus for non-winter activities resulting in a net Roads Services deficit of \$6.5 million. Parks deficit of \$1 million due to increased maintenance requirements in various parks and \$1.4 million deficit in Solid Waste due to increased fleet costs for the in-house operations associated with waste collection and diversion.

Recreation, Cultural and Facility Services \$838 thousand surplus:

Surplus from expenditure savings in compensation and utilities due to extended and unplanned facility shutdowns, which were offset by reduced registration revenue and, due to the impact on revenues from the tornado. In addition, there was a shortfall in sponsorship revenues.

Corporate Services \$2.184 million surplus:

Expenditure savings, higher property tax recoveries within the Corporate Real Estate Office and environmental remediation contract delays.

Service Innovation and Performance \$517 thousand surplus:

Expenditure savings due to delays in retrofit work and web services contracts.

Planning, Infrastructure & Economic Development \$4.140 million surplus:

Expenditure savings in compensation related to vacancies along with additional capital recoveries and development application revenues.

Non-Departmental Accounts

Financial Charges \$1.596 million surplus:

Financial charges and debenture cost savings because of lower banking fees and no debenture issue in 2018.

Penalty, Interest and Investment Income \$9.068 million surplus:

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

Provincial Offences Act \$3.323 million surplus:

Revenues are higher than budgeted primarily due to out of province ticket collections and an increase in the number of red-light cameras.

Tax Rebates and Remissions \$4.308 million surplus:

Vacancy rebate savings are a result of the program phase-out.

**Supplementary Assessment \$5.966 surplus / Payment in Lieu of Taxes (PILT)
\$8.206 million deficit:**

Supplementary assessment revenues were higher than projected resulting from 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.

B) Transit Services \$3.250 Million Deficit

OC Transpo operations, under the Transit Commission mandate, ended the year in a \$3.941 million deficit attributable to higher insurance claim expenditures, fuel price increases and lower fare revenue driven by customers purchasing lower-priced fares which were partially offset with savings in compensation and maintenance payment savings due to the delayed opening of the O-Train Line 1. This was offset by the allocation of a \$691 thousand surplus to the business area from the various taxation related accounts which reduced the overall Transit deficit to \$3.250 million.

C) Police Services \$5.960 Million Deficit

The Police operational budget that falls under the Police Services Board mandate finished 2018 with a \$6.214 million deficit as result of lower than expected background checks and collision report revenues, overtime cost related to the tornado, increased WSIB costs and facility operating and maintenance cost. This was partially offset by the allocation of \$254 thousand surplus to the business area from the various taxation related accounts, which has resulted in an overall Police Services deficit of \$5.960 million. This deficit is then funded by surpluses in the City-Wide accounts.

D) Rate Supported Programs

Drinking Water Services \$7.237 million surplus:

Surplus mainly due to vacancies, increased recoveries from capital for internal resources and savings in repairs, maintenance, utility and chemical cost, as well as increased revenues due to more cost recovery work, increased water revenues and higher growth in fire supply revenues.

Wastewater Services \$7.075 million surplus:

Surplus mainly due to vacancies, savings in repairs, maintenance, utility and chemical costs, as well as increased sewer surcharge revenues.

Stormwater Operations \$379 thousand deficit:

Deficit mainly due to less stormwater revenues because of the delay in implementing the new water, sewer and storm 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 Table 1.

Table 1 - Year-end disposition of surpluses and deficits (in thousands of dollars)

	Tax Supported					Rate	Total
	City Wide	Police	Transit	Library	Total Tax Supported	Water & Sewer	
Overall City Surplus / (Deficit) per Document 1	14,636	(5,960)	(3,250)	37	5,463	13,933	19,396
1 - Disposition per existing by-laws / Council direction:							
Transfer to Housing Reserve	(703)	-	-	-	(703)	-	(703)
Total Disposition	(703)	-	-	-	(703)	-	(703)
Remaining Surplus / (Deficit)	13,933	(5,960)	(3,250)	37	4,760	13,933	18,693
2 - Disposition of Surplus and Deficits:							
Transit Reserve	-	-	3,250	-	3,250	-	3,250
Library Reserve	-	-	-	(37)	(37)	-	(37)
Tax Stabilization	(7,973)	-	-	-	(7,973)	-	(7,973)
Police Deficit funded	(5,960)	5,960	-	-	-	-	-
Water Reserve	-	-	-	-	-	(7,237)	(7,237)
Wastewater Reserve	-	-	-	-	-	(7,075)	(7,075)
Stormwater Reserve	-	-	-	-	-	379	379
	(13,933)	5,960	3,250	(37)	(4,760)	(13,933)	(18,693)
Remaining Balance	-	-	-	-	-	-	-

Additional Year-End Adjustments

As part of the 2018 Operating and Capital Budget, Council approved \$300,000 on a one-time basis to review the licensing of residential room rentals, short-term rentals and shared accommodations. The total budget of \$300,000 with expenditures of \$85,000 is included in the 2018 Operating results. The request is to carry forward the remaining unspent balance of \$215,000.

The Department responsible for these initiatives have requested that the Finance and Economic Development Committee and Council allow these funds to be re-provided in 2019 to ensure that this initiative is completed.

If approved, the 2019 departmental expenditure budgets will be increased by \$215,000 and will be funded by a corresponding amount from the Tax Stabilization Reserve Fund.

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.

The Reserve Report ([ACS2018-CSD-FIN-0004](#)) approved a portfolio-based structure and management approach that ensures both financial sustainability and flexibility. Using a portfolio-based approach, a separate reserve is established when there is a unique source of revenue and use of those funds. As a result, a separate stormwater reserve was created to align each of the three rate supported services reserves to each of their respective sources of revenue and use of those funds.

The recommendation to transfer \$46.633 million from the Water reserve to the Stormwater reserve realigning the fund balances. The realignment of funding is required to eliminate the deficit in the stormwater reserve and to better align the reserve balance with the capital investments of these rate supported services based as detailed in the LRFP V ([ACS2017-CSD-FIN-0023](#)).

The City-Wide capital reserve fund serves to fund the tax supported capital projects with a minimum recommended balance of \$23 million as per the Reserve Report recommendations. The recommended transfer from the City-Wide capital reserve maintains the minimum required balance.

As part of the 2016 budget process Council approved the implementation of a new multiyear (2016-2018) efficiency program. As part of that program \$5 million was used

from the Fleet Reserve. Funds are required to address the required replacement of vehicles identified in the fleet funding model. The recommendation is to transfer \$5 million from the City Wide Capital Reserve to the Fleet reserve.

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 shows the changes in budgets processed since the June 30, 2018 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 (*Held on file with the City Clerk*)

Document 1 – 2018 Operating Results Summary, Document 2 – Variance Analysis of 2018 Operating Results, Document 3 – 2018 Continuity of Reserves and Document 4 – Budget Adjustments and Transfers Impacting Overall Expenditures / Revenues and Document 5 – Inter and Intra-departmental Budget Adjustments and Transfers are all attachments to this report.

DISPOSITION

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