

**EX11.17a****Decision Letter****Budget Committee**

<b>Meeting No.</b>	12	<b>Contact</b>	Julie Amoroso, Committee Administrator
<b>Meeting Date</b>	Friday, December 6, 2019	<b>Phone</b>	416-392-4666
<b>Start Time</b>	9:30 AM	<b>E-mail</b>	buc@toronto.ca
<b>Location</b>	Committee Room 1, City Hall	<b>Chair</b>	Councillor Gary Crawford

<b>BU12.2</b>	<b>ACTION</b>	Adopted		Ward: All
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**Operating Variance Report for the Nine Months Ended September 30, 2019****Committee Decision**

The Budget Committee recommends that:

1. City Council approve the budget adjustments and any associated complement changes detailed in Appendix D to the report (November 20, 2019) from the Chief Financial Officer and Treasurer to amend the 2019 Approved Operating Budget, such adjustments to have no impact on the 2019 Approved Net Operating Budget of the City.

**Origin**

(November 20, 2019) Report from the Chief Financial Officer and Treasurer

**Summary**

The purpose of this report is to provide City Council with the Operating Variance for the nine months ended September 30, 2019 as well as projections to year-end. This report also requests City Council's approval for amendments to the 2019 Approved Operating Budget that have no impact on the City's 2019 Approved Net Operating Budget.

The following table summarizes the financial position of the City's Tax Supported Operations as of September 30, 2019 and the projection at year-end:

Table 1 - Tax Supported Operating Variance Summary

Variance (\$M) Favourable / (Unfavourable)	2019 Q3 YTD			2019 Year-End Projection		
	Budget	Actual	Var	Budget	Actual	Var
City Operations	1,659.6	1,605.9	53.8	2,289.0	2,243.2	45.8
Agencies	1,555.0	1,545.3	9.7	2,142.1	2,138.2	3.8
Corporate Accounts	(4.8)	(193.1)	188.2	(75.2)	(240.1)	165.0

Total Variance	3,209.8	2,958.1	251.7	4,355.9	4,141.3	214.6
Less: Toronto Building*	(9.0)	(29.8)	20.8	(16.9)	(49.7)	32.9
Adjusted Variance	3,218.8	2,987.9	230.9	4,372.8	4,191.0	181.7
Percent of Gross Budget			2.4 percent			1.3 percent

\* In accordance with the Building Code Act, any surplus from Toronto Building must be contributed to the Building Code Act Service Improvement Reserve Fund.

#### Year-to-Date and Year-End Spending Results:

As noted in Table 1 above, for the nine months ended September 30, 2019 Tax Supported Operations experienced a favourable net variance of \$251.7 million or 7.8 percent of planned expenditures. The key factors contributing to the favourable year-to-date variance are:

- Year-to-date net under expenditure in City Operations is primarily due to lower than planned salary and benefits while sustaining current service levels, as well as higher than planned revenue in Fire Services, Municipal Licensing and Standards, and Toronto Building. Favourable year-to-date variance was partially offset by over spending in Shelter, Support and Housing Administration.
- Favourable net expenditures in agencies driven by under expenditures in TO Live and Toronto Transit Commission, as well as higher cost recoveries and miscellaneous revenue for the Toronto Police Service.
- Favourable revenue from Interest/Investment Earnings and Municipal Land Transfer Tax, as well as lower than planned Debt Charges.

For year-end, the City is projecting a net favourable variance of \$181.7 million or 1.9 percent of the 2019 Gross Operating Budget of \$13,471 million, adjusted for Toronto Building. The favourable variance is partially offset by Shelter, Support & Housing Administration due to continued high demand for Hostel Services.

Excluding the one-time capital gain realized during the transition of investment portfolios in the Corporate Accounts (Interest/Investment Earnings) as well under expenditures for internal loans, the City is projecting a net favourable adjusted variance of \$71.6 million or 0.5 percent of the 2019 Gross Operating Budget. An overview of the key variance drivers can be found in the "Comments" section of this report as well as in a detailed summary provided in Appendix E.

#### Rate Supported Programs:

Rate Supported Programs reported a favourable year-to-date variance of \$64.9 million. The favourable variance is attributed to gross under expenditures in salary and benefits while maintaining service levels, earlier than planned receipt of revenue as well as higher consumption volumes, and one-time capital gain from the sale of property. At year-end, a favourable projected variance is anticipated to be \$96.3 million that is primarily driven by gross under spending in Toronto Water and higher revenues from Solid Waste Management.

Rate Supported Programs are funded entirely by the user fees that are used to pay for the services provided and the infrastructure to deliver them. Solid Waste Management Services and Toronto

Water's respective year-end surpluses, if any, must be transferred to the Wastewater and Water Stabilization Reserves and Waste Management Reserve Fund, respectively, to finance capital investments and ongoing capital repairs and maintenance.

Table 2 - Year-To-Date Rate Supported Operating Variance Summary

Variance (\$M) Favourable / (Unfavourable)	2019 Q3 YTD			2019 Year-End Projection		
	Budget	Actual	Var	Budget	Actual	Var
Solid Waste Management Services	(5.6)	(23.0)	17.4	0.0	(51.6)	51.6
Toronto Parking Authority	(49.6)	(58.5)	8.9	(66.5)	(73.3)	6.8
Toronto Water	(1.1)	(39.7)	38.6	0.0	(37.9)	37.9
Total Variance	(56.4)	(121.3)	64.9	(66.5)	(162.8)	96.3

### Background Information

(November 20, 2019) Report from the Chief Financial Officer and Treasurer on Operating Variance Report for the Nine Months Ended September 30, 2019

<http://www.toronto.ca/legdocs/mmis/2019/bu/bqrd/backgroundfile-140833.pdf>

(November 29, 2019) Report from the Chief Financial Officer and Treasurer on Operating Variance Report for the Nine Months Ended September 30, 2019 - Notice of Pending Report

<http://www.toronto.ca/legdocs/mmis/2019/bu/bqrd/backgroundfile-140510.pdf>