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For CS&B Committee - October 22, 2009

Supports Item No. 1
CS&B Committee Agenda
October 22, 2009



ADMINISTRATIVE REPORT

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Meeting Date: October 22, 2009

TO: Standing Committee on City Services and Budgets
FROM: General Manager of Financial Services/Director of Finance
SUBJECT: 2009 Operating Budget - September Review

RECOMMENDATION

THAT Council receive the 2009 Operating Budget September 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.

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 September 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 - September Review Summary

	Year-End Estimated Surplus / (Shortfall)
Revenues	\$2.11 million
Expenditures	<u>\$0.75 million</u>
Net Budget Position	\$2.87 million
Unallocated Contingency	\$1.43 million
Target Year-End Financial Projection	\$4.30 million

Current estimates project the Operating Budget to be in a surplus position of \$2.87 million (prior to Contingency) by year-end, an increase of \$2.28 million from the June Review estimate. This change is primarily due to increased surpluses in Human Resources, Business Planning, Vancouver Public Library Board, and the Board of Parks and Recreation, along with reduced pressures in Engineering-Public Works and the Community Services Group. Uncommitted funding within Contingency Reserve of \$1.43 million allows the City to come in with a potential total surplus of \$4.30 million by year-end.

2. Variances to Revenue Appropriations

The review of revenue appropriations at September 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	\$1.21 million

Development, Trade Permit and Rezoning fees are expected to exceed budget by \$1.90 million by year-end, offset by lower than expected permit revenues from film production, newspaper boxes and street furniture advertising (\$0.69 million).

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

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

Utility Revenues **(\$2.60 million)**
Net After Transfer to Utility Reserves **\$0.00 million**

Solid Waste revenue is expected to be \$2.60 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

Other Revenues/Transfers **Balanced**

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

Net Revenue Surplus	\$2.11 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 September 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>
Mayor and Council	\$0.01 million
Mayor and Council are anticipated to be under budget by \$0.01 million at year end, as a result of staff savings from temporary help.	
Britannia Community Services Centre	\$0.04 million
The Britannia Community Services Centre has projected a net year end surplus of \$0.04 million due to vacancy savings, and higher than anticipated revenues for the ice rink and pool operations.	
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.	
Financial Services	\$0.11 million
Financial Services is projecting to be under budget by \$0.11 million primarily due to vacancy savings.	
City Clerk's	\$0.22 million
City Clerk's is anticipated to be under budget by \$0.22 million due primarily to a 2008 Canada Post refund.	
Human Resources	\$0.42 million
Human Resources are projecting a surplus of \$0.42 million due to ongoing vacancy savings, and from reduced internal training courses to be provided in the last quarter of 2009.	
Business Planning	\$0.46 million
Business Planning is anticipated to be under budget by \$0.46 million due primarily to expected vacancy savings due to delays in hiring and lower than estimated insurance and other building costs.	

Park Board **\$0.75 million**

The Park Board is anticipated to be under budget by \$0.75 million due mainly to savings in utilities partially offset by equipment expenditures.

Library Board **\$1.00 million**

The Library Board is estimating a \$1.0 million surplus at year end as a result of hiring delays, salary savings from the hiring freeze, and savings in non-salary accounts.

Community Services **(\$0.18 million)**

Community Services (CSG) is anticipating a \$0.7 million surplus in expected vacancy savings, \$0.5 million in lower communications and office expenses. These surpluses are offset by backfill and retirement payouts of \$0.4M in Planning, Development Services, Social Development Licensing & Inspections, and Gathering Place, and \$0.9 million reduced revenue from sub-leasing, expedited permit processing and project funding.

Civic Theatres **(\$0.37 million)**

The Civic Theatres department is projecting a shortfall of \$0.37 million mainly attributable to reduced sponsorship funding and lower than anticipated bookings

Legal Services **(\$1.22 million)**

The Law Department is projecting a shortfall of \$1.22 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.

Police Department **(\$0.55 million)**

The Vancouver Police Department (VPD) has projected a year end deficit of \$0.55 million.

Major areas of expected savings are:

- Increased recoveries of \$0.65 million, and revenues of \$0.58 million
- Salary savings of \$0.77 million for sworn staff (\$0.54 million) and civilian staff (\$0.23 million) due to delays in hiring
- Fringe benefit savings of \$0.10 million due to hiring delays

Major areas of projected shortfalls include:

- Increased overtime of \$1.70 million comprised of Sworn positions (\$1.32 million), Civilian positions (\$0.12 million) and the Firearms Interdiction Team (\$0.26 million)
- Increased Criminal Investigation Fund (CIF) costs of \$0.87 million, net of Provincial recoveries, due to a higher number of major criminal events in the community
- Higher than anticipated fleet maintenance expenses (\$0.49 million), offset by Fuel savings of \$0.43 million, resulting from a lower than anticipated fuel price

Utilities (Water, Sewer and Solid Waste) (\$4.60 million)
Net after Transfer from Utility Reserves **Balanced**

- The Water Utility is expecting an expenditure shortfall of \$2.5 million after recalculating the expected debt charges (\$2.7 million), partially offset by vacancy savings. At year-end, any shortfall will be transferred from the Water stabilization reserve.
- The Sewer Utility is anticipated to be on budget.
- The Solid Waste Utilities is expecting a total expenditures shortfall of \$2.1 million. The main reasons for this variance are:
 - \$0.8 million due to higher recycling contract expenses
 - \$0.2 million for increased staffing at the composting facility
 - \$0.1 million for higher than anticipated garbage and yard waste replacement carts
 - \$1.0 million as a result of the fire at the City's landfill

Along with the reduced recycling and commercial tipping revenues of \$2.60 million, as noted above in the revenue section, this leaves a net Utilities shortfall of \$7.20 million which will be covered by the Utility Reserves.

Other Departmental Variances **Balanced**

The remaining departments are projecting to be balanced, or with minor variances, by year-end. They include: Office of the City Manager, Equal Employment Opportunity Program (EEO), Civic Grants and Engineering Services.

Net Expenditure Surplus	\$0.75 million
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Net Year-End Projection (Prior to Contingency)	\$2.87 million
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3. Contingency Reserve **\$1.43 million**

After providing \$1.20 million for potential snow in the upcoming winter, the uncommitted contingency reserve is \$1.43 million.

Target Year-End Projection	\$4.30 million
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CONCLUSION

Current estimates project the Operating Budget to be in a surplus position of \$2.87 million (prior to Contingency) by year-end, mainly due to the surplus in revenues of \$2.11 million. Uncommitted funding within Contingency Reserve of \$1.43 million allows the City to come in with a potential total surplus of \$4.30 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.

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Report to Vancouver City Council
2009 Operating Budget - September Review (RTS 08395)

Appendix A **2009 September Year-To-Date Review Summary**

\$ millions	Annual Budget	Year-End Projection	Year-End Variance	Percent Variance
REVENUES				
Property Taxation	555.82	555.82	-	-
Payments in Lieu (PIL)	33.29	34.39	1.10	3.30%
License Fees	14.67	14.47	(0.20)	(1.36%)
Service & Inspection Fees	17.80	19.01	1.21	6.82%
Municipal By-Law Fines	14.96	14.96	-	-
Parking Meter Revenue	30.97	30.97	-	-
Civic Property Rentals	0.99	0.99	-	-
Miscellaneous Revenue	6.80	6.80	-	-
Short-Term Interest	13.55	13.55	-	-
Provincial Revenues	22.55	22.55	-	-
Transfers	7.16	7.16	-	-
TOTAL REVENUES	718.56	720.67	2.11	0.29%
EXPENDITURES				
Mayor and Council	2.07	2.06	0.01	0.24%
Office of the City Manager	3.03	3.03	-	-
Equal Employment Opportunity	0.59	0.59	-	-
Law Department	3.82	5.04	(1.22)	(31.95%)
Civic Theatres (Net Budget)	(1.41)	(1.04)	(0.37)	26.05%
Britannia Community Services	3.11	3.06	0.04	1.45%
City Clerk's	4.92	4.70	0.22	4.45%
Community Services Group	49.75	49.92	(0.18)	(0.35%)
Civic Grants	15.94	15.94	-	-
Business Planning & Services	38.03	37.57	0.46	1.21%
Engineering Public Works	64.65	64.69	(0.04)	(0.06%)
Total Utility Expenditures*	31.82	31.82	-	-
Human Resources	9.34	8.92	0.42	4.44%
Fire Department	86.38	86.27	0.11	0.13%
Library Board	35.72	34.73	1.00	2.79%
Park Board (Net Budget)	61.39	60.64	0.75	1.22%
Police Board	189.81	190.36	(0.55)	(0.29%)
General Government	52.81	52.81	-	-
Financial Services	12.31	12.20	0.11	0.88%
Total Debt Charges	50.47	50.47	-	-
TOTAL EXPENDITURES	714.56	713.81	0.75	0.11%
Excess of Revenues Over Expenditures	4.00	6.87	2.87	
Contingency Reserve	4.00	2.57	1.43	
NET BUDGET POSITION		4.30	4.30	

*Other than landfill expenditures covered by increased revenues, year-end surplus or deficit in the utilities are transferred to reserve.