

Operating Variance Report for the Six Month Period Ended June 30, 2016 - Supplementary Report on City Planning and Toronto Building

Date: October 5, 2016

To: City Council

From: Deputy City Manager & Chief Financial Officer

Wards: All

SUMMARY

The purpose of this report is to provide supplementary information to the Operating Variance Report for the Six Month Period Ended June 30, 2016 directly to City Council on the fee-based services of City Planning and Toronto Building's operating variances, separate from these Program's tax-based operations.

The Operating Variance Report for the Six Month Period Ended June 30, 2016 reported a favourable net variance of \$70.164 million or 3.8%, and the year-end projected actual net expenditures are anticipated to be \$35.256 million or 0.9% favourable.

The City-wide six month and projected year-end favourable net variance reported includes the following:

City Planning - a favourable net variance of \$4.426 million (\$4.365 million attributed to Planning application and Committee of Adjustment fees), and the year-end projected favourable net variance of \$4.365 million.

Toronto Building - a favourable net variance of \$4.811 million, and the year-end projected favourable net variance of \$6.809 million.

Consistent with prior years, the year-end surplus available for distribution will exclude surplus that results from both Toronto Building and Planning development applications. Toronto Building surpluses must be directed to the Building Code Act Service Improvement RF. City Planning development application net revenues are deposited into the Development Application Review Reserve Fund to ensure that funding is available to maintain service levels and complete application reviews in the year following receipt of revenue, given that the development review process can vary in length depending on the complexity of the application.

As identified in Table 1 below, the net variance for the City's tax supported Operating budget, once the fee-based portions of City Planning and Toronto Building's operating variances are excluded, would be adjusted to a favourable net variance of \$60.988 million or 3.3%, and the year-end projected actuals are anticipated to result in a net favourable variance of \$24.082 million or 0.6%.

Table 1: Tax Supported Variance Summary (\$ Millions)

Category	June 30, 2016		Projected Y/E 2016	
	Over/(Under)		Over/(Under)	
	\$	%	\$	%
Gross Expenditures	(120.3)	-2.6%	(106.7)	-1.1%
Revenues	(50.1)	-1.8%	(71.4)	-1.2%
Net Expenditures	(70.2)	-3.8%	(35.3)	-0.9%
Less City Planning	(4.4)	-0.2%	(4.4)	-0.1%
Less Toronto Building	(4.8)	-0.3%	(6.8)	-0.2%
Net Expenditures (Excl. City Planning & Toronto Building)	(61.0)	-3.3%	(24.1)	-0.6%

FINANCIAL IMPACT

There is no financial impact resulting from this report.

DECISION HISTORY

On September 19, 2016, Budget Committee considered the Operating Variance Report for the Six Month Period Ended June 30, 2016. The report can be found at the following link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.BU23.1>

Budget Committee recommended that the Executive Committee request the Deputy City Manager and Chief Financial Officer to report directly to City Council on the fee-

based portions of City Planning and Toronto Building's operating variances, separate from the tax-based operations.

On September 22, 2016, Executive Committee adopted the recommendations of Budget Committee on the Operating Variance Report for the Six Month Period Ended June 30, 2016. The report adopted by Executive Committee can be found at the following link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX17.15>

COMMENTS

The Operating Variance Report for the Six Month Period Ended June 30, 2016 provides the consolidated operating budget spending results for all City divisions and agencies at the program level.

Reporting operating variances by service within a program provides clarity and better information on spending trends by service along with the resulting impact on the actual level of service provided compared to budget.

Table 2 and Table 3 below provides the reported City Planning and Toronto Building six month and projected year-end variance by service:

Table 2: City Planning Variance Summary by Service (\$ Millions)

City Planning	June 30, 2016		Actual to Budget		Year-End		Actual to Budget	
	Budget	Actual	Over / (Under)	%	Budget	Actual	Over / (Under)	%
Development Review, Decision & Implementation	(1.9)	(7.0)	(5.1)	273%	(1.1)	(5.4)	(4.4)	406%
City Building & Policy Development	7.2	7.9	0.7	9.7%	16.8	16.8	0.0	0%
City Planning	5.3	0.9	(4.4)	-83%	15.7	11.3	(4.4)	-27.8%

City Planning has projected a favourable net year-end variance of \$4.365 million or -27.8%, entirely within the Development Review, Decision & Implementation service resulting primarily from high value development application review fees (six projects

greater than \$500,000) and robust application volumes on Committee of Adjustment units.

Temporary staff have recently been added to City Planning's complement to help manage the volume of applications, with these positions funded from the over-achieved revenues.

As previously indicated, the year-end City-wide surplus available for distribution will exclude any surplus generated from City Planning development application net revenues.

Consistent with prior years (\$2.8 million in 2013, \$3.6 million in 2014 and \$3.5 million in 2015), this surplus will be directed into the Development Application Review Reserve Fund to ensure that current resources are funded / maintained to complete complex application reviews that often continue to occur in the year following actual receipt of revenue.

Table 3: Toronto Building Variance Summary by Service (\$ Millions)

Toronto Building	June 30, 2016		Actual to Budget		Year-End		Actual to Budget	
	Budget	Actual	Over / (Under)	%	Budget	Actual	Over / (Under)	%
Building Compliance	(2.5)	(5.4)	(2.9)	119%	(4.2)	(9.1)	(4.9)	118%
Building Permission & Information	(3.7)	(5.6)	(1.9)	50.4%	(6.6)	(8.5)	(1.9)	28.5%
Toronto Building	(6.2)	(11.0)	(4.8)	77.7%	(10.8)	(17.6)	(6.8)	63.3%

Toronto Building has projected a favourable net year-end variance of \$6.809 million or 63.3%, predominately within the Building Compliance service. This year-end projection includes \$1.809 million in under-expenditures mainly due to vacant positions and \$4.931 million in higher than expected revenues, primarily associated with building permit applications.

Any year-end Toronto Building net surplus will be directed to the Building Code Act Service Improvement Reserve Fund, in accordance with the Building Code Act. This is consistent with 2013 where \$13.671 million was directed to the reserve fund, \$8.404 million in 2014; and \$11.701 million in 2015.

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SIGNATURE

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