

# EX26.29a



## Decision Letter

### Budget Committee

<b>Meeting No.</b>	33	<b>Contact</b>	Jennifer Forkes, Committee Administrator
<b>Meeting Date</b>	Friday, June 9, 2017	<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

BU33.2	ACTION	Adopted		Ward:All
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### Operating Variance Report for the Twelve Month Period Ended December 31, 2016

#### Committee Decision

The Budget Committee recommends that:

1. City Council approve the transfer of \$7.5 million from the Water (43 percent) and Wastewater (57 percent) Stabilization Reserves to Toronto Water's Vehicle and Equipment Replacement Reserve (XQ1012) to fund future year vehicle purchases.

#### Origin

(May 25, 2017) 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, 2016 and the disposition of the 2016 year-end operating surplus. This report also requests Council's approval to transfer funds between Toronto Water's reserve/reserve funds with no impact to the 2016 Approved Net Operating Budget.

As noted in Table 1 below, the preliminary 2016 year-end operating surplus for Tax Supported Operations resulted in a net favourable variance of \$187.728 million available for distribution after Council directions and legislative requirements are met. This surplus represents 1.9 percent of the gross Tax Supported budget. Excluding the \$114.190 million surplus due to the Municipal Land Transfer Tax, the 2016 surplus is only 0.7 percent of the Tax Supported Budget.

Consistent with City Council approved Surplus Management Policy, at least 75 percent or \$150.796 million will be allocated to the Capital Financing Reserve and \$36.932 million will be allocated to underfunded liabilities and/or reserve funds for replenishment.

Table 1: Tax Supported Variance Summary

	Year-End 2016 Variance Over/(Under)		
	\$	%	As % of Gross

	Budget		
Gross Expenditures	(302.1)	-3.0%	-3.0%
Revenues	(89.2)	-1.4%	-0.9%
Net Expenditures	(212.9)	-5.4%	-2.1%
Council/Legislative Requirements	25.2	0.6%	
Surplus Available for Distribution	(187.7)	-4.8%	-1.9%
MLTT	(114.2)		
Surplus excluding MLTT	(73.5)	-1.9%	-0.7%

The 2016 net surplus was driven largely by:

- Higher than budgeted net revenue from the Municipal Land Transfer Tax (\$114.190 million), Supplementary Taxes (\$11.343 million) as a result of supplementary/ omitted rolls exceeding expectations, Other Corporate Revenues (\$10.413 million) were higher than expected from other third party recoveries (HST and tax write-off recoveries), Payments in Lieu of Taxes (\$7.862 million) were stronger than forecast owing largely to lower than planned appeals and other budget adjustments, as well as Parking Tag (\$6.448 million) revenues were due to increased plate denial fees.

- The favourable net expenditure variances noted above were partially offset by higher than expected Tax Deficiencies/Write-Offs (\$21.630 million) largely from appeals posted and required provisions being more than budgeted and lower than expected dividends from Toronto Hydro (\$4.150 million) as a result of weaker than planned 2015 revenue. The dividend revenue for 2016 was based on 2015 Toronto Hydro actual income results. In addition, Toronto Fire Services reported an unfavourable net variance (\$7.540 million) as a result of higher Workplace Safety and Insurance Board charges.

Rate Supported Programs reported a year-end net favourable variance of \$105.623 million. Table 2 below summarizes the net variances for Rate Supported Programs:

Table 2: Rate Supported Variance Summary (Millions)

	Year End 2016 Over/(Under) \$	% of Gross Budget
Solid Waste Management Services	(8.5)	-2.2%
Toronto Parking Authority	(6.4)	-7.5%
Toronto Water	(90.7)	-7.8%
Total Variance	(105.6)	-6.5%

- Solid Waste Management Services experienced a year-end net favourable variance of \$8.519 million mainly from under-spending on salaries and benefits, contracted services due to lower tonnage and lower haulage fuel costs. The under-spending was partially offset by under-achieved revenues from the yellow bag program, lower capital recoveries and lower collection and tipping volumes from agencies, boards, commissions and divisions and school boards.

- Toronto Parking Authority reported a net favourable variance of \$6.380 million as at December 31, 2016. The net variance was largely due to higher off-street parking revenues

in downtown garages and surface carparks as a result of stronger than anticipated customer volume, as well as from the gain on sale of Carpark 650 (22 John Street).

-Toronto Water experienced a favourable net variance of \$90.724 million as at December 31, 2016. Lower spending of \$32.530 million was mainly due to under-spending in salaries and benefits from vacancies and lower than anticipated electricity rates and usage. Revenues were higher than budgeted by \$58.194 million primarily from stronger than anticipated volume of water sold, due to a dry, hot summer, increase in new water and sewer service connections and industrial waste agreements. Toronto Water's surplus will be contributed to the Wastewater (57 percent) and Water (43 percent) Stabilization Reserves.

Table 3 below, provides summarizes the staff vacancy for the twelve months ended December 31, 2016.

Table 3: Summary of 2016 Approved Complement and Strength

	Operating Positions	Capital Positions	Total Positions
Complement	51,281.1	3,332.0	54,613.1
Strength	48,986.3	2,779.8	51,766.0
Vacancies	(2,294.8)	(552.3)	(2,847.1)

For the year-end, the City reported an approved complement of 54,613.1 operating and capital positions and a strength of 51,766.0 positions, resulting in 2,847.1 vacant positions. The detailed overview of the fourth fiscal quarter complement is provided in the Approved Complement Section of this report.

### Background Information

(May 25, 2017) Report and Appendices A to E from the Deputy City Manager and Chief Financial Officer on Operating Variance Report for the Twelve Month Period Ended December 31, 2016

<http://www.toronto.ca/legdocs/mmis/2017/bu/bgrd/backgroundfile-104682.pdf>

(May 25, 2017) Report from the Deputy City Manager and Chief Financial Officer on Operating Variance Report for the Twelve Month Period Ended December 31, 2016 - Notice of Pending Report

<http://www.toronto.ca/legdocs/mmis/2017/bu/bgrd/backgroundfile-104305.pdf>

### Speakers

Councillor Janet Davis