



## Decision Letter

### Budget Committee

<b>Meeting No.</b>	22	<b>Contact</b>	Jennifer Forkes, Committee Administrator
<b>Meeting Date</b>	Wednesday, June 22, 2016	<b>Phone</b>	416-392-4666
<b>Start Time</b>	2:00 PM	<b>E-mail</b>	buc@toronto.ca
<b>Location</b>	Committee Room 2, City Hall	<b>Chair</b>	Councillor Gary Crawford

BU22.1	ACTION	Adopted		Ward:All
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### Operating Variance Report for the Year Ended December 31, 2015

#### Committee Decision

The Budget Committee recommends that:

1. City Council approve the budget adjustments detailed in Appendix E to the report (June 6, 2016) 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

(June 6, 2016) 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's Operating Variance for the year ended December 31, 2015 and the disposition of the 2015 year-end operating surplus. This report also requests Council's approval for amendments to the 2015 Approved Operating Budget between Programs to better align and reflect the loss of the Toronto Pooling Compensation grant that has no impact to the 2015 Approved Net Operating Budget.

As noted in Table 1 below, the preliminary 2015 year-end operating surplus for Tax Supported Operations resulted in a net favourable variance of \$130.928 million which is available for distribution after Council directions and legislative requirements are met. This surplus represented 1.3% of the gross Tax Supported budget.

Consistent with City Council approved Surplus Management Policy, at least 75 percent or \$98.196 million will be allocated to the Capital Financing Reserve and \$32.732 million will be allocated to underfunded liabilities and/or reserve funds for replenishment.

Tax Supported Variance Summary (\$ Millions)		
	Year-End 2015 Over/(Under)	
	\$	%
Gross Expenditures	(251.8)	-2.5%
Revenues	(82.2)	-1.3%

Net Expenditures	(169.5)	-4.4%
Council/Legislative Requirements	38.6	1.0%
Surplus Available for Distribution	(130.9)	-3.4%

The 2015 surplus was driven largely by:

- Lower than planned financial employment benefits for OW clients mainly due to functionality issues related to the Social Assistance Management System that processed client applications for Toronto Employment and Social Services (\$12.820 million); under-spending in Non-Program Expenditures particularly in the Heritage Tax Rebate program, Parking Tag Enforcement and Operations, and various Other Corporate Expenditure accounts (\$12.597 million); combined with under-expenditures in various departmental non-labour expenses including utilities, leasing and fuel costs for TTC – Conventional Services (\$10.119 million).
- Higher than budgeted net revenue from the Municipal Land Transfer Tax (\$92.122 million), Supplementary Taxes (\$15.003 million) as a result of supplementary/omits rolls being higher than originally forecast, a year-end adjustment to recognize retroactive lease payments since 2011 based on a favourable ruling in regards to 2 Bloor Street West in Facilities, Real Estate, Environment & Energy (\$14.942 million), stronger than forecast permit net revenue largely from high rise condominium applications for Toronto Building (\$11.700 million), as well as one-time unbudgeted revenues and net Pan Am Games recoveries for Toronto Police Service (\$8.363 million).
- The favourable expenditure revenue variances, as noted above, were partially offset by under-achieved in Payment in Lieu of Taxes as a result of higher than anticipated appeals and other adjustments (\$7.643 million); a delay in approval of the Toronto Hydro dividend (\$11.250 million); reduced ticket issuance by Parking Tag Enforcement & Operations reflecting higher than anticipated success of traffic initiatives and the Pan Am Games (\$10.495 million); and under-achieved utility cut repair revenues and lower than expected permit parking fees for Transportation Services (\$9.522 million).

Rate Supported Programs reported a year-end net favourable variance of \$48.863 million.

Table 2 below summarizes the net variances for Rate Supported Programs:

Table 2	
Rate Supported Variance Summary (\$ Millions)	
	Year-End 2015
	Over/(Under)
Solid Waste Management Services	(8.2)
Toronto Parking Authority	(3.9)
Toronto Water	(36.7)
Total Variance	(48.9)

The year-end favourable net variance of \$48.863 million was driven by the following:

- Solid Waste Management Services reported a favourable net variance of \$8.222 million at year-end, primarily due to lower processing costs resulting from lower tonnages of recyclable materials; salaries and benefits resulting from vacancies and WSIB costs of \$5.449 million; deferred advertising campaigns; and lower than planned debt service costs due to delayed issuance of debentures. These favourable variances were partially offset by under-achieved revenues due to lower than expected single and multi-resident volumes; adjusted stewardship

funding for lower tonnages; lower tonnes of Green Lane waste; and lower prices for sales of recyclables.

- Toronto Parking Authority experienced higher than expected net revenue of \$3.923 million or 7.5% at year-end driven largely by higher off-street parking revenues in the downtown garages and surface carparks as a result of higher than anticipated customer volume.

- Toronto Water reported a favourable net variance of \$36.718 million as at December 31, 2015, mainly due to underspending in salaries and benefits in the amount of \$11.613 million as a result of vacancies combined with lower than anticipated demand for chemicals, electricity, professional and technical services, as well as underspending in the transfer costs of biosolids as a result of continued beneficial use for sludge. In addition, revenues exceeded budget due to higher than anticipated volume of water sold, increase in new watermain and sewer service connections, and industrial waste agreements.

Table 3 below summarizes the staff vacancy rate for the twelve months ended December 31, 2015.

Table 3  
Summary of 2015 Approved Complement at Year-End  
(Includes Capital and Operating Positions)

	Vacancy %	Budgeted Gapping %	Vacancy After Gapping *
City Operations	5.0%	2.5%	2.5%
Agencies	4.2%	2.6%	1.6%
Corporate Accounts	3.0%	0.0%	3.0%
Total Levy Operations	4.5%	2.5%	2.0%
Rate Supported Programs	8.3%	2.3%	6.0%
Grand Total	4.8%	2.5%	2.2%

\* Vacancy % minus Budgeted Gapping % or 0% whichever is higher.

For the year-end, the City recorded a vacancy rate of 2.2% after budgeted gapping for an approved complement of 54,304.9 operating and capital positions. A more detailed analysis is provided in the Approved Complement Section of this report.

## Background Information

(June 6, 2016) Report and Appendices A to F from the Deputy City Manager and Chief Financial Officer on Operating Variance Report for the Year Ended - December 31, 2015 (<http://www.toronto.ca/legdocs/mmis/2016/bu/bgrd/backgroundfile-94026.pdf>)