

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON DECEMBER 1, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2015 OPERATING BUDGET STATUS – THIRD QUARTER REPORT

RECOMMENDATION

On the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer:

1. That the 2015 Operating Budget Status – Third Quarter Report for the Property Tax Supported (refer to **Appendix A**), Water, and Wastewater and Treatment Budgets **BE RECEIVED** for information, it being noted that Civic Administration is projecting:
 - a. \$4.7 million in net savings for the Property Tax Supported Budget as identified by Civic Administration and Boards and Commissions. The year-end position could fluctuate significantly based on factors beyond the control of Civic Administration such as Ontario Works caseload pressures, winter maintenance conditions and mandatory community improvement plan program incentives. It should also be noted that Civic Administration increased the London Police Service budget by \$1.6 million in the 3rd quarter to address budget related matters concerning policing services by a corresponding budget reduction in Financial Management.
 - b. \$1.1 million deficit in the Water Rate Supported Budget.
 - c. \$0.2 million deficit in the Wastewater and Treatment Rate Supported Budget.
2. That Civic Administration **BE AUTHORIZED** to contribute to/draw down from the Operating Budget Contingency Reserve to balance year-end operations of the Property Tax Supported Budget should the budget be in a surplus/deficit position.
3. That Civic Administration **BE AUTHORIZED** to contribute to the Unfunded Liability Reserve any operational savings realized from personnel and contingency budgets at 2015 year-end, it being noted that the net unfunded liability balance as reported in the 2014 Financial Statement is at \$94.6 million.
4. That Civic Administration **BE AUTHORIZED** to draw down from the Social Services Reserve Fund to offset transitional costs associated with the establishment of the Northeast and Southeast Ontario Works (OW) locations, it being noted that if sufficient savings to cover the transitional costs exists within the OW service area the draw down will not be taken.
5. That Civic Administration **BE AUTHORIZED** to contribute to/draw down from the Water Capital Reserve Fund to balance year-end operations of the Water Budget should the budget be in a surplus/deficit position.
6. That Civic Administration **BE AUTHORIZED** to contribute to/draw down from the Wastewater Rate Stabilization Reserve to balance year-end operations of the Wastewater & Treatment Budget should the budget be in a surplus/deficit position.
7. That Civic Administration's contribution of \$926,303 (\$692,227 – Property Tax Supported; \$165,160 – Water; and \$68,916. – Wastewater) to the Efficiency, Effectiveness and Economy reserves in 2015 **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- 2015 Council Approved Operating Budget (February 26, 2015 meeting of Council, Agenda Item 8)

BACKGROUND

The 2015 Operating Budget Status - Third Quarter Report provides a review and analysis of the Property Tax Supported Budget for the January 1st to September 30th, 2015 time period. **Appendix A** compares actual costs incurred as of September 30th, 2015 for the Property Tax Supported Budget. The comparison of actual costs incurred by Service Grouping to the annual budget can assist Civic Administration and Council in projecting the year-end surplus/(deficit) positions and highlight any potential pressure points in future budgets.

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).

Civic Administration will be bringing forward a report to the December 7, 2015 Strategic Priorities and Policy Committee with an updated Surplus/Deficit Policy. The policy has been updated to better meet operational pressures and allow Council to discuss the principles of the policy in order to meet the desires of this term of Council.

2015 PROPERTY TAX SUPPORTED BUDGET

Outlined in the table below is a comparison of net costs incurred as of September 30th, 2015 in comparison to costs incurred as of September 30th, 2014 for the Property Tax Supported Budget.

Year	Net Budget (\$ millions)	As at September 30 (\$ millions)	% Spent
2015	\$517.2	\$344.7	66.7%
2014	\$498.7	\$386.1	77.4%

As of September 30, 2015, Civic Administration is projecting \$4.7 million in savings for the Property Tax Supported Budget. Outlined below are some of the key items that are contributing to the projected year-end position.

Contributing Factor	3 rd Quarter (\$ millions) Surplus/ (Deficit)
Higher than expected supplementary tax revenue resulting from property assessments conducted by the Municipal Property Assessment Corporation.	3.3
Personnel savings resulting from cost containment initiatives such as vacancy management (positions not filled for 90 days) and organizational changes absorbed throughout the year.	3.1
Fleet Services anticipated fuel cost savings primarily due to lower fuel prices for diesel and unleaded.	0.6
Higher than anticipated winter maintenance costs due to higher than average snowfall experienced in the first half of 2015.	(1.6)
Lower than anticipated interest revenue resulting from unanticipated interest rate reduction announced by the Bank of Canada in 2015.	(1.2)
Garbage Recycling & Composting net revenue decrease due to reduced recycling revenue (lower commodity prices) and landfill tipping fee revenue partially offset by increased extended producer responsibility and processing fees.	(0.6)
Ontario Works expenses higher than budgeted resulting from an increase in caseload and an increase in the average cost per case.	(0.5)
Net contingency savings a result of personnel and legal related matters partially offset by obligatory reserve fund requirements and tax write-offs/allowances.	1.6
	\$4.7

A year-end surplus position of \$4.7 million represents approximately 0.9% of the Property Tax Supported Budget.

3rd Quarter Projected Year-End Position by Service Program

Outlined in the table below are the **projected** year-end surpluses and/or deficits by Service Program that contribute to the net \$4.7 million surplus.

SERVICE PROGRAM	\$ millions
CULTURE	(0.1)
<ul style="list-style-type: none"> • Centennial Hall deficit of \$147 thousand a result of lower than budgeted revenues due to the loss of Orchestra London revenues partially offset by savings in utility costs. • Arts, Culture and Heritage Advisory & Funding balanced budget with no major factors to report. • Museum London balanced budget a result of increased funding from the Museum operating endowment, grant funding, and donations offset by higher than anticipated utility costs and other net operational cost overruns. • Eldon House balanced budget with no major factors to report. • Heritage surplus of \$32 thousand a result of personnel savings. • London Public Library balanced budget with no major factors to report. 	

SERVICE PROGRAM	\$ millions
ECONOMIC PROSPERITY	0.1
<ul style="list-style-type: none"> • Business Attraction and Retention surplus of \$86 thousand a result of personnel savings due to a vacancies and other net operational cost savings. • Community Improvement/Business Improvement Area surplus of \$13 thousand a result of personnel savings. • London Convention Centre balanced budget with no major factors to report. • Tourism London balanced budget after contribution to their reserve of \$152 thousand; the amount contributed to the reserve stems from personnel savings partially offset by consultant costs, lower than budgeted revenues and other net operational cost overruns. • Covent Garden Market balanced budget with no major factors to report. 	
ENVIRONMENTAL SERVICES	(0.2)
<ul style="list-style-type: none"> • Kettle Creek Conservation Authority balanced budget with no major factors to report. • Lower Thames Valley Conservation Authority balanced budget with no major factors to report. • Upper Thames River Conservation Authority balanced budget with no major factors to report. • Environmental Action Programs and Reporting surplus of \$5 thousand a result of additional external program funding partially offset by a personnel deficit. • Garbage, Recycling & Composting deficit of \$239 thousand a result of the following: <ul style="list-style-type: none"> ○ \$595 thousand deficit due to lower than anticipated recycling revenues primarily related to lower commodity prices and decreased landfill tipping fee revenue resulting from the loss of a major customer partially offset by favourable funding formula changes to extender producer responsibility and higher than budgeted processing fee revenues; and ○ \$356 thousand surplus in recycling costs due to collection contract fuel savings and lower than budgeted processing fee costs. 	
PARKS, RECREATION, & NEIGHBOURHOOD SERVICES	0.4
<ul style="list-style-type: none"> • Neighbourhood & Recreation Services surplus of \$90 thousand a result of personnel savings and other net operational savings, partially offset by Arenas winter and summer ice rental deficit due to external competition, and higher than budgeted Recreation program subsidies for low income individuals and families. • Parks and Urban Forestry surplus of \$340 thousand a result of personnel savings including a delay in filling vacancies plus other net operational savings. 	
PLANNING & DEVELOPMENT SERVICES	1.4
<ul style="list-style-type: none"> • Building Approvals surplus of \$294 thousand a result of personnel savings partially offset by lower than expected fee based revenues primarily in building permits, swimming pool fence permits and zoning compliance letters. • Planning Services surplus of \$351 thousand a result of personnel savings and other net operational cost savings. • Development Services surplus of \$739 thousand a result of personnel savings, higher than anticipated net fee based revenues and other net operational cost savings. 	
PROTECTIVE SERVICES	0.4
<ul style="list-style-type: none"> • Animal Services deficit of \$50 thousand a result of lower than anticipated dog and cat licencing fee revenues and higher than budgeted private vet service costs partially offset by savings in the Cat Adoption Centre and Animal Control contracts. 	

SERVICE PROGRAM	\$ millions
<ul style="list-style-type: none"> • By-Law Enforcement surplus of \$390 thousand a result of personnel savings and other net operational cost savings partially offset by increased rent and renovation costs at Centennial House, and net user fee based revenue decreases (i.e. untidy lot by-law fees). • Corporate Security & Emergency Management surplus of \$113 thousand a result of personnel savings including a delay in filling vacancies and other net operational savings partially offset by a deficit in guard services based on current requirements. • Fire Services balanced budget a result of personnel savings from early retirements and the delayed hiring of vacant positions, as well as other net operational cost savings offset by additional Workplace Safety Insurance Board costs due to new provincial presumptive legislation and decreased revenues from false alarm and inspection callback fees. • The London Police Service (LPS) surplus of \$355 to be contributed to their reserve; the savings contributed to the reserve are the result of personnel savings and lower than budgeted fuel and propane costs partially offset by reduced provincial funding and other net operational cost overruns. The LPS surplus position includes the impact of the \$1.6 million budget increase to address budget related matters concerning policing services. 	
SOCIAL & HEALTH SERVICES	1.2
<ul style="list-style-type: none"> • Housing Services surplus of \$267 thousand a result of personnel savings, mortgage renewal savings and increased County revenue partially offset by reduced subsidy recoveries. It is recommended that the 2015 final surplus be contributed to the Affordable Housing Reserve to support housing initiatives and future work with the Housing Development Corporation. • London & Middlesex Housing Corporation surplus of \$80 thousand a result of various revenue increases and property tax cost savings due to lower than anticipated assessed values partially offset by utility cost pressures and other net operational cost overruns. • Long Term Care surplus of \$268 thousand a result of increased revenues in residential and government funding, and savings in personnel partially offset by repairs and maintenance cost pressures, and other net operational cost overruns. • Land Ambulance deficit of \$224 thousand a result of the City's share of an expansion of County service from 12 hour call-back to full 24 hour service coverage. • Middlesex-London Health Unit surplus of \$59 thousand a result of additional other program funding and other net operational savings partially offset by a personnel deficit. • Social and Community Support Services surplus of \$786 thousand a result of the following: <ul style="list-style-type: none"> ○ \$1.1 million surplus due to personnel savings partially offset by less than budgeted Ontario Works (OW) subsidy; ○ \$92 thousand surplus in Subsidized Transit due to lower than budgeted subsidy demand; ○ \$142 thousand surplus related to savings in 100% City funded client benefits and other net operational cost savings; and ○ \$548 thousand deficit in OW resulting from caseload and case cost pressures. 	
TRANSPORTATION SERVICES	(1.1)
<ul style="list-style-type: none"> • Parking Services surplus of \$66 thousand a result of personnel savings, higher than anticipated parking lot revenues and other net operational savings partially offset by less than anticipated parking meter revenue. 	

SERVICE PROGRAM	\$ millions
<ul style="list-style-type: none"> • London Transit Commission has submitted a surplus of \$371 thousand to due to fuel cost savings, the allocation of annualized service increases versus actual in-year expenditures and personnel savings partially offset by less than budgeted ridership revenue, increased direct bus maintenance and service costs, reduced draws from reserves and other net operational cost overruns. It is anticipated that the surplus will be contributed to City reserves if realized. • Roadway Services deficit of \$1.2 million a result of Snow Control cost pressures due to harsh winter conditions in the first quarter and Roadway Maintenance cost overruns, partially offset by personnel savings and Traffic Control surplus primarily due to electricity cost savings. 	
CORPORATE, OPERATIONAL, & COUNCIL SERVICES	6.3
<ul style="list-style-type: none"> • Corporate Services surplus of \$5.2 million a result of personnel savings, favourable fuel costs in Fleet, Information Technology Services (ITS) savings, and energy and maintenance costs savings in Facilities. It is recommended that any ITS savings be contributed to the ITS reserve fund. • Corporate Planning and Administration Services surplus of \$441 thousand a result of personnel savings and other net operational savings. • Council Services surplus of \$210 thousand a result of personnel savings and other net operational savings. • Public Support Services surplus of \$448 thousand a result of personnel savings and higher than anticipated revenue in Taxation and Licencing & Certificates partially offset by postage and courier deficits due to increased volumes. 	
FINANCIAL MANAGEMENT	(3.7)
<ul style="list-style-type: none"> • Corporate Financing deficit of \$3.7 million after accounting for a budget transfer to the London Police Service to address budget related matters pertaining to policing services. The deficit of \$3.7 million is a result of the following: <ul style="list-style-type: none"> ○ \$5.0 million cost pressure due to additional funding required for approved development charge incentive programs in the downtown and Old East Village (refer to emerging issue); ○ \$2.0 million deficit due to tax write-offs/allowances; ○ \$3.3 million surplus a result of increased supplementary taxes resulting from property assessments conducted by MPAC; and ○ \$1.2 million deficit due to lower than anticipated interest revenue resulting from unanticipated interest rate reduction announced by the Bank of Canada in 2015 offset by personnel savings and other net operational cost savings. 	
TOTAL PROJECTED YEAR-END POSITION	\$ 4.7

*subject to rounding

Housekeeping Budget Transfers

As authorized by resolution of Council at the time of the adoption of the 2015 Operating 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 2015 Budget transfers that are considered "housekeeping" in nature, and do not impact the Corporate Net Operating Budget." (3n/9/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 2015 up to the end of the third quarter:

- Adjustments to services to reflect the allocation of the approved 2015 assessment growth funding.
- Allocation of computer and telephone budgets from various areas to the Information Technology Division.
- Adjustments to reflect the City Manager's service area re-organization.
- Re-alignment of Financial Management from Corporate, Operations & Council Services to its own service program titled Financial Management. It being noted that the purpose of the re-alignment was to enhance the transparency of the City's financing activities as they related to all service areas within the City.
- Adjustment to the London Police Service to address budget related matters concerning policing services from the Financial Management service area.

Emerging Issues

Several service areas have advised Civic Administration of service delivery pressures that will likely impact 2015 expenditures/revenues and 2016 budget. These issues include:

- **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; and
 - Dearness - agreements (two) with SEIU (RN) (20 employees) and SEIU (Clerical) (11 employees) expired on December 31, 2014.
- **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 WSIB claims. This is causing a significant WSIB cost pressure in 2015, the current forecasted pressure is \$1.1 million and the pressure could grow to \$4 million by the end of the year if the previously denied claims are approved. Furthermore, WSIB public safety unions are attempting to have the government recognize Post Traumatic Stress Disorder as a compensable claim. If the bill passes there could be far reaching financial implications which are extremely difficult to predict.

- **Waste Diversion**

- Recycling markets continue to fluctuate. So far in 2015 commodity prices for recyclables in Ontario averaged \$106/tonne which is below the long-term average over the last decade of \$125/tonne. Commodity prices may drop further due to low oil prices or rebound to more historical norms.
- It is Civic Administrations understanding that the provincial 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 the household special waste program.

- **Landfill Tipping Fees** – Landfill Tipping fee revenue will decrease in 2015 due to loss of a major customer. Work is underway to make minor revisions to the Environmental Compliance Approval for the W12A landfill to possibly allow new revenue sources for the landfill. City staff have made adjustments to lower operational costs due to reduction in waste quantities.
- **Utilities** – The growth in utility costs continues to exceed inflation. For 2015, utility costs are anticipated to be within budget, but these costs are forecasted to place significant pressure on the 2016-2019 multi-year budget. For example, over the 2016-2019 multi-year budget utility cost increases for natural gas and electricity are forecasted to average 9.1% and 6.8% respectively.
- **Development Charges (DC) Incentive Reserve Funds** - The 2014 DC By-law included exemptions from development charges for institutional and commercial developments. Subsequently, two Community Improvement Plans were approved by Council to waive development charges for industrial development city wide and residential developments in the Downtown and Old East Village. All of these exemptions are funded from tax levy. For the 2015 budget, staff created budgets to support these exemptions based on the forecasted growth in the 2014 DC study. Staff have revised these budgets based on current Building Division growth forecasts for the commercial, industrial and institutional incentives. Commercial forecasted costs are exceeding expectations while industrial and institutional forecasted costs are lagging. However, anticipated annual unit growth in the Downtown and Old East Village from known applications is far exceeding originally forecasted demand. The increased residential growth projections for downtown and Old East Village are resulting in a 2015 budget pressure of \$5.0 million. Furthermore, it is anticipated that approximately \$25 million in additional residential DC incentives will be realized between 2016 and 2020.

2015 WATER AND WASTEWATER & TREATMENT BUDGET

Water Budget

As of September 30, 2015, the Water rate supported budget anticipates a \$1.1 million deficit by year-end.

Water consumption is continuing to decrease due to a combination of continued water conservation efforts and wet and cool weather conditions during the summer months which has a negative impact on net billing volumes. However, the loss in consumption based revenues has been partially mitigated by anticipated surpluses in Water Infrastructure Connection, Fire Protection and Bulk Water Sales.

Operational costs are projected to be in a surplus position at year-end. This is primarily due to lower than anticipated water consumption as noted above, which results in lower purchase of water costs. However, the reduced costs do not directly correlate with the reduction in water consumption due to an above average number of broken watermains and frozen services, which resulted in water purchased but not billed. In addition to these savings, personnel savings have been realized and other net operational savings have been realized due to the delay in commissioning the Southeast Reservoir and Pumping Station. Partially offsetting the savings are deficits in purchased services and equipment costs due to the harsh winter weather conditions. Consistent with past practice, Civic Administration continues to review further cost containment measures to balance the year-end position.

Water Budget (\$ 000's)					
	2015 Revised Budget	Actual as at September 30, 2015	Actual % Spent/ Realized	Projected Year End Position	Projected Year End Savings/ (Deficit)
Revenues	73,568	49,609	67.4%	71,649	(1,919)
Expenditures	73,568	46,328	63.0%	72,783	(785)
Net Balance Surplus/(Deficit)	-	3,281	N/A	(1,134)	(1,134)

Wastewater & Treatment Budget

The Wastewater & Treatment budget anticipates a \$0.2 million deficit by year-end.

Similar to the Water budget, Wastewater & Treatment is impacted by the continued decrease in water consumption and the bypassing of frozen services during the winter months. These factors are resulting in significant shortfalls in wastewater usage charges. The loss in consumption based revenues (wastewater usage charges) have been partially mitigated by anticipated surpluses in Wastewater Infrastructure, Storm Drainage and High Strength Waste revenue, personnel savings and vacancies, and other net operational savings.

Wastewater & Treatment Budget (\$ 000's)					
	2015 Revised Budget	Actual as at September 30, 2015	Actual % Spent/ Realized	Projected Year End Position	Projected Year End Savings/ (Deficit)
Revenues	89,183	60,239	67.5%	87,335	(1,848)
Expenditures	89,183	43,395	48.7%	87,561	(1,622)
Net Balance Surplus/(Deficit)	-	16,844	N/A	(226)	(226)

Emerging Issues

- Ongoing revenue pressures - Wet, cool weather conditions during the summer months, as well as a continued reduction in water consumption due to water conservation efforts will continue to exert pressure on water usage revenues. Even a small reduction in water usage as a result of this conservation trend has a significant impact on revenues and will be an ongoing challenge when trying to meet the needs of the system in future years. A 2% reduction to forecasted consumption was made for the 2015 budget, and a further 1% reduction is being proposed for the 2016 budget. Consumption continues to be reviewed in great detail to ensure forecasts are as accurate and realistic as possible.
- Costs Associated with Future Corporate Initiatives - The Downtown Master Plan and Rapid Transit are examples of corporate initiatives that have implications on the Water and Wastewater Service Areas. Other future initiatives that are anticipated include the Wastewater Optimization Strategy, the Pollution Prevention and Control Plan and Wastewater energy efficiency enhancements. Initiatives such as these may require future funding and it is critical to maintain financial flexibility in order to accommodate initiatives as they arise.
- Full Cost Accounting for the Utilities - Both the Water and Wastewater utilities are moving towards full-cost accounting, which involves charging the utilities the full cost of the services they receive from other corporate service areas. A review done in 2014 indicated that the charges to Water should be decreased by up to \$692k and charges to Wastewater should be increased by as much as \$950k in order to reflect the services provided to the Utility. A plan to incorporate a revision in these charges is being considered and may be implemented in future budgets.
- Future Energy Costs – Although additional energy efficiency projects are planned in the near future, energy costs may negatively affect future year budgets if prices continue to rise greater than what is forecasted.
- Regulatory Compliance - London meets or exceeds the Provincial and Federal requirements of its infrastructure and operations. Budget forecasts include the present requirements; however, our Regulators can impose changes, which are not in our 20 year cost forecasts. A recent announcement by the Province is a case in point. The Thames River Watershed has recently been identified for a 40% reduction in phosphorous loading to the Great Lakes. New Provincial legislation (Bill 66) is expected to give rise to policies and regulations on what, who, how and when the target is achieved. London Wastewater and Treatment rates may be impacted, the extent to which will be evaluated as more becomes known about London's role.

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 \$175.6 million (\$158.5 million in 2013). The liability is offset by reserve and reserve funds of \$81.0 million (2013 restated to \$79.8 million) for a net unfunded liability balance of \$94.6 million (2013 restated to \$78.7 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. The Corporation realized \$926,303 (\$692,227 – Property Tax Supported; \$165,160 – Water; and \$68,916 – Wastewater) for the period of January 1, 2015 to September 30, 2015. During the same period in 2014, the

Corporation realized \$1,826,617 (\$1,450,522 – Property Tax supported; \$226,368 – Water; and \$149,727 – Wastewater).

SUMMARY

Civic Administration anticipates a \$4.7 million year-end surplus in the 2015 Property Tax Supported Budget if trends experienced to date continue. The major factors contributing to this projected position are higher than anticipated supplementary tax revenue, personnel savings and contingency related matters partially offset by higher than anticipated winter maintenance costs, lower than anticipated interest revenue, Garbage Recycling & Composting net revenue decrease and Ontario Works caseload and case cost pressures.

The Water Budget anticipates a \$1.1 million deficit and the Wastewater & Treatment Budget anticipates a \$0.2 million deficit. These two budgets continue to experience net revenue shortfalls due to reductions in water consumption. In Wastewater and Treatment a surplus in expenditures is anticipated due to net operational cost containment and in Water a deficit in expenditures is anticipated due to higher than average watermain breaks from the cold winter experienced.

Civic Administration will continue to monitor and review corporate financial projections and trends for the remainder of 2015.

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

2015 OPERATING BUDGET STATUS
3rd QUARTER REPORT
(\$ 000) ⁽¹⁾

	2015				3rd QUARTER REPORT	
	COUNCIL APPROVED NET BUDGET	REVISED NET BUDGET ⁽²⁾	ACTUALS AS AT SEPTEMBER 30, 2015	ACTUAL % SPENT	PROJECTED YEAR END POSITIONS	PROJECTED YEAR END SURPLUS/ (DEFICIT)
Culture:						
Centennial Hall	105	105	138	131.4%	252	(147)
Arts, Culture & Heritage Advisory & Funding	2,253	2,185	1,494	68.4%	2,185	0
Museum London	1,614	1,614	1,373	85.1%	1,614	0
Eldon House	263	263	197	74.9%	263	0
Heritage	145	172	90	52.3%	140	32
Libraries	19,114	19,128	14,283	74.7%	19,128	0
Total Culture	23,494	23,467	17,575	74.9%	23,582	(115)
Economic Prosperity:						
Business Attraction & Retention ⁽³⁾	10,159	10,058	2,470	24.6%	9,972	86
Community Improvement/BIA	195	195	156	80.0%	182	13
London Convention Centre	569	580	441	76.0%	580	0
Tourism London	1,892	1,896	919	48.5%	1,896	0
Covent Garden Market	0	0	0	0.0%	0	0
Total Economic Prosperity	12,815	12,729	3,986	31.3%	12,630	99
Environmental Services:						
Kettle Creek Conservation Authority ⁽⁴⁾	412	412	412	100.0%	412	0
Lower Thames Valley Conservation Authority ⁽⁴⁾	100	100	100	100.0%	100	0
Upper Thames River Conservation Authority	2,886	2,886	2,088	72.3%	2,886	0
Environmental Action Programs & Reporting	735	736	464	63.0%	731	5
Garbage Recycling & Composting	13,529	15,909	10,273	64.6%	16,148	(239)
Total Environmental Services	17,662	20,043	13,337	66.5%	20,277	(234)
Parks, Recreation & Neighbourhood Services:						
Neighbourhood & Recreation Services ⁽⁵⁾	18,806	18,978	35,376	186.4%	18,888	90
Parks & Urban Forestry	11,542	11,762	8,647	73.5%	11,422	340
Total Parks, Recreation & Neighbourhood Services	30,348	30,740	44,023	143.2%	30,310	430
Planning & Development Services:						
Building Approvals ⁽⁶⁾	(1,151)	(1,124)	(1,960)	174.4%	(1,418)	294
Planning Services	3,201	3,241	1,965	60.6%	2,890	351
Development Services	3,751	3,796	1,990	52.4%	3,057	739
Total Planning & Development Services	5,801	5,913	1,995	33.7%	4,529	1,384
Protective Services:						
Animal Services	1,539	1,540	909	59.0%	1,590	(50)
By-Law Enforcement	1,182	1,202	75	6.2%	812	390
Corporate Security & Emergency Management	1,341	1,609	1,166	72.5%	1,496	113
Fire Services	55,667	55,649	36,113	64.9%	55,649	0
Police Services	93,166	94,837	69,321	73.1%	94,837	0
Total Protective Services	152,895	154,837	107,584	69.5%	154,384	453
Social & Health Services:						
Social Housing	12,544	12,554	10,073	80.2%	12,287	267
London & Middlesex Housing Corporation	8,541	8,569	7,706	89.9%	8,489	80
Long Term Care ⁽⁵⁾	4,400	4,963	5,171	104.2%	4,695	268
Land Ambulance	12,132	12,132	6,491	53.5%	12,356	(224)
Middlesex London Health Unit	6,095	6,095	4,571	75.0%	6,036	59
Social & Community Support Services	21,585	21,643	12,057	55.7%	20,857	786
Total Social & Health Services	65,297	65,956	46,069	69.8%	64,720	1,236
Transportation Services:						
Parking	(3,240)	(3,225)	(2,471)	76.6%	(3,291)	66
Public Transit	26,857	27,413	20,553	75.0%	27,413	0
Roadways	36,407	37,270	26,374	70.8%	38,452	(1,182)
Total Transportation Services	60,024	61,458	44,456	72.3%	62,574	(1,116)
Corporate, Operational & Council Services:						
Corporate Services	42,196	42,682	23,128	54.2%	37,486	5,196
Corporate Planning & Administration	2,603	2,156	1,116	51.8%	1,715	441
Council Services	3,250	3,253	2,072	63.7%	3,043	210
Public Support Services	195	289	(12)	(4.2%)	(159)	448
Total Corporate, Operational & Council Services	48,244	48,380	26,304	54.4%	42,085	6,295
Financial Management ⁽⁷⁾:						
Corporate Financing	94,736	93,628	39,392	42.1%	97,370	(3,742)
Total Financial Management	94,736	93,628	39,392	42.1%	97,370	(3,742)
Assessment Growth ⁽⁸⁾	5,835	0				
Total Property Tax Requirements	517,151	517,151	344,721	66.7%	512,460	4,690

1) All figures are subject to rounding.

2) Includes housekeeping budget transfers. As authorized by Council's resolution at the time of the adoption of the 2015 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) Business Attraction & Retention actual expenditures appear low as the Economic Development Infrastructure Reserve Fund contribution is not processed until later in the year.

4) Kettle Creek Conservation Authority and Lower Thames Valley Conservation Authority have already received their 2015 appropriation.

5) Neighbourhood & Recreation Services and Long Term Care actual expenditures appear high as the Provincial Subsidies are not recognized until later in the year.

6) Building Approvals actual revenue appears high due to early payment of building permit application fees.

7) Financial Management actual expenditures appear low as reserve and reserve fund allocations are not processed until later in the year.

8) Assessment Growth allocated per Council resolution (3/14/SPPC).