

Report Date: July 6, 2009
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TO: Standing Committee on City Services and Budgets
FROM: General Manager of Financial Services/Director of Finance
SUBJECT: 2009 Operating Budget - June Review

RECOMMENDATION

THAT Council receive the 2009 Operating Budget June Review for INFORMATION.

COUNCIL POLICY

Council's standing instructions require that the Director of Finance report on the status on the Operating Budget as at September 30 each year. Since 2006, our practice has been to also provide a mid-year update.

PURPOSE

This report provides to Council an estimate of 2009 year-end revenues and expenditures and identifies any significant variances from the approved 2009 Operating Budget.

DISCUSSION

The June Budget Review provides estimated 2009 year-end revenues and expenditures compared to the budget approved by Council in April 2009.

1. Summary of Variances to Revenue & Expenditure Appropriations

Table 1 summarizes the 2009 revenue and expenditure year-end projections. Appendix A provides additional detail of this projection.

Table 1 - June Review Summary

	Year-End Estimated Surplus/(Shortfall)
Revenues	\$2.57 million
Expenditures	(\$1.98) million
Net Budget Position	\$0.59 million
Unallocated Contingency	\$1.45 million
Target Year-End Financial Projection	\$2.04 million

Total Revenues are anticipated to end the year with a \$2.57 million surplus due primarily to surpluses expected from Payments in Lieu of Property Taxes (\$1.10 million), Service & Inspection Fee Revenue (\$1.42 million), and Property Tax Search Fees of (\$0.25 million). Total Expenditures are anticipated to be higher than budgeted (\$1.98 million) mainly due to expenditure pressures totalling \$2.79 million in the following departments: Civic Theatres (\$0.40 million); Legal Services (\$1.14 million); Police Board (\$0.38 million); Engineering-Public Works (\$0.31 million); and Community Services Group (\$0.54 million). Offsetting these pressures are expected surpluses of \$0.87 million mainly from within these departments: Human Resources (\$0.15 million); Business Planning (\$0.21 million); Fire Department (\$0.11 million); Vancouver Public Library Board (\$0.22 million); and the Board of Parks and Recreation (\$0.12 million). Uncommitted funding within Contingency Reserve of \$1.45 million allows the City to come in with a potential total surplus of \$2.04 million by year-end.

2. Variances to Revenue Appropriations

The review of revenue appropriations at June 30 and the projection to year-end indicates several areas where revenues will exceed budget and where shortfalls are anticipated.

	<u>Surplus (Shortfall)</u>
Payments in Lieu of Taxes	\$1.10 million

Payments-in-Lieu-of-Taxes are expected to exceed budget by year-end due to higher than expected revenues from some large in-lieu properties.

Service and Inspection Fees	\$1.42 million
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Development, Trade Permit and Rezoning fees are expected to exceed budget by \$2.60 million by year-end, offset by lower than expected Building Permit Fees (\$0.50 million) and reduced permit revenues from film production, newspaper boxes and sidewalk cafés (\$0.47 million).

Miscellaneous Revenues **\$0.25 million**

Property Tax search fee revenue is tracking ahead of expectations and is anticipated to end the year with a surplus of \$0.25.

License Fees **(\$0.20 million)**

License fees are tracking below budget mainly due to lower than anticipated Business License fees.

Utility Revenues **(\$3.00 million)**
Net After Transfer to Utility Reserves **\$0.00 million**

Solid Waste revenue is expected to be \$3.00 million lower than budget for 2009, mainly due to lower recycling revenues as a result of lower commodity prices for recyclable materials, and lower commercial tipping fee revenue due to reduced demolition activity. Both variances are a result of the current economic climate. The water and sewer utility revenues are heavily dependent on the water volume consumption which is difficult to estimate prior to the end of the summer months.

Other Revenues/Transfers **Balanced**

Revenues that are expected to be on budget by year-end include Property Taxes, Payments in Lieu of Taxes, Municipal By-Law Fines, Parking Meter Revenue, Civic Property Rentals, Provincial Revenues and Transfers.

Net Revenue Surplus	\$2.57 million
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Variances to Expenditure Appropriations

As indicated in Appendix A, most departments are projected to complete the year with expenditures close to the allocations approved by Council in April 2009. Below are explanations for any projected surplus or any risks that have been identified based on the June budget review. It is the responsibility of departments to remain within budget by adjusting expenditures as necessary with the exception of expenses that are beyond their control.

	<u>Surplus (Shortfall)</u>
Britannia Community Services Centre	\$0.05 million
The Britannia Community Services Centre has projected a net year end surplus of \$0.05 million due to higher than anticipated revenues for the ice rink and pool operations.	
Business Planning	\$0.21 million
Business Planning is anticipated to be under budget by \$0.21 million due primarily to expected vacancy savings due to delays in hiring and lower than estimated insurance costs for the Planetarium and Art Gallery.	
Human Resources	\$0.15 million
Human Resources are projecting a surplus of \$0.15 million due to vacancy savings, and from reduced internal training courses to be provided in the last quarter of 2009.	
Fire Department	\$0.11 million
Vancouver Fire and Rescue Services are anticipating a surplus of \$0.11 million due mainly to salary and WCB recovery savings, offset by retirement payouts and higher than anticipated building maintenance costs.	
Library Board	\$0.22 million
The Library Board is projecting to be under budget by \$0.22 million as a result of staff savings from turnover as well as using fewer staff in replacing vacant positions.	
Park Board	\$0.12 million
The Park Board generates most of its revenue during the upcoming summer months. The Park Board is committed to balancing the budget by the end of the fiscal year and will continue to closely monitor both revenues and expenditures. Cost containment measures will be taken to address budget issues if they arise.	
The Park Board has a positive fuel variance of \$0.12 million.	

EEO Department **(\$0.01 million)**

EEO is projecting a small shortfall of \$0.01 million due to additional staffing requirements during the spring and fall period.

Legal Services **(\$1.14 million)**

The Law Department is projecting a shortfall of \$1.14 million on account of lawyers hired on special retainer to handle major, time sensitive development and contractual initiatives, as well as higher than anticipated outside legal expenditures related to litigation cases.

Civic Theatres **(\$0.40 million)**

The Civic Theatres department is projecting a shortfall of \$0.40 million mainly attributable to reduced sponsorship funding and lower than anticipated bookings.

Engineering Services **(\$0.31 million)**

The Engineering Department is anticipating a \$0.31 million shortfall. The major variance is attributable to vacancy savings taken for unfunded positions during the budget setting process (\$0.67 million), partially offset by a positive variance on fuel costs of \$0.39 million.

Community Services **(\$0.54 million)**

Community Services (CSG) is anticipating a \$0.60 million surplus in expected vacancy savings and \$0.2 million in lower communications expenses. These surpluses are offset by backfill and retirement payouts of \$0.9M in Planning, Development Services, Social Development Licensing & Inspections, and Gathering Place, and \$0.4 million reduced revenue from sub-leasing and expedited permit processing.

Financial Services **(\$0.06 million)**

Financial Services is projecting a small shortfall of \$0.06 million due to retirement payouts and recruitment costs for the General Manager.

Police Department **(\$0.38 million)**

The Vancouver Police Department (VPD) has projected a year end deficit of \$0.38 million.

Major areas of expected savings are:

- Increased recoveries of \$0.12 million, and revenues of \$0.58 million
- Salary savings of \$1.57 million for sworn staff (\$1.10 million) and civilian staff (\$0.47 million) due to delays in hiring
- Fringe benefit savings of \$0.15 million due to hiring delays
- Fuel savings of \$0.22 million, resulting from a lower than anticipated fuel price

Major areas of projected shortfalls include:

- Increased overtime of \$3.40 million (less \$0.49 recovery from the Province) comprised of Sworn positions (\$1.66 million), Civilian positions (\$0.11 million), Firearms Interdiction Team (\$0.32 million), and the Criminal Investigation Fund (\$1.30 million, less \$0.49 recovery from the Province)

Utilities (Water, Sewer and Solid Waste)	(\$4.90 million)
Net after Transfer from Utility Reserves	Balanced

The Water and Sewer Utility operating expenditures are heavily dependent on the level of water consumption which has higher utilization during the summer months. As a result, projections for these two utilities are premature. During the September Review the Engineering Department will be able to provide a better estimate for these utilities' year end projections. The Water Utility is expecting an expenditure shortfall of \$2.7 million after recalculating the expected debt charges.

The Solid Waste Utilities is expecting a total expenditures shortfall of \$2.50 million. The main reasons for this variance are: \$0.90 million of higher expenses for contracted recycling services; \$0.30 million increased transfer and landfill costs for City collected garbage; \$0.20 million increased staffing at the composting facility; \$0.10 million for replacement garbage and yard waste carts; and \$1.00 million for costs associated with the fire at the landfill.

Lower than anticipated fuel costs during the year-to-date have resulted in projected fuel savings of \$0.30 million, which will partially offset these shortfalls.

Along with the reduced recycling and commercial tipping revenues of \$3.00 million, as noted above in the revenue section, this leaves a net shortfall of \$7.90 million which will be covered by the Utility Reserves.

Other Departmental Variances	Balanced
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The remaining departments are projecting to be balanced by year-end. They include: Mayor and Council, Office of the City Manager, City Clerk's, and Civic Grants.

Net Expenditure Deficit	(\$1.98) million
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Net Year-End Projection (Prior to Contingency)	\$0.59 million
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3. Contingency Reserve	\$1.45 million
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After providing \$1.20 million for potential snow in the upcoming winter, the uncommitted contingency reserve is \$1.45 million.

Target Year-End Projection	\$2.04 million
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CONCLUSION

Current estimates project the Operating Budget to be in a surplus position of \$0.59 million (prior to Contingency) by year-end, mainly due to the surplus in revenues of \$2.57 million. Uncommitted funding within Contingency Reserve of \$1.45 million allows the City to come in with a potential total surplus of \$2.04 million by year-end if no further spending from Contingency is approved.

The projected year-end position could change given that unanticipated items between now and year-end could impact the City's bottom line. For this reason, Departments will continue to monitor their budgets carefully and to minimize spending from Contingency Reserve to ensure a balanced year-end position.

City Staff will be reporting back to Council with another review based on the end of September financial performance.

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