

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 7, 2015</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>2014 OPERATING BUDGET STATUS – FOURTH QUARTER REPORT</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to the 2014 Operating Budget Status – Fourth Quarter Report for the Property Tax Supported, Water, and Wastewater and Treatment Budgets:

1. That the 2014 Operating Budget Status – Fourth Quarter Report for the Property Tax Supported (refer to Appendix A), Water and Wastewater and Treatment Budgets **BE RECEIVED** for information. An overview of the net corporate positions are outlined below:
  - a. \$1.5 million in net savings for the Property Tax Supported Budget as identified by Civic Service Areas and Boards and Commissions. It being noted that the year-end savings has remained unchanged from the 2014 Operating Budget Status – Third Quarter Report. The \$1.5 million operating surplus was contributed to the Operating Budget Contingency Reserve, consistent with Council direction.
  - b. \$1.8 million deficit in the Water rate supported budget was incurred. It being noted that the year-end deficit is \$1.2 million more than projected in the 2014 Operating Budget Status – Third Quarter Report. To balance Water's 2014 budget, a draw of \$1.8 million was taken from the Water Capital Reserve Fund, consistent with Council direction.
  - c. \$1.5 million deficit in the Wastewater and Treatment rate supported budget was incurred. It being noted that the year-end deficit is \$2.3 million more than projected in the 2014 Operating Budget Status – Third Quarter Report. To balance the Wastewater and Treatment 2014 budget, a draw of \$1.5 million was taken from the Wastewater Rate Stabilization Reserve, consistent with Council direction.
2. That the request to fund the 2014 London & Middlesex Housing Corporation operational deficit of \$115,829 **BE APPROVED** (letter attached), it being noted that the funding source would be the Operating Budget Contingency Reserve, it being further noted that since 2010 London & Middlesex Housing Corporation has generated operational surpluses that have been contributed to the Operating Budget Contingency Reserve.
3. That Civic Administration's contribution of \$2,904,601 (\$2,456,078 – property tax supported; \$124,005 – water; and \$324,518 – wastewater) to the Efficiency, Effectiveness and Economy reserves in 2014 **BE RECEIVED** for information.

**Note: subject to year-end financial statement audit and adjustments related to the accounting for Tangible Capital Assets (PSAB 3150)**

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- 2014 Operating Budget Status – Third Quarter Report (December 16, 2014 meeting of Corporate Service Committee, Agenda Item 3)
- 2014 Operating Budget Status – Second Quarter Report (August 26, 2014 meeting of Corporate Service Committee, Agenda Item 5)

<b>BACKGROUND</b>
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The 2014 Operating Budget Status - Fourth Quarter Report provides a review and analysis of the operating budget. Appendix A compares actual costs incurred by Service Program and Service Grouping for the Property Tax Supported Budget.

A surplus arises in the operating budget when there is an excess of revenues over expenditures. Year-end surpluses generally arise from two circumstances — higher than budgeted revenues (including one-time only revenues), and/or lower than budgeted expenditures. A deficit arises in the operating budget when there is an excess of expenditures over revenues. Year-end deficits generally arise from two circumstances — lower than budgeted revenues, and/or higher than budgeted expenditures (including one-time only expenditures).

In December 2007, Council approved the Surplus/Deficit Policy. The allocation of year-end surplus/deficit positions according to the policy is as follows:

- 1) Surpluses, if any, should be fully contributed to the Operating Budget Contingency Reserve at year-end and in the subsequent year, allocated as follows:
  - a) The first \$850,000 of the previous year-end surplus should be contributed as revenue in that year and reduce the tax levy (noting that this amount is already built into the tax levy);
  - b) 50% of the balance of year-end surplus be applied to debt reduction/elimination and/or avoidance;
  - c) The balance of year-end surplus be applied by Council to:
    - i. Fund capital projects that cannot be fit within the capital funding envelope;
    - ii. Contribute to the Operating Budget Contingency Reserve to provide for a reasonable cushion against deficits or unexpected expenditure/revenue losses;
    - iii. Contribute to the Unfunded Liability Reserve in order to help fund liabilities reported on the financial statements which have not been funded;
    - iv. Meet one-time community needs, provide for new initiatives/investments that produce a benefit to the community/taxpayer.
- 2) Deficits, if any, should be funded through a draw from the Operating Budget Contingency Reserve at year-end.

#### **2014 Year-End Surplus Allocation**

The \$1.5 million year-end surplus is recommended to be allocated as follows:

- Draw down \$850,000 from the Operating Budget Contingency Reserve to be used as revenue in the 2015 Property Tax Supported Budget, it being noted that this amount is already built into the tax levy and is consistent with Surplus/Deficit Policy.
- Draw down \$590,000 from the Operating Budget Contingency Reserve for carrying costs associated with corporate properties consistent with Council direction on February 26, 2015.
- The balance of \$60,000 to be retained in the Operating Budget Contingency Reserve to be used as a potential funding source for unanticipated corporate costs.

#### **2014 PROPERTY TAX SUPPORTED BUDGET**

Outlined below are some of the key items that are contributing to the year-end position.

<b>Contributing Factor</b>	<b>4<sup>th</sup> Quarter (\$ millions) Surplus/ (Deficit)</b>	<b>3<sup>rd</sup> Quarter (\$ millions) Surplus/ (Deficit)</b>
Higher than anticipated winter maintenance costs due to higher than average snowfall experienced.	(3.0)	(2.0)
Fire interest arbitration award of 1.9% effective January 1, 2014 to the London Professional Firefighters Association, it being noted that funding to support an interim 2014 interest arbitration award was not included in the Fire Service 2014 Council approved budget.	(0.9)	(0.9)
Civic Service Areas continue to manage personnel vacancies across the organization including Fire Services, Information Technology Services and Parks, Recreation and Neighbourhood Services.	3.6	3.6
Middlesex-London Health Unit prior period recovery related to accounting and reporting requirements.	0.5	0.5
Higher than anticipated revenue from short-term and long-term investments and interest, supplementary taxes and penalty on taxes, partially offset by other corporate cost overruns and contribution to the Unfunded Liability Reserve.	1.3	0.3
<b>Year-End Surplus/(Deficit) Position</b>	<b><u>\$1.5</u></b>	<b><u>\$1.5</u></b>

A year-end surplus position of \$1.5 million represents approximately 0.3% of the net property tax supported budget.

#### **4<sup>th</sup> Quarter Year-End Position by Service Program**

Outlined in the table below are the year-end surpluses and/or deficits by Service Program that contribute to the net \$1.5 million surplus.

<b>SERVICE PROGRAM</b>	<b>\$ millions</b>
<b>CULTURE</b>	0.1
<ul style="list-style-type: none"> <li>Centennial Hall deficit of \$16 thousand a result of higher than budgeted utility costs partially offset by various operational savings.</li> <li>Arts, Culture and Heritage Advisory &amp; Funding surplus of \$23 thousand a result of unspent CAIP 1 funding and administrative expenses surplus.</li> <li>Museum London achieved a balanced budget after a \$22 thousand draw from their reserves to cover higher than anticipated utility costs, which were partially offset by savings in personnel and marketing.</li> <li>Eldon House achieved a balanced budget with no major factors to report.</li> <li>Heritage surplus of \$55 thousand a result of personnel savings generated from delayed hiring.</li> <li>London Public Library achieved a balanced budget a result of cost containment initiatives by limiting operational spending in order to mitigate deficits in utilities, snow control, building maintenance and fine revenue.</li> </ul>	
<b>ECONOMIC PROSPERITY</b>	0.0
<ul style="list-style-type: none"> <li>Business Attraction and Retention surplus of \$32 thousand a result of personnel and administrative cost savings partially offset by expenditure deficits in consulting, legal and communications.</li> <li>Community Improvement/Business Improvement Area achieved a relatively balanced budget with no major factors to report.</li> <li>London Convention Centre (LCC) achieved a balanced budget after contributing \$355 thousand to their reserves to help fund capital projects; the amount contributed to the LCC reserve stems from increased sales and sales margins as well as management directed operational cost efficiencies.</li> </ul>	

SERVICE PROGRAM	\$ millions
<ul style="list-style-type: none"> <li>• Tourism London achieved a balanced budget after contributing \$194 thousand to their reserve; the amount contributed to the reserve stems from personnel savings partially offset by lower revenues than budgeted and operational costs overruns.</li> <li>• Covent Garden Market achieved a balanced budget with no major factors to report.</li> </ul>	
<b>ENVIRONMENTAL SERVICES</b>	0.1
<ul style="list-style-type: none"> <li>• Kettle Creek Conservation Authority deficit of \$6 thousand a result of current value assessment allocation adjustments subsequent to 2014 budget approval.</li> <li>• Lower Thames Valley Conservation Authority deficit of \$5 thousand a result of current value assessment allocation adjustments subsequent to 2014 budget approval.</li> <li>• Upper Thames River Conservation Authority achieved a balanced budget with no major factors to report.</li> <li>• Environmental Action Programs and Reporting deficit of \$6 thousand a result of personnel and various operational cost overruns partially offset by additional external program funding.</li> <li>• Garbage, Recycling &amp; Composting surplus of \$123 thousand a result of favourable formula changes to extender producer responsibility revenues and increases in recycling revenue and processing fees partially offset by higher than anticipated personnel costs, costs associated with additional work completed at W12A (external vehicle rental costs) and purchased services.</li> </ul>	
<b>PARKS, RECREATION, &amp; NEIGHBOURHOOD SERVICES</b>	0.5
<ul style="list-style-type: none"> <li>• Neighbourhood &amp; Recreation Services surplus of \$366 thousand a result of full day kindergarten cost savings partially offset by net revenue lost during the closure of the Canada Games Aquatics Centre (capital life cycle renewal repairs) and Recreation Administration subsidy cost overruns for low income individuals and families program participation.</li> <li>• Parks and Urban Forestry surplus of \$110 thousand a result of personnel savings less increased expenditures in contracted services to cover vacant positions and various net operating cost overruns.</li> </ul>	
<b>PLANNING &amp; DEVELOPMENT SERVICES</b>	0.0
<ul style="list-style-type: none"> <li>• Building Approvals deficit of \$144 thousand a result of lower than expected building permit revenue partially offset by personnel and other operational cost savings.</li> <li>• Planning Services surplus of \$207 thousand a result of revenue surpluses from increased Official Plan and Zoning By-law amendment applications and personnel savings partially offset by various net operating cost overruns.</li> <li>• Development Services deficit of \$44 thousand a result of lower than anticipated net fee based revenues (ex. amendments, consents, site plan) and personnel cost deficits partially offset by various operational cost savings.</li> </ul>	
<b>PROTECTIVE SERVICES</b>	0.0
<ul style="list-style-type: none"> <li>• Animal Services deficit of \$59 thousand a result of lower than anticipated dog and cat licencing fee revenues and increased costs associated with trapping and muzzling aggressive animals partially offset by savings in contracted cat services and net operational cost savings.</li> <li>• By-Law Enforcement deficit of \$41 thousand a result of net fee based revenue decreases (i.e. fewer business licences and untidy lot by-law fees) partially offset by net operational cost savings.</li> <li>• Corporate Security &amp; Emergency Management surplus of \$27 thousand a result of savings in security and emergency planning services partially offset by personnel cost deficits and emergency social services costs related to the Walnut Street and Adelaide Street fires.</li> <li>• Fire Services surplus of \$57 thousand a result of the following: <ul style="list-style-type: none"> <li>○ \$900 thousand deficit due to an interim award of \$1.9% effective</li> </ul> </li> </ul>	

SERVICE PROGRAM	\$ millions
<p>January 1, 2014 to the London Professional Firefighters Association.</p> <ul style="list-style-type: none"> <li>○ \$957 thousand surplus primarily due to the delayed hiring of personnel vacancies as well as operational cost containment initiatives by spending only on mission critical items.</li> </ul> <p>The employee agreement between the London Professional Firefighters Association and the City expired December 31, 2010 and is currently at interest arbitration.</p> <ul style="list-style-type: none"> <li>• The London Police Services (LPS) achieved a balanced budget after contributing \$366 thousand to their Unfunded Liability Reserve and Sick Leave Reserve Fund; the savings contributed to the reserve and reserve fund are the result of LPS restructuring cost savings.</li> </ul>	
<b>SOCIAL &amp; HEALTH SERVICES</b>	1.2
<ul style="list-style-type: none"> <li>• Housing Services surplus of \$784 thousand a result of lower than anticipated housing provider subsidy and rent supplement costs partially offset by reduced County revenue and higher than budgeted Housing Development Corporation studies and other operational costs.</li> <li>• Consistent with Council direction, London &amp; Middlesex Housing Corporation (LMHC) was provided with \$7.9 million in City funding. LMHC has requested \$116 thousand more for the 2014 period primarily due to cost overruns in utilities and facility maintenance (letter attached).</li> <li>• Long Term Care surplus of \$668 thousand a result of increased government funding and savings in personnel and utility costs partially offset by other operational cost overruns.</li> <li>• Land Ambulance achieved a balanced budget with no major factors to report.</li> <li>• Middlesex-London Health Unit surplus of \$464 thousand a result of prior year's surplus recognized in 2014 due to accounting requirements.</li> <li>• Social and Community Support Services deficit of \$711 thousand a result of the following: <ul style="list-style-type: none"> <li>○ \$462 thousand deficit in Ontario Works (OW) resulting from a caseload and case cost deficit;</li> <li>○ \$121 thousand deficit in Employment Programs due to volatile caseload and increased demand for employment support services;</li> <li>○ \$128 thousand deficit a combination of personnel costs pressures, savings in new OW provincial system funding and OW Child Care services.</li> </ul> </li> </ul>	
<b>TRANSPORTATION SERVICES</b>	(3.4)
<ul style="list-style-type: none"> <li>• Parking Services surplus of \$378 thousand a result of higher than anticipated parking fines, court fines and pay and display revenues partially offset by less than anticipated parking meter revenue due to malfunctioning parking meters.</li> <li>• London Transit Commission (LTC) achieved a balanced budget after contributing \$500 thousand to reserves; the savings contributed to the reserves relate to fuel cost savings, favourable ridership revenue and personnel cost savings, partially offset by unfavourable provincial gas tax funding, insurance and utility cost increases, and bus and facility maintenance costs.</li> <li>• Roadway Services deficit of \$3.8 million a result of cost pressures in Snow Control due to harsh winter conditions and Roadway Maintenance due to the extended season (more work completed in November and December than anticipated).</li> </ul>	
<b>CORPORATE, OPERATIONAL, &amp; COUNCIL SERVICES</b>	3.0
<ul style="list-style-type: none"> <li>• Corporate Services surplus of \$1.0 million a result of personnel savings partially offset by cost overruns in fuel and vehicle maintenance; it should be noted that savings in Information Technology Services (ITS) have been contributed to the ITS Reserve Fund consistent with Council direction.</li> <li>• Corporate Planning and Administration Services surplus of \$121 thousand a result of Accessibility for Ontarians with Disabilities Act (AODA)</li> </ul>	

<b>SERVICE PROGRAM</b>	<b>\$ millions</b>
<p>expenses not incurred and higher than anticipated grants and subsidies partially offset by personnel cost overruns.</p> <ul style="list-style-type: none"> <li>• Council Services surplus of \$150 thousand a result of Mayor's Office vacant position, Councillor Expense's savings and other operational cost savings partially offset by increased volume of audits and associated costs.</li> <li>• Financial management surplus of \$977 thousand a result of the following: <ul style="list-style-type: none"> <li>○ \$4.1 million net surplus from favourable interest and penalty on taxes, supplementary taxes, short-term and long-term interest and grants in lieu of taxes;</li> <li>○ \$1.9 million net surplus from corporate contingencies savings partially offset by other corporate expenditure overruns;</li> <li>○ \$1.5 million net deficit regarding tax write-offs and allowances, partially offset by a reserve fund draw related to tax write-offs; and</li> <li>○ \$3.5 million deficit due to contribution to the Unfunded Liability Reserve, contribution consistent with Council direction to mitigate the growth of the City's unfunded liability.</li> </ul> </li> <li>• Public Support Services surplus of \$763 thousand a result of higher than anticipated revenue in Administration of Justice (fine revenue) and Taxation (user fees) partially offset by Customer Relations postage and courier cost overruns due to increased satellite locations and the need to provide courier services.</li> </ul>	
<b>TOTAL YEAR-END POSITION</b>	<b>\$ 1.5</b>

\*subject to rounding

### Housekeeping Budget Transfers

As authorized by resolution of Council at the time of the adoption of the 2014 budget, Civic Administration will, throughout the year, approve transfers between accounts that are considered 'housekeeping' in nature.

"That the Civic Administration **BE AUTHORIZED** to accommodate the 2014 Budget transfers that are considered "housekeeping" in nature, and do not impact the Corporate Net Operating Budget." (3p/5/SPPC)

'Housekeeping' adjustments primarily include items that are budgeted centrally at the time of adoption of estimates (budget) and are re-allocated to Services throughout the year.

The following housekeeping budget adjustments were processed in 2014:

- Adjustments to services to reflect the allocation of the 2014 position management budget savings adopted by Council on February 27, 2014.
- Adjustments to services to reflect the allocation of the approved 2014 assessment growth funding.
- Adjustments to reflect Information Technology and Parking service re-organization.
- Allocation of computer and telephone budgets from various areas to the Information Technology Division.
- Re-alignment of Corporate Investments and Partnerships from Finance to the Economic Prosperity service program. It being noted that an Economic Development review conducted by KPMG recommended that the City Manager office lead the development of a broad and inclusive community economic development strategic plan.

### Emerging Issues

Several service areas have advised Civic Administration of program service delivery pressures that may impact the 2015 budget. These issues include:

- **Ontario Works (OW)** – The 2014 Provincial Budget includes changes around employment related benefits. This includes the integration of seven employment benefits. The details and implication of this change is not clear at this point. The Province recently communicated that this change will be delayed from April 2015 to October 2015 due to the magnitude of issues resulting from the new OW system implementation. Thus the cost impact is unknown at this time, but will be monitored throughout 2015.
- **Personnel/Collective Agreements** - Outstanding arbitrations with the corporation's unions may have significant cost implications depending on the outcome of the grievance/arbitration process. The following agreements have expired:
  - London Professional Fire Fighters' Association agreement expired on December 31, 2010;
  - Dearness - Unifor Local 302 agreement (313 employees) expired on June 30, 2012;
  - Land Ambulance's agreement expired on September 30, 2012;
  - CUPE Local 101 (Inside Workers) agreement expired on December 31, 2014;
  - Dearness - agreements (two) with SEIU (RN) (20 employees) and SEIU (Clerical) (11 employees) expired on December 31, 2014; and
  - London Police Association agreement expired on December 31, 2104 (negotiated by London Police Board).
- **Fire Services** – Workplace Safety and Insurance Board (WSIB), new presumptive legislation has been enacted that allows for several additional cancers to be automatically approved for claims and another possible legislation change would recognize Post Traumatic Stress Disorder as a compensable claim. These changes will impact Fire Services ability to pay WSIB claims. Potential claim estimates are being monitored and if necessary will be reported to Council in 2015.
- **Waste Diversion**
  - Negotiations between municipalities and the stewards for Blue Box funding payment in 2015 are underway. Last year the two sides had to go to arbitration to settle differences. The arbitrator's decision resulted in additional funding to municipalities in 2014, but the arbitrator's decision was not binding on 2015 payments. Negotiations for 2015 may result in additional funding.
  - It is City staff's understanding that the government is likely to resurrect a revised version of Bill 91 which may shift from existing Industry Funding Programs for tires, electronics, household special waste and the Blue Box program to individual producer programs. This would likely result in increased funding for the Blue Box program and household special waste program.
- **Insurance** – The City of London self-insures itself against certain liabilities. The Self Insurance Reserve Fund is being reviewed to determine if there are adequate funds available to meet current and future liabilities. The impacts of this analysis are currently not known and may have an impact on the 2015 budget and beyond.

## **2014 WATER AND WASTEWATER & TREATMENT BUDGET**

### **Water Budget**

The Water rate supported budget incurred a \$1.8 million deficit at year-end. The deficit is primarily the result of revenue shortfalls due to lower water consumption influenced by water conservation efforts and the wet, cool weather conditions during the summer months partially offset by additional revenue in the Water Infrastructure Charge, Fire Protection Charge, and Water Service Applications.

Operational deficits incurred as a result of harsh winter weather conditions caused an unusually high number of watermain breaks. Partially offsetting these cost overruns were savings in purchase of water, delayed commissioning of the Southeast Reservoir and Pumping Station and other operational savings.

To balance year-end operations, Civic Administration recognized a \$1.8 million draw down from the Capital Water Reserve Fund. This leaves a 2014 year-end uncommitted balance of \$13.0 million to be utilized in future year capital budgets as a source of funding to reduce the infrastructure deficit and the reliance on debenture financing.

<b>Water Budget (\$ 000's)</b>			
	<b>2014 Revised Budget</b>	<b>Year End Position</b>	<b>Year End Savings/ (Deficit)</b>
<b>Revenues</b>	(69,705)	(68,036)	(1,669)
<b>Expenditures</b>	69,705	69,802	(97)
<b>Net</b>	-	(1,766)	(1,766)

### **Wastewater & Treatment Budget**

The Wastewater & Treatment budget incurred a \$1.5 million deficit at year-end. The deficit is the result of reduced sanitary sewer system revenues based on decreased sanitary sewer billing volumes. Consistent with the Water Budget (noted above), water consumption used to assess the sanitary portion of sewer charges was lower than what the budgeted revenues were based on. Additionally, revenues were overestimated for the new Sanitary Infrastructure Connection and Sanitary Drainage charges included in the Water and Wastewater rate structure implemented in 2013 (adjustments have been reflected in the 2015 budget). Partially offsetting the above noted pressures are operational savings realized from lower than expected expenditures in personnel, operating supplies, utilities and external equipment rentals as a result of cost containment and efficiency strategies implemented.

To balance year end operations, Civic Administration recognized a \$1.5 million draw down from the Wastewater Rate Stabilization Reserve. This leaves a 2014 year end uncommitted balance of \$410,000.

<b>Wastewater &amp; Treatment Budget (\$ 000's)</b>			
	<b>2014 Revised Budget</b>	<b>Year End Position</b>	<b>Year End Savings/ (Deficit)</b>
<b>Revenues</b>	(84,529)	(82,414)	(2,115)
<b>Expenditures</b>	84,529	83,891	638
<b>Net</b>	-	(1,477)	(1,477)

### **Emerging Issues**

- Ongoing revenue pressures from lower than anticipated water consumption as a result of weather conditions and conservation efforts by users of the water and sewer system. Even a small reduction in consumption can result in revenue shortfalls of hundreds of

,000s of dollars. The trend of water and sewer conservation is anticipated to continue impacting the Water and Wastewater budget in future years, making it challenging to generate sufficient revenues to meet system needs.

- Costs Associated with Future Corporate Initiatives - The Downtown Master Plan was recently presented to Council, the cost of which is currently being developed. This initiative may require future funding and it is critical to maintain financial flexibility in order to accommodate this and other initiatives as they arise.
- Full Cost Accounting for the Utilities – The Water and Wastewater utilities have been progressing toward full-cost accounting for a number of years. This process involves charging the utilities the full cost of services they receive, including those provided by other corporate service areas. A review conducted in 2014 indicates that the charges to Water and Wastewater should be adjusted in the future to reflect the actual services provided. A plan to implement the new charges is currently being developed.
- Future Energy Costs – While further energy efficiency projects are planned for the near future, energy prices may have a detrimental impact on future rates if they continue to increase at recent levels without a more concerted energy reduction effort.

### **UNFUNDED LIABILITIES**

The City of London's unfunded liabilities consist of future employee benefits payable and landfill closure and post closure costs. The total liability is \$158.5 million (\$155.2 million in 2012). The liability is offset by reserve and reserve funds of \$81.1 million (2012 restated to \$77.0 million) for a net unfunded liability balance of \$77.4 million (2012 restated to \$78.2 million). Over the years, Council has authorized Civic Administration to allocate personnel savings and unspent contingency budgets to the Unfunded Liability Reserve in order to reduce the growth in this liability.

### **VACANCY MANAGEMENT**

All positions that become vacant, with some exceptions, are subject to 90 days savings corporately. The savings from these positions are contributed to Efficiency, Effectiveness and Economy Reserves to be used as a one-time funding source for initiatives recommended by the Senior Leadership Team. Any savings due to vacancies longer than 90 days accrue to services and are included in the above projections identified earlier in the report. In 2014, the Corporation realized \$2,904,601 (\$2,456,078 – property tax supported; \$124,005 – water; and \$324,518 – wastewater) of vacancy management savings. In 2013, the Corporation realized \$2,907,800 (\$2,483,521 – property tax supported; \$128,627 – water; and \$295,652 – wastewater) in vacancy management savings.

### **SUMMARY**

Civic Administration realized a net savings of \$1.5 million in the 2014 Property Tax Supported budget. The major factors contributing to this position are higher than anticipated winter maintenance costs due to higher than average snowfall experienced and a Fire interest arbitration award of 1.9% effective January 1, 2014 to the London Professional Firefighters Association. Corporate savings were realized as a result of Civic Service Areas continued effort to manage personnel vacancies across the organization including Fire Services, Information Technology Services and Parks, Recreation and Neighbourhood Services and higher than anticipated revenue from short-term and long-term investments, and interest and penalty on taxes. In addition, the City realized savings as a result of the Middlesex-London Health Unit prior period recovery related to accounting and reporting requirements and realized a contribution to the Unfunded Liability Reserve to address corporate liabilities.

The Water budget incurred a \$1.8 million deficit and balanced its budget by drawing down from the Water Capital Reserve Fund. The Wastewater & Treatment budget incurred a \$1.5 million deficit and balanced its budget by drawing down from the Wastewater Rate Stabilization Reserve. These two budgets continue to experience shortfalls in consumption based revenue due to lower than expected water consumption patterns.

<b>Prepared By:</b>	<b>Reviewed By:</b>
<b>David Bordin</b> <b>Manager of Financial Planning &amp; Policy</b>	<b>Jason Senese</b> <b>Manager of Financial Planning &amp; Policy</b>
<b>Concurred By:</b>	<b>Recommended By:</b>
<b>Larry Palarchio</b> <b>Director of Financial Planning &amp; Policy</b>	<b>Martin Hayward</b> <b>Managing Director, Corporate Services and</b> <b>City Treasurer, Chief Financial Officer</b>

APPENDIX 'A'

2014 OPERATING BUDGET STATUS  
4th QUARTER REPORT  
(\$ 000) <sup>(1)</sup>

	4th Quarter Report			
	COUNCIL APPROVED NET BUDGET	REVISED NET BUDGET <sup>(2)</sup>	YEAR END POSITIONS	YEAR END SURPLUS (DEFICIT)
<b>Culture:</b>				
Centennial Hall	101	101	117	(16)
Arts, Culture & Heritage Advisory & Funding	2,171	2,180	2,157	23
Museum London	1,550	1,550	1,550	0
Eldon House	232	232	232	0
Heritage	97	157	102	55
Libraries	18,713	18,713	18,713	0
<b>Total Culture</b>	<b>22,864</b>	<b>22,933</b>	<b>22,871</b>	<b>62</b>
<b>Economic Prosperity:</b>				
Business Attraction & Retention	11,387	11,955	11,923	32
Community Improvement/BIA	191	188	187	1
London Convention Centre	600	569	569	0
Tourism London	1,845	1,864	1,864	0
Covent Garden Market	0	0	0	0
<b>Total Economic Prosperity</b>	<b>14,023</b>	<b>14,576</b>	<b>14,543</b>	<b>33</b>
<b>Environmental Services:</b>				
Kettle Creek Conservation Authority	374	393	399	(6)
Lower Thames Valley Conservation Authority	93	93	98	(5)
Upper Thames River Conservation Authority	2,726	2,726	2,726	0
Environmental Action Programs & Reporting	712	734	740	(6)
Garbage Recycling & Composting	12,736	13,283	13,160	123
<b>Total Environmental Services</b>	<b>16,641</b>	<b>17,229</b>	<b>17,123</b>	<b>106</b>
<b>Parks, Recreation &amp; Neighbourhood Services:</b>				
Neighbourhood & Recreation Services	18,017	18,539	18,173	366
Parks & Urban Forestry	10,934	11,182	11,072	110
<b>Total Parks, Recreation &amp; Neighbourhood Services</b>	<b>28,951</b>	<b>29,721</b>	<b>29,245</b>	<b>476</b>
<b>Planning &amp; Development Services:</b>				
Building Approvals	(1,253)	(1,177)	(1,033)	(144)
Planning Services	3,092	3,175	2,968	207
Development Services	3,523	3,680	3,724	(44)
<b>Total Planning &amp; Development Services</b>	<b>5,362</b>	<b>5,678</b>	<b>5,659</b>	<b>19</b>
<b>Protective Services:</b>				
Animal Services	1,436	1,435	1,494	(59)
By-Law Enforcement	1,139	1,108	1,149	(41)
Corporate Security & Emergency Management	1,184	1,322	1,295	27
Fire Services	55,635	55,390	55,333	57
Police Services	91,589	92,477	92,477	0
<b>Total Protective Services</b>	<b>150,983</b>	<b>151,732</b>	<b>151,748</b>	<b>(16)</b>
<b>Social &amp; Health Services:</b>				
Social Housing	12,279	12,913	12,129	784
London & Middlesex Housing Corporation <sup>3</sup>	8,052	7,955	7,955	0
Long Term Care	4,722	4,677	4,009	668
Land Ambulance	11,712	11,713	11,713	0
Middlesex London Health Unit	6,095	6,095	5,631	464
Social & Community Support Services	23,416	23,266	23,977	(711)
<b>Total Social &amp; Health Services</b>	<b>66,276</b>	<b>66,619</b>	<b>65,414</b>	<b>1,205</b>
<b>Transportation Services:</b>				
Parking	(3,093)	(3,244)	(3,622)	378
Public Transit	26,096	26,096	26,096	0
Roadways	34,218	35,224	39,036	(3,812)
<b>Total Transportation Services</b>	<b>57,221</b>	<b>58,076</b>	<b>61,510</b>	<b>(3,434)</b>
<b>Corporate, Operational &amp; Council Services:</b>				
Corporate Services	41,849	41,596	40,558	1,038
Corporate Planning & Administration	2,011	2,576	2,455	121
Council Services	3,240	3,242	3,092	150
Financial Management	89,255	84,576	83,599	977
Public Support Services	54	176	(587)	763
<b>Total Corporate, Operational &amp; Council Services</b>	<b>136,409</b>	<b>132,166</b>	<b>129,117</b>	<b>3,049</b>
<b>Total Property Tax Requirements</b>	<b>498,730</b>	<b>498,730</b>	<b>497,230</b>	<b>1,500</b>

1) Subject to rounding.

2) Includes housekeeping budget transfers. As authorized by Council's resolution at the time of the adoption of the 2014 budget, Civic Administration can approve transfers between accounts that are considered 'housekeeping' in nature. These adjustments primarily include items that are budgeted centrally, and during the year are distributed to various services.

3) London Middlesex Housing Corporation deficit of \$116 thousand not captured within the report due to pending Council direction.