



Decision Letter

EX10.27

Budget Committee

Meeting No.	13	Contact	Jennifer Forkes, Committee Administrator
Meeting Date	Friday, November 13, 2015	Phone	416-392-4666
Start Time	9:30 AM	E-mail	buc@toronto.ca
Location	Committee Room 1, City Hall	Chair	Councillor Gary Crawford

BU13.6	ACTION	Adopted		Ward:All
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Operating Variance Report for the Nine-Month Period Ended September 30, 2015

Committee Decision

The Budget Committee recommends that:

1. City Council approve the budget adjustments detailed in Appendix F to the report (October 29, 2015) from the Deputy City Manager and Chief Financial Officer, to amend the 2015 Approved Operating Budget between Programs that have no impact to the 2015 Approved Net Operating Budget.

Origin

(October 29, 2015) Report from the Deputy City Manager and Chief Financial Officer

Summary

The purpose of this report is to provide Council with the City of Toronto Operating Variance for the nine-month period ended September 30, 2015 as well as year-end projections. This report also requests Council's approval for amendments to the 2015 Approved Operating Budget between Programs that have no impact to the 2015 Approved Net Operating Budget to ensure accurate reporting and financial accountability. This report, as requested by Council on March 10, 2015, provides an update on the application of certified statements for Court Services.

As noted in Table 1 below, for the nine-month period ended September 30, 2015, Tax Supported Operations reported a favourable net variance of \$76.687 million or 2.7% and the year-end projected net under-spending is \$122.298 million or 3.2%.

Table 1
Tax Supported Variance Summary (\$ Millions)

	Sept 30, 2015	Projected Y/E 2015
	Over/(Under)	Over/(Under)
	\$ %	\$ %

Gross Expenditures	(96.6)	-1.4%	(184.5)	-1.9%
Revenues	(19.9)	-0.5%	(62.2)	-1.0%
Net Expenditures	(76.7)	-2.7%	(122.3)	-3.2%

The year-to-date net under-spending was driven by:

-Salary and benefit under-expenditures, lower than average monthly caseload for Toronto Employment and Social Services (\$9.441 million) combined with lower social housing subsidies for Shelter, Support and Housing Administration (\$6.276 million).

-Higher than budgeted net revenue from the Municipal Land Transfer Tax (\$77.418 million), Supplementary Taxes (\$6.809 million), Parking Tag Enforcement Operations (\$5.557 million) and Interest and Investment Income (\$4.184 million) also contributed to the favourable variance for the nine month period.

-The under-spending was partially offset by net over-expenditures for Transportation Services (\$13.155 million), the Toronto Transit Commission – Conventional Service (\$7.437 million) and Solid Waste Management Rebates (\$4.385 million). In addition, net revenue from Payments in Lieu of Taxes was under-achieved (\$10.148 million).

Gross expenditures are projected to be \$184.480 million below budget at year-end, primarily driven by the following:

-\$53.817 million under-expenditures in Toronto Employment and Social Services mainly due to lower average monthly caseload and lower special diet expenditures.

-Under-spending in non-labour expenses such as leasing, hydro and accident claim settlements for the Toronto Transit Commission – Conventional Service (\$26.116 million).

-Lower appeals and other adjustments and provisions projected due primarily to the Assessment Review Board clearing their backlog for Tax Deficiencies (\$20.913 million).

Revenues are forecast to be \$62.181 million under-budget at year-end largely due to the following:

-\$41.631 million in under-achieved revenues mainly due to lower cost shared subsidy expenditures for Toronto Employment and Social Services.

-Customer journeys are projected to be 8 million less than the planned 545 million trips mostly due to extreme winter weather, ongoing system closures, labour disputes at two universities, and the impact of the March 1, 2015 fare increase beyond what was expected for the Toronto Transit Commission – Conventional Service (\$30.983 million).

-Reduction in contribution from the Assessment Appeal Stabilization Reserve as a result of lower than expected appeals and other adjustments and provisions, due primarily to the Assessment Review Board clearing their backlog for Tax Deficiencies (\$20.913 million).

-Higher than expected appeals and other adjustments for Payments in Lieu of Taxes (\$10.148 million).

Forecasts indicate that the year-end position will result in a net favourable variance of \$122.298 million or 3.2% which represents a small increase from the nine month results. The surplus is forecast to be lower than past years and reflects 1.2% of total budgeted gross expenditures. The expected net favourable year-end position will be due to the following:

- Higher than budgeted net revenues from the Municipal Land Transfer Tax (\$95.0 million).
- Stronger than forecast permit net revenue largely from high rise condominium applications for Toronto Building (\$7.789 million).
- Supplementary Taxes (\$12.074 million) as a result of supplementary/omits rolls being higher than originally forecast.
- Lower than planned caseload for Toronto Employment and Social Services (\$12.186 million).

Table 2 below summarizes the nine month and year-end projected results for Rate Supported Programs.

Table 2
Rate Supported Variance Summary (\$ Millions)

	Sept 30, 2015 Over/(Under)	Projected Y/E 2015 Over/(Under)
Solid Waste Management Services	0.1	1.8
Toronto Parking Authority	(1.6)	(2.7)
Toronto Water	2.7	9.6
Total Variance	1.2	8.6

The year-to-date unfavourable net variance of \$1.190 million was driven by the following:

- Net over-spending for Toronto Water of \$2.674 million primarily due to lower than planned water sales.
- Over-achieved net revenues for the Toronto Parking Authority of \$1.550 million largely from higher demand for garage parking in the downtown area.
- Minimal net over-spending of \$0.066 million for Solid Waste Management Services as a result of savings from staff vacancies and contracted processing of recyclables and organics offset by under-achieved revenue from lower than expected sale of recyclables, contractor disposal fees, stewardship funding, multi-residential fee revenue due to volumes and lower landfill tipping fee revenue owing to lower tonnes of waste.

Rate Supported Programs collectively project year-end net over-spending of \$8.647 million, primarily from Toronto Water due to the continuation of forecasted lower volume of water sales.

Table 3 below summarizes the vacancy rate for the nine months ended September 30, 2015 and projections to year-end.

Table 3
Summary of Approved Complement
(Includes Capital and Operating Positions)

Program/Agency	Year-to-Date			Year-End Projections		
	Vacancy %	Budgeted Gapping %	Vacancy After Gapping *	Vacancy %	Budgeted Gapping %	Vacancy After Gapping *
City Operations	5.1%	2.5%	2.6%	3.4%	2.5%	1.0%
Agencies	4.0%	2.6%	1.4%	1.9%	2.7%	0.0%
Corporate Accounts	1.3%	0.0%	1.3%	1.0%	0.0%	1.0%
Total Levy Operations	4.5%	2.5%	2.0%	2.6%	2.6%	0.0%
Rate Supported Programs	9.0%	2.3%	6.7%	7.5%	2.3%	5.2%
Grand Total	4.8%	2.5%	2.2%	2.9%	2.5%	0.3%

Note – Vacancy % minus Budgeted Gapping % or 0% whichever is higher.

-As of September 30, 2015, the City recorded a vacancy rate of 2.2% after gapping for an approved complement of 54,114.5 positions.

-The forecasted year-end vacancy rate after gapping is projected to be 0.3% for an approved complement of 53,748.8 positions.

A more detailed analysis is provided in the Approved Complement Section of this report.

Background Information

(October 29, 2015) Report and Appendices A to G from the Deputy City Manager and Chief Financial Officer on Operating Variance Report for the Nine-Month Period Ended September 30, 2015

<http://www.toronto.ca/legdocs/mmis/2015/bu/bgrd/backgroundfile-85376.pdf>

Communications

(November 13, 2015) E-mail from Tim Maguire, President, CUPE, Local 79 (BU.New.BU13.6.1)

<http://www.toronto.ca/legdocs/mmis/2015/bu/comm/communicationfile-57297.pdf>

Speakers

Tim Maguire, President, CUPE Local 79
 Councillor Janet Davis