



Supports Item No. 1
CS&B Committee Agenda
September 23, 2010

ADMINISTRATIVE REPORT

Report Date: August 13, 2010
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Meeting Date: September 23, 2010

TO: Standing Committee on City Services and Budgets
FROM: General Manager of Financial Services/Director of Finance
SUBJECT: 2010 Operating Budget - 2nd Quarter Review

RECOMMENDATION

THAT Council receive the 2010 Operating Budget Second Quarter 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. In 2010, the Director of Finance has committed to report quarterly on the Operating Budget status.

PURPOSE

This report provides to Council an estimate of 2010 year-end revenues and expenditures and identifies any significant variances from the approved 2010 Operating Budget.

DISCUSSION

The Second Quarter Budget Review provides estimated 2010 year-end revenues and expenditures compared to the budget approved by Council in December 2009. The projections are based on actual results for the first half of the year and best estimates of revenue and expenditures over the remaining six months. At this mid-year point, this report gives an indication of the financial direction for the City Departments and Boards looking forward through the end of 2010. In summary, the City is tracking to a balanced budget, similar to the First Quarter Review; however, a continuation of the hard work and close scrutiny by the Corporate Management Team is still required to realize this year-end position.

Summary of Variances to Revenue & Expenditure Budgets

Table 1 summarizes the 2010 revenue and expenditure year-end projections. Appendix A provides additional detail of this projection.

Table 1 - June 30, 2010 Review Summary (2nd Quarter)

	Year-End Estimated Surplus/(Shortfall) based on 2 nd Quarter Results
Revenues	\$5.46 million
Expenditures	\$2.08 million
Transfer to Reserve	(\$3.00) million
Net Budget Position	\$4.54 million

Based on results to date and initial estimates for the remaining nine months of the year, the Operating Budget is anticipated to be in a surplus position of \$4.54 million or 0.6% of budget. This position includes an estimated transfer to reserves of \$3.0M based on assessment of year end positions, primarily in the area of debt, insurance, and deferred payroll costs to provide for the City's unfunded liability.

Total Expenditures are anticipated to be very close to budget with \$2.08 million favourable to budget, made up of a number of small variances across departments. These projections reflect the significant work by departments to meet the challenges of the 2010 budget and timing of the service adjustments agreed upon in December 2009. Throughout the second quarter, departments have continued to manage vacancies and spending, to ensure the costs associated with implementation of the service adjustments can be accommodated. Ongoing review of revenues and expenditures over the remaining six months will take place and estimates will be adjusted accordingly as we progress through the year.

1. Variances to Revenue Budget

The review of revenue at June 30, 2010 and the projection to year-end indicates several areas where revenues are expected to exceed budget and where shortfalls are anticipated.

Projected Year-End based on 2nd Quarter Results

Property Taxation

\$0.19 million

Lower interest rates are expected to result in lower than budgeted interest payments on the Tax Instalment Prepayment Plan (TIPP), therefore net property taxation revenue is expected to be higher than budgeted.

Service and Inspection Fees **\$5.38 million**

As a result of the global economic downturn that began in 2008, development activity in the City of Vancouver declined by approximately 50%, with development related revenues reduced from prior years by \$15.7 million for the 2010 Operating budget.

The development market is showing signs of improvement with Development and Trade Permit fees projected to exceed budget by \$5.40 million by year-end.

Payment in Lieu of Taxes **\$0.44 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.

On-Street Parking and Enforcement Revenues **\$1.96 million**
(Parking Meter Revenue and Municipal By-Law Fines)

Parking meter revenue is projected to exceed budget by \$1.96 million through implementation of new meters and rates and improved by-law fines collection, combined with higher than anticipated parking revenue during the 2010 Winter Games.

License Fees **\$0.46 million**

License fees are tracking above budget mainly due to higher than anticipated Business License fees.

Miscellaneous Revenues **\$0.44 million**

Property Tax search fees and mortgage company fee revenue is tracking ahead of expectations and is anticipated to end the year with a surplus.

Short-term Interest **(\$3.41 million)**

Short-term interest rates are lower than the budgeted rate by an average of 0.75%.

Other Revenues/Transfers **Balanced**

Revenues that are expected to be on budget, or with minor variances, by year-end include Civic Property Rentals, Provincial Revenues and Transfers.

Net Revenue Surplus **\$5.46 million**

3. Variances to Expenditure Budget

As indicated in Appendix A, most departments are projected to complete the year with expenditures close to the allocations approved by Council in December 2009. Below are explanations for any projected surplus or any shortfalls that have been identified based on the first six months results and anticipated events for the remainder of the year. 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. As the year progresses, adjustments to expenditures through vacancy management and spending constraints will continue to be made as new information and estimates are made.

Projected Year-End based on 2nd Quarter Results

Fire Department **\$0.15 million**

Vancouver Fire and Rescue Services are anticipating surplus of \$0.15 million. This variance is mainly related to vacancy savings and timing of recoveries and expenses related to the 2010 Winter Games, partially offset by retirement payouts, and higher than anticipated fleet costs.

Office of the City Manager **\$0.35 million**

The Office of the City Manager is projecting to be under budget by \$0.35 million mainly attributable to staff savings in Olympic Operations.

Human Resources **\$0.36 million**

Human Resources are projecting a surplus of \$0.36 million due to vacancy savings, and from reduced pre-employment medical and Worksafe program expenses.

Community Services **\$0.43 million**

Community Services (CSG) is anticipating a net surplus of \$0.43 million due to vacancy savings in the areas of Social Development, Development Services, Planning and the GM's Office and lower than expected spending for public process, offset by reorganization costs in Licensing and Inspections (\$0.19 million). Delayed restructuring of the graphics program (\$0.33 million) is offset by positive variances in administrative and program costs.

Civic Theatres **\$0.61 million**

The Civic Theatres department is projecting a surplus of \$0.61 million mainly attributable to higher than anticipated bookings, and the securing of a major Broadway summer show.

Library Board **\$0.80 million**

The Library Board is estimating a \$0.80 million surplus at year end as a result of turnover and salary savings from the hiring freeze, offset slightly by higher than anticipated lease costs for two branches.

Financial Services **(\$0.17 million)**

Financial Services is projecting a shortfall of \$0.17 million due to increased volume related processing and bank fees as well as retirement payouts, partially offset by vacancy savings due to hiring delays, and reduced travel and training expenditures.

Business Planning **(\$0.20 million)**

Business Planning is projecting a shortfall of \$0.20 million due to unbudgeted lease rate increases, partially offset by expected vacancy savings and lower than estimated insurance costs for the Planetarium and Art Gallery.

Engineering Services **(\$0.33 million)**

The Engineering Department is anticipating a \$0.33 million shortfall. Salary savings through vacancies and equipment services restructuring, combined with additional street permit revenues (\$0.10 million), are offset by lower than anticipated revenue collection in the Streets division (\$0.39 million). Mitigation plans are being developed to bring the department on budget by yearend.

Park Board **Balanced**

The Park Board generates most of its revenue during the summer months, and results will be reflected in the 3rd Quarter Review. New expenditures for Creekside and Hillcrest will be incurred in the second half of 2010. 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.

Police Department **Balanced**

The Vancouver Police Department (VPD) has projected to end the year on budget, primarily due to:

- Increased recoveries of \$1.07 million (primarily due to increased Provincial Government recoveries relating to the Counterattack program and recoveries relating to the Jail), and revenues of \$0.43 million (primarily in increased grants & donations)
- Increased overtime of \$0.69 million comprised of Sworn positions (\$0.64 million) and Civilian positions (\$0.05 million), based upon historical trends for the remaining months of the year
- Increased salary expenses for Sworn positions (\$0.44 million) and Civilian positions (\$0.10 million) due partially to a lower number of retirements than originally projected, and increased fringe benefit costs (\$0.24 million)
- Increased costs for Equipment, Ammunition & Repairs (\$0.24 million) fully offset by savings in legal expenses and other operating costs

Other Departmental Variances**Balanced**

The remaining departments are projecting to be balanced, or with minor variances, by year-end. They include: Mayor and Council, Equal Employment Opportunity Program (EEO), Legal Services, Civic Grants, Britannia Community Services Centre, City Clerks, General Government, and Debt.

Reserve Transfers**\$3.0 million**

Based on 2nd Quarter results, an estimated minimum \$3.0M transfer to reserves will be made based on assessment of year end positions, primarily in the area of debt, insurance and deferred payroll costs to assist with reducing the City's ongoing unfunded liability. If a surplus is sustained, this reserve transfer will increase.

Net Expenditure Surplus**(\$0.92 million)****Target Year-End Projection at 2nd Quarter****\$4.54 million****CONCLUSION**

Current estimates project the Operating Budget to be in a potential total surplus position of \$4.54 million or 0.6% of budget by year-end prior to any further adjustments that may be required to the Deferred Payroll Costs reserve or other reserves.

The projected year-end position will change given the estimates are based on only six months of actual performance and that unanticipated items between now and year-end will impact the City's bottom line. For this reason, Departments will continue to monitor their budgets carefully and to adjust expenditures accordingly to ensure a balanced year-end position.

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Report to Vancouver City Council
2010 Operating Budget - 2nd Quarter Review

Appendix A 2010 June Year-To-Date Review Summary

\$ millions	Annual Plan	Year-End Forecast	Year-End Variance \$	Year-End Variance %
<u>REVENUES</u>				
Property Taxation	569.60	569.79	0.19	0.0%
Payments in Lieu (PIL)	33.21	33.64	0.44	1.3%
License Fees	15.26	15.72	0.46	3.0%
Service & Inspection Fees	18.61	23.99	5.38	28.9%
Municipal By-Law Fines	16.35	17.29	0.94	5.7%
Parking Meter Revenue	35.97	36.99	1.02	2.8%
Civic Property Rentals	1.07	1.07	-	0.0%
Miscellaneous Revenue	6.84	7.29	0.44	6.4%
Short-Term Interest	13.55	10.14	(3.41)	(25.2%)
Provincial Revenues	20.91	20.91	-	0.0%
Transfers	7.16	7.16	-	0.0%
TOTAL REVENUES	738.54	744.00	5.46	0.7%
<u>EXPENDITURES</u>				
Mayor and Council	2.10	2.00	0.10	4.6%
Office of the City Manager	8.48	8.14	0.35	4.1%
Equal Employment Opportunity	0.60	0.59	0.01	2.1%
Law Department	4.49	4.56	(0.07)	(1.6%)
Civic Theatres (Net Budget)	(1.73)	(2.35)	0.61	(35.4%)
Britannia Community Services	3.18	3.17	0.01	0.4%
City Clerk's	3.24	3.22	0.02	0.5%
Community Services Group	49.13	48.70	0.43	0.9%
Civic Grants	16.08	16.08	-	0.0%
Business Planning & Services	31.49	31.69	(0.20)	(0.6%)
Engineering Public Works	67.66	68.00	(0.33)	(0.5%)
Total Utility Expenditures*	27.79	27.79	-	0.0%
Human Resources	7.64	7.28	0.36	4.7%
Fire Department	85.69	85.55	0.15	0.2%
Library Board	37.46	36.66	0.80	2.1%
Park Board (Net Budget)	60.00	60.00	0.00	0.0%
Police Board	193.25	193.23	0.01	0.0%
General Government	63.67	66.67	(3.00)	(4.7%)
Financial Services	26.47	26.64	(0.17)	(0.6%)
Total Debt Charges	51.84	51.84	-	0.0%
TOTAL EXPENDITURES	738.54	739.46	(0.92)	(0.1%)
NET BUDGET POSITION	(0.00)	4.54	4.54	

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