



Subject: Interim Operating Budget Forecast – as at July 31, 2017

Prepared by: Jason Gaertner, Manager, Financial Planning

Department: Financial Services

Date: September 19, 2017

In accordance with the Procedure By-Law, any Member of Council may request that this Information Report be placed on an upcoming General Committee or Council meeting agenda for discussion.

Executive Summary

This report presents to Council the information necessary to effectively monitor the financial performance of the corporation's operating budget presented as of July 31, 2017. As of this date, the corporation is forecasted to conclude the fiscal year with a favourable variance of \$103,700 from the Town's tax levy funded operations and a favourable variance of \$883,700 from its utility rate funded operations.

- Staff will strive to maintain this expected outcome for the year
- If required, any tax levy funded operating budget deficit that remains at fiscal year-end will be offset by an equivalent value reduction in the contribution of excess supplementary tax revenues to reserves, while any resultant surpluses would be contributed to stabilization reserves
- Any excess or shortfall in the rate funded program revenues at fiscal year-end will be contributed to or funded from rate reserves

Background

To assist Council in fulfilling its roles and responsibilities with respect to Town finances and accountability, the Financial Services Department has worked with all departments to review the corporation's operating budget financial performance to date. Each Director has reviewed his/her respective department's operating budget with its results to date and remaining outstanding plans, and forecasted an expected year end position. Finance staff have reviewed each submission and performed the necessary consolidation.

Tax levy funded operating budget surplus now forecasted

Staff currently forecast that the Town's tax levy funded operating budget will finish the year with an anticipated surplus of \$103,700, representing a \$230,200 improvement in the Town's financial position over its forecasted position at the end of May. A detailed break-down of the Town's current forecasted variance by department can be found in Attachment #1. The report has been simplified to show only the net budget amount, the forecasted ending position for each item, and the variance.

Staff have similarly reviewed the results of the Town's rate funded operations to date and the expected year end forecasted positions for the water, wastewater, and storm water program budget which is presented in Attachment #2. Staff currently forecast that the Town's utility operations are on pace to finish the year with a surplus of \$883,700.

Items of note are presented by department in the Analysis section below. The forecasts and representations are those of each Director, and have not been revised by financial services staff. Each Director is charged with delivering their approved portfolio of municipal services within their approved budget. They may manage issues encountered throughout the year by reallocating approved financial resources amongst their budget detailed line items, so as to best deliver their overall service portfolio in the circumstances of an ever changing community, operating environment and economic conditions.

Analysis**Operating Budget**

Overall, the Town's approved budget for 2017 includes \$60,814,800 in approved expenditures, together with \$18,993,100 in revenues consisting of user fees, charges, and investment income, and a total "Town purposes" tax levy for the year of \$41,821,700.

Upon detailed review of the consolidated forecast as of the end of July, the corporation is projected to conclude the fiscal year with an estimated operating budget surplus of \$103,700; representing an improvement in the Town's forecasted financial position of \$230,200. This improvement in position is most attributable to further forecasted software license and maintenance savings and increased fitness and aquatics revenues. This forecast is based upon the best information and estimates available at this time. Accordingly, the forecast will continue to be subject to change over the remainder of the fiscal year, meaning there will continue to be influencing variables that are difficult for staff to estimate such as development driven revenues, investment income as well as the ultimate level of Town services that will be consumed by fiscal year end.

In previous years, the Town budgeted a “salary gapping savings” amount of \$150,000 under the corporate expenses section of the budget. This provision is to recognize that while salaries in all departments are based on 100% usage, with no staff departures, in reality there is some staff turnover and periodic vacancies that arise naturally during the year. New for 2017, this amount has been identified in full in the Corporate Accounts section of the budget, but is then allocated to each operating department on a pro-rata basis.

CAO and Council – No Variance

The CAO and Council budget areas are currently forecasting to conclude the fiscal year with a budget variance of zero.

Corporate Services - \$231,400 favourable

The Corporate Services department forecasted favourable variance of \$231,400 (3.3%) on a net operating budget of \$7,022,500 arises mostly from insurance premium, software license and vacant position savings, representing an increase of \$124,300 over last quarter. Further savings are anticipated from salaries, software licensing and maintenance fees. These savings have been partially offset by unplanned one-time health & safety and compensation review consulting costs.

Financial Services - \$15,800 unfavourable

The unfavorable forecasted budget variance of \$15,800, or 1.2% on a net operating budget of \$1,371,700 relates to unexpected staff turnover requirements, and a position uplift to meet heavy internal demands for procurement services which has been partially offset by higher than anticipated administrative revenues (property tax ownership changes, water account ownership changes admin fees and tax certificates) driven by an increase in the volume of sales of new and used homes, representing a moderate improvement over last quarter.

Fire Services - no variance

The Newmarket Finance Department is reporting that the Central York Fire Services budget continues to be on track at this point in time.

Infrastructure & Environmental Services - \$328,400 unfavourable

The Infrastructure & Environmental Services department program is currently forecasting a slightly higher deficit of \$328,400, or 2.6% on a net operating budget of \$12,689,800 versus last quarter’s forecast. This deficit is attributable to greater than anticipated town facility and streetlight electricity costs, increased facility and fleet operating material costs and unexpected compressor repairs at the Stronach Aurora Recreation Complex. These costs are partially offset by anticipated waste collection and engineering services savings.

An additional report will be presented to Council summarizing the status of the LED streetlight replacement program and the resulting energy savings that have been achieved.

Parks, Recreation & Cultural Services - \$137,800 favourable

The Parks, Recreation & Cultural Services Department is anticipating an overall favourable budget variance of \$137,800, or 3.5% on a net operating budget of \$3,934,100, representing an increase of \$76,100 over last quarter's forecasted variance. The key contributors to this identified variance relate to anticipated salary savings in Business Support and Community Programs and increased sponsorship revenues which have been partially offset by larger than anticipated active net user charges. The growth in PRCS' forecasted variance is mostly attributable to healthier than anticipated fitness and aquatic program revenues.

Planning & Building Services - \$146,500 favourable

The Planning & Building Services Department is forecasting an overall favourable budget variance of \$146,500 on a net operating budget of (\$30,900) attributable primarily to vacant position savings; in addition to larger than anticipated development driven revenues from site plan fees, representing a moderate growth over last quarter's figure.

Building Services is a self-funded function as per provincial legislation. Consequently, if it is unable to recognize sufficient revenues to offset its expenses in a given fiscal year, it will draw from its dedicated reserve in order to balance its operating budget. If it recognizes excess revenues, these revenues are utilized to replenish its dedicated reserve. Currently, Building Services is anticipating concluding the fiscal year with a small surplus which will be contributed to its dedicated reserve.

Corporate Revenues & Expenses - \$65,800 favourable

Corporate Revenues & Expenses are projected to conclude the fiscal year with an favourable budget variance of \$65,800, or 1.4% on a net operating budget of \$4,811,000 attributable to larger than anticipated supplementary tax revenues which have been partially offset by larger than expected tax amounts owing being written off and a minor increase in post-retirement health and dental benefit premium requirements for staff who have recently retired early. Post-retirement benefits end upon the recipient reaching their normal retirement age.

The above noted larger supplementary tax revenues relate to the further recognition of assessment growth that had not been realized as budgeted; staff's expectation is that the unrealized assessment growth still occurred, however instead it will now manifest itself through higher than expected in-year supplementary taxes. Accordingly, staff are now forecasting a \$133,600 favourable variance in supplementary tax revenues, which will not be contributed to reserves and will instead offset the equivalent tax levy deficit.

Total Tax Levy - \$133,600 unfavourable

In an effort to achieve an approved operating budget for the upcoming year prior to the year commencing, the Town must estimate its tax assessment base growth for the upcoming year as the final figure is not yet available at the time of budget's creation. The Town is anticipating that it will collect a total of \$41,688,100 in tax levy revenue for 2017, which is \$133,600 less than what was budgeted. These lower than anticipated revenues relate to the Town's overestimate of its 2017 growth in its tax assessment base upon which the year's property taxes are calculated; the budget anticipated an assessment growth of 4.10% while the final assessed growth for 2017 was 3.36%. As noted above, staff now expect that this additional assessment growth still occurred, however instead it will now manifest itself through higher than expected in-year supplementary taxes. This revenue short-fall is fully offset by an equivalent supplementary tax revenue surplus under Corporate Revenues.

Operating Budget Summary

Overall, staff are predicting that the general municipal operations budget will end the year in surplus position of \$103,700, if the planned budget contribution from supplemental taxes is to be realized. Any deficit that remains at fiscal year-end, if any, would be offset by an equivalent reduced contribution of excess supplementary tax revenues to reserves, while any resultant surpluses will be moved to stabilization reserve funds.

Water, Wastewater and Storm Water Budget

The water and wastewater budgets are comprised primarily of fixed operational costs, funded by the net proceeds from the sale of water and wastewater services. These fixed operational costs include staff and service maintenance costs related to maintaining the infrastructure systems, water quality testing, and the billing and customer service functions. These costs are not directly impacted by the volume of water flowing through the system. These fixed costs are funded from the net revenues earned which are variable in nature due to the fact that they are based upon metered water consumption volumes.

The water, wastewater and stormwater operations budget is currently projected to close the year with a favourable budget variance of \$883,700 primarily attributed to greater than anticipated development driven water meter sale revenues combined with contract and salary savings, presenting a minor increase over last quarter. This forecasted variance will continue to be subject to change particularly over the summer months as the average daily temperature and level of rainfall received have a direct relationship to the volume of water consumed.

Advisory Committee Review

Not applicable

Financial Implications

The actual resultant annual surplus or deficit in the general operating budget and water / wastewater budgets will be allocated by Council to / from various reserves at fiscal year-end as per the Town's surplus control bylaw. There are no other immediate financial implications arising from this report. Council fulfills its role, in part, by receiving and reviewing this financial status report on the operations of the municipality relative to the approved budget.

Communications Considerations

The report will be posted to the Town's Budget and Financial Information web page for transparency and accountability.

Link to Strategic Plan

Outlining and understanding the Town's present financial status at strategic intervals through-out the year contribute to achieving the Strategic Plan guiding principle of "Leadership in Corporate Management" and improves transparency and accountability to the community.

Alternative(s) to the Recommendation

1. Provide direction to staff on specific management actions to be taken in order to further control expenditures, enhance revenues, or alter service levels with the intent of managing the year end results to a balanced position.

Conclusions

Having completed seven months of operations, the management team of the Town is presently forecasting to end the year with a favourable budget variance from its tax levy funded operations of \$103,700. Staff remain vigilant to realize budget savings whenever possible in an effort to continue to minimize or eliminate an operating budget deficit at year end, in any. Should the Town finish the year in a deficit position at fiscal year-end, this amount will be offset by an equivalent reduced contribution of excess

supplementary tax revenues to reserves. Any remaining surpluses at fiscal year-end will be contributed to the Town's rate stabilization reserve.

The water, wastewater and storm water operations are currently projected to conclude the fiscal year with a favourable budget variance. Any surplus remaining at fiscal year-end will be contributed to the rate reserves.

Attachments

Attachment #1 – Net Operating Forecast Update

Attachment #2 – Water, Wastewater and Storm Water Net Operating Forecast Update

Previous Reports

FS17-019 - Interim Forecast Update - As of March 31, 2017

FS17-035 - Interim Forecast Update - As of May 31, 2017

Pre-submission Review

Agenda Management Team review on August 31, 2017

Departmental Approval



Dan Elliott, CPA, CA
Director of Financial Services
- Treasurer

Approved for Agenda



Doug Nadorozny
Chief Administrative Officer

Town of Aurora

Net Operating Forecast Update as at July 31, 2017

Shown in \$,000's	APPROVED BUDGET	ANNUAL FORECAST	Variance Favourable / (Unfavourable)	
<u>COUNCIL</u>				
Council Administration	\$ 535.9	\$ 535.9	\$ -	-
Council Programs/Grants	4.0	4.0	-	-
Advisory Committees	22.0	22.0	-	-
Council Office Total	\$ 561.9	\$ 561.9	\$ -	-
<u>CHIEF ADMINISTRATIVE OFFICE</u>				
CAO Administration	\$ 501.8	\$ 507.8	\$ (6.0)	(1.2 %)
Communications	734.9	728.9	6.0	0.8 %
Chief Administrative Office Total	\$ 1,236.7	\$ 1,236.7	\$ -	-
Council and C.A.O. Combined	\$ 1,798.6	\$ 1,798.6	\$ -	-
<u>CORPORATE SERVICES</u>				
Legal Services	\$ 891.3	\$ 859.4	\$ 31.9	3.6 %
Legislative Services	1,260.0	1,177.8	82.2	6.5 %
CS Administration	429.0	458.4	(29.5)	(6.9 %)
Human Resources	684.0	753.8	(69.8)	(10.2 %)
Elections	82.5	84.7	(2.2)	(2.7 %)
Information Technology	1,899.2	1,794.4	104.8	5.5 %
Telecommunications	260.0	209.2	50.8	19.5 %
By-law Services	551.5	551.6	(0.0)	(0.0 %)
Animal Control	242.1	220.9	21.2	8.7 %
Customer Service	699.8	658.1	41.7	6.0 %
Emergency Preparedness	23.0	22.9	0.1	0.3 %
Corporate Services Total	\$ 7,022.5	\$ 6,791.1	\$ 231.4	3.3 %
<u>FINANCIAL SERVICES</u>				
Policy & Planning Administration	\$ 304.5	\$ 301.7	\$ 2.8	0.9 %
Accounting & Revenue	285.8	230.6	55.2	19.3 %
Financial Planning	430.0	430.0	-	-
Procurement Services	351.4	425.2	(73.8)	(21.0 %)
Financial Services Total	\$ 1,371.7	\$ 1,387.5	\$ (15.8)	(1.2 %)
<u>FIRE SERVICES</u>				
Central York Fire	10,225.0	10,225.0	-	-
Total Fire Services	10,225.0	10,225.0	-	-
<u>INFRASTRUCTURE & ENVIRONMENTAL SERVICES</u>				
IES Administration	\$ 493.5	\$ 542.6	\$ (49.1)	(9.9 %)
Engineering Service Operations	(112.3)	(145.8)	33.5	29.8 %
Facilities & Fleet	6,606.3	6,880.7	(274.4)	(4.2 %)
Snow Management	1,563.7	1,546.5	17.2	1.1 %
Road Network Operations	2,447.1	2,675.3	(228.2)	(9.3 %)
Waste Collection & Recycling	1,691.5	1,518.8	172.6	10.2 %
Infrastructure & Environmental Services Total	\$ 12,689.8	\$ 13,018.2	\$ (328.4)	(2.6 %)
<u>PARKS, RECREATION & CULTURAL SERVICES</u>				
Parks & Recreation Administration	\$ 988.8	\$ 1,014.6	\$ (25.8)	(2.6 %)
Business Support	(921.8)	(1,004.0)	82.2	8.9 %
Parks/Open Spaces	2,467.4	2,410.7	56.6	2.3 %
Recreational Programming/Community Dev.	1,399.7	1,374.9	24.8	1.8 %
Parks, Recreation & Cultural Services Total	\$ 3,934.1	\$ 3,796.3	\$ 137.8	3.5 %

Town of Aurora

Net Operating Forecast Update as at July 31, 2017

Shown in \$,000's	APPROVED BUDGET	ANNUAL FORECAST	Variance Favourable / (Unfavourable)	
<u>PLANNING & BUILDING SERVICES</u>				
Development Planning	\$ (633.1)	\$ (768.5)	\$ 135.4	21.4 %
Long Range & Strategic Planning	602.2	591.1	\$ 11.1	1.8 %
Net Building Department Operations	\$ (503.5)	\$ (468.1)	\$ (35.4)	(7.0 %)
Contribution to Building Reserve	<u>503.5</u>	<u>468.1</u>	<u>\$ 35.4</u>	<u>7.0 %</u>
Total Building Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Planning & Building Department Total	<u>\$ (30.9)</u>	<u>\$ (177.4)</u>	<u>\$ 146.5</u>	<u>474.0 %</u>
<u>CORPORATE REVENUE & EXPENSE</u>				
Supplementary Taxes & Payments-in-Lieu	\$ (711.0)	\$ (845.1)	\$ 134.1	18.9 %
Penalties on Unpaid Property Taxes	(900.0)	(900.0)	\$ -	-
Overhead Cost Re-allocation to Building Services	(453.8)	(453.8)	\$ -	-
All Other Revenue	(4,841.4)	(4,891.6)	\$ 50.2	1.0 %
Cash to Capital	4,837.8	4,837.8	\$ -	-
All Other Expense	<u>6,879.4</u>	<u>6,997.8</u>	<u>\$ (118.5)</u>	<u>(1.7 %)</u>
	<u>\$ 4,811.0</u>	<u>\$ 4,745.2</u>	<u>\$ 65.8</u>	<u>1.4 %</u>
<u>TOTAL TAX LEVY FUNDED OPERATIONS</u>	<u>\$ 41,821.7</u>	<u>\$ 41,584.4</u>	<u>\$ 237.3</u>	<u>0.6 %</u>
<u>TOTAL TAX LEVY</u>	<u>\$ (41,821.7)</u>	<u>\$ (41,688.1)</u>	<u>\$ (133.6)</u>	<u>(0.3 %)</u>
OPERATING (SURPLUS) DEFICIT	<u><u>-</u></u>	<u><u>\$ (103.7)</u></u>	<u><u>\$ 103.7</u></u>	<u><u>0.2 %</u></u>
		Surplus	Surplus	

Town of Aurora

Water, Wastewater and Storm Water Net Operating Forecast Update as at July 31, 2017

Shown in \$,000's	APPROVED BUDGET	ANNUAL FORECAST	Variance Favourable / (Unfavourable)	
<u>RETAIL REVENUES</u>				
Water	\$ (11,249.8)	\$ (11,298.6)	\$ 48.8	0.4 %
Wastewater	(10,029.5)	(10,059.4)	\$ 29.9	0.3 %
Storm Water	(1,451.6)	(1,651.6)	\$ 200.0	13.8 %
Retail Revenues Total	\$ (22,731.0)	\$ (23,009.7)	\$ 278.7	1.2 %
TOTAL REVENUE	(22,731.0)	(23,009.7)	278.7	1.2 %
<u>WHOLESALE COSTS OF WATER & SEWER</u>				
Water	\$ 6,796.0	\$ 6,796.0	\$ -	-
Sewage Discharge Fee	7,699.4	7,699.4	-	-
Wholesale Costs Of Water & Sewer Total	\$ 14,495.4	\$ 14,495.4	\$ -	-
NET CONTRIBUTION TO OPERATING COSTS	\$ (8,235.6)	\$ (8,514.3)	\$ 278.7	3.4 %
<u>OPERATING COSTS:</u>				
Water Administration & Billing	\$ 1,300.8	\$ 1,721.0	\$ (420.2)	(32.3 %)
Water System Operations	1,414.1	856.7	\$ 557.4	39.4 %
Wastewater System Operations	945.7	238.0	\$ 707.7	74.8 %
Storm Water Management Operations	451.6	263.9	\$ 187.7	41.6 %
Pumping Stations (Net)	173.4	171.1	\$ 2.3	1.3 %
Reserve Contributions OUT	3,950.0	4,379.9	\$ (429.9)	(10.9 %)
TOTAL OPERATING COSTS	\$ 8,235.6	\$ 7,630.6	\$ 605.0	7.3 %
UTILITY BUDGET (SURPLUS) / DEFICIT	\$ 0.0	\$ (883.7)	\$ 883.7	3.9 %
		Surplus	Surplus	