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| <p><b>2. 2019 OPERATING AND CAPITAL BUDGET – Q1 STATUS REPORT</b></p> <p><b>BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS – 2019 T1</b></p> <p><b>RAPPORT D'ÉTAPE</b></p> |
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**COMMITTEE RECOMMENDATION**

**That Council receive this report for information.**

**RECOMMANDATION DU COMITÉ**

**Que le Conseil municipal prenne connaissance du présent rapport.**

**DOCUMENTATION/DOCUMENTATION**

1. Deputy City Treasurer's report, Corporate Finance, Corporate Services Department dated 26 April 2019 (ACS2019-CSD-FIN-0009).

Rapport de la Trésorière municipale adjointe, Finances municipales, Direction générale des services organisationnels, daté le 26 avril 2019 (ACS2019-CSD-FIN-0009).

**Report to  
Rapport au:**

**Finance and Economic Development Committee  
Comité des finances et du développement économique  
7 May 2019 / 7 mai 2019**

**and Council  
et au Conseil  
22 May 2019 / 22 mai 2019**

**Submitted on April 26, 2019  
Soumis le 26 avril 2019**

**Submitted by  
Soumis par:**

**Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Corporate Services  
Department / Trésorière municipale adjointe, Finances municipales, Direction  
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**Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE      File Number: ACS2019-CSD-FIN-0009**

**SUBJECT: 2019 OPERATING AND CAPITAL BUDGET – Q1 STATUS REPORT**

**OBJET: BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS – 2019  
T1 RAPPORT D'ÉTAPE**

## **REPORT RECOMMENDATION**

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

## **RECOMMANDATION DU RAPPORT**

**Que le Comité des finances et du développement économique recommande au Conseil municipal de prendre connaissance du présent rapport.**

## **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 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.

## **DISCUSSION**

### **First Quarter Year-to-Date Results**

The year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2019 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, as shown in Document 1, are summarized 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 provided.

The property tax supported component of the City's corporate budget ended Q1 with a deficit of \$6.1 million, while the rate supported services (water, sewer and storm water) ended Q1 with a surplus of \$327 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 - 2019 Q1 Operating Results (in thousands of dollars)**

|                                            | <b>1st<br/>Quarter<br/>Net<br/>Budget</b> | <b>1st<br/>Quarter<br/>Net Actual</b> | <b>YTD Net<br/>Surplus /<br/>(Deficit)</b> |
|--------------------------------------------|-------------------------------------------|---------------------------------------|--------------------------------------------|
| <b>Tax Supported</b>                       |                                           |                                       |                                            |
| Elected Officials                          | 3,195                                     | 2,936                                 | 259                                        |
| Office of the Auditor General              | 383                                       | 383                                   | 0                                          |
| City Clerk & Solicitor                     | 7,134                                     | 6,900                                 | 234                                        |
| Transportation Services                    | 12,961                                    | 12,836                                | 126                                        |
| Community and Social Services              | 53,251                                    | 51,348                                | 1,903                                      |
| Public Works & Environmental Services      | 53,333                                    | 68,933                                | -15,600                                    |
| City Manager's Office                      | 374                                       | 371                                   | 3                                          |
| Emergency and Protective Services          | 48,284                                    | 48,315                                | -31                                        |
| Recreation, Cultural and Facility Services | 26,095                                    | 25,044                                | 1,051                                      |
| Corporate Services Department              | 30,980                                    | 30,046                                | 934                                        |

|                                                 |                 |                 |               |
|-------------------------------------------------|-----------------|-----------------|---------------|
| Planning, Infrastructure & Economic Development | 5,761           | 4,964           | 797           |
| Service Innovation & Performance                | 9,121           | 8,994           | 127           |
| Non Departmental - All Services                 | -870,497        | -874,637        | 4,141         |
| <b>Total Tax Supported Programs</b>             | <b>-619,624</b> | <b>-613,568</b> | <b>-6,057</b> |
| Water                                           | -14,558         | -15,433         | 874           |
| Wastewater                                      | -21,531         | -20,937         | -594          |
| Stormwater                                      | 5,042           | 4,995           | 47            |
| <b>Total Rate Supported Programs</b>            | <b>-31,047</b>  | <b>-31,374</b>  | <b>327</b>    |
| <b>Total Tax &amp; Rate Supported Programs</b>  | <b>-650,671</b> | <b>-644,942</b> | <b>-5,730</b> |

### Highlights of Q1 Results

Public Works and Environmental Services – Deficit of \$16.2 million in winter maintenance costs primarily because of extreme winter conditions experienced in the first half of the 2019 winter season. Significant snowfall accumulation, freezing rain events and freeze thaw cycles resulted in over expenditures in snow removal, application of winter abrasives, snow clearing and winter drainage. Minor savings across other branches various expenditure accounts partially offset the winter maintenance deficit.

The surplus in non-departmental accounts is primarily related to the sale of surplus lands, higher penalty and interest income related to growth in fees collected and increase in other revenue including investment income and provincial offense fees due to volume of tickets issued.

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 - \$327 thousand surplus

Surplus primarily related to higher water billing related to consumption which is slightly above the “calendarized” budgeted consumption at 101.5 per cent of budget. As most of the water consumption occurs June to September, staff will be monitoring consumption levels in the ensuing months and will provide a forecast in the Q2 Status Report. Surplus’s partially offset with deficits in Wastewater services due to snow removal cost at various pumping stations and lower capital recoveries.

## **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 2019 compensation budget.

On a corporate basis, actual overtime costs as a percentage of the annual budget are 59 per cent spent. Additional overtime costs incurred in Public Works and Environmental Services Department and Corporate Services are attributed to Roads Services and Fleet Services. Overtime usage in these service areas is reflective of the seasonal nature of these services as it relates to winter maintenance.

## **Budget Adjustments and Transfers**

A summary of the budget adjustments and transfers made in the first quarter of 2019, either through the delegated authority given to the City Treasurer or through Council-approved reports is provided in Document 4.

Council policy requires the reporting of these transactions for information purposes.

## **Capital Projects and Programs**

Document 3 provides a list of City tax and rate supported capital projects. The list identifies the lead department, ward, financial status (approved budget versus actual results) and anticipated completion date. The total for capital works in progress is \$4.5 billion, of which \$1.7 billion is uncommitted to date. Separate Q1 Status Reports will be provided to the Transit Commission and to the Boards of the Ottawa Police Service, Ottawa Public Library and Ottawa Public Health Boards and include a status on projects that are under their respective mandates.

## **RURAL IMPLICATIONS**

There are no rural implications associated with this report.

## **CONSULTATION**

This is an administrative report

## **COMMENTS BY THE WARD COUNCILLOR(S)**

This is a city-wide report.

## **ADVISORY COMMITTEE(S) COMMENTS**

There are no comments by an advisory committee required for 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.

## **TERM OF COUNCIL PRIORITIES**

This report supports the Term of Council priority: FS2 “Maintain and enhance the City’s financial position”.

## **SUPPORTING DOCUMENTATION** *(Held on with the City Clerk)*

Document 1 – Operating Results Summary March 31, 2019 provides operating budget detail on year-to-date results for the various departments and service areas

Document 2 – 2019 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 is an administrative report.