

TO:	CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON MARCH 26, 2012
FROM:	MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2011 OPERATING BUDGET STATUS – FOURTH QUARTER REPORT

RECOMMENDATION

1. That the 2011 Operating Budget Status – 4th Quarter Report for the General (Property Tax Supported refer to **Appendix A**), Water and Wastewater Budgets **BE RECEIVED** for information. An overview of the net corporate savings realized is outlined below:
 - a) a \$5.9 million in net savings realized from the General (Property Tax Supported) budget as identified by Civic Departments, Boards and Commissions. It being noted that the year end savings is \$1.3 million higher than what was projected in the 2011 Operating Budget Status - 3rd Quarter Report. The \$5.9 million operating surplus was contributed to the Operating Budget Contingency Reserve, consistent with Council resolution;
 - b) a \$0.8 million deficit in the Water rate supported budget was realized primarily as a result of lower than anticipated water consumption. This year end deficit is \$ 0.7 million greater than the \$0.1 million deficit reported in the 2011 Operating Budget Status – 3rd Quarter Report. The \$0.8 million operating deficit was offset by a revenue draw from the Water Capital Reserve Fund, consistent with Council resolution. As a result of this draw, the 2012 to 2021 water capital budget and plan will be amended; and
 - c) a \$0.1 million deficit in the Wastewater rate supported budget primarily as a result of higher than anticipated operational expenditures in Sewer Operations. The realized year end deficit is an approximate \$1.1 million change from the projected \$1.0 million surplus reported in the in 2011 Operating Budget Status – 3rd Quarter Report. The \$0.1 million operating deficit was offset by draw down from the Wastewater Rate Stabilization Reserve, consistent with Council resolution.
2. That Civic Administration **BE AUTHORIZED** to draw down from the Operating Budget Contingency Reserve \$ 5.9 million as follows:
 - i. \$ 4.6 million to contribute to the Economic Development Reserve Fund in order to provide a funding source for investments in community initiatives as outlined as part of the City of London's Investment and Economic Prosperity Plan;
 - ii. \$ 1.0 million to be contributed to a Technology Services Reserve Fund to provide for a source of funding in order to invest in information technology as set out in the City of London Information Technology Strategy that was received by Municipal Council back in January;
 - iii. \$ 0.3 million be allocated back to the London & Middlesex Housing Corporation (LMHC) recognizing that during 2012 budget deliberations, LMHC reduced their 2012 budget request from the City of London provided that they could utilize prior year savings; and
 - iv. \$ 5,854 be allocated to the London Advisory Committee on Heritage (LACH) and \$1,000 be allocated to the Trees and Forests Advisory Committee (TFAC) in 2012 based on requests received and approved by Council for one-time funding initiatives.
3. That Civic Administration's contribution of \$1,406,803 (\$1,272,784 – property tax supported; \$117,364 – wastewater; and \$16,655 – water) to the Efficiency, Effectiveness, and Economy reserves in 2011 **BE RECEIVED** for information.

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

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- **2011 Operating Budget Status – 3rd Quarter Report**
(December 12, 2011 meeting of Finance and Administrative Services Committee, Consent Item # 4)
- **2011 Operating Budget Status – 2nd Quarter Report**
(September 14, 2011 meeting of Finance and Administration Committee, Consent Item # 4)
- **World Figure Skating Championship** (August 17, 2011 meeting of Finance and Administration Committee, Agenda Item # 6)
- **7th Report of the Trees and Forests Advisory Committee** (September 13, 2011 meeting of Community and Neighbourhoods Committee, Agenda Item # 11)
- **12th Report of the London Advisory Committee on Heritage** (November 28, 2011 meeting of Built and Natural Environment Committee, Agenda Item # 10)
- **City of London Information Technology Strategy** (January 16, 2012 meeting of Finance and Administrative Services Committee, Agenda Item # 11)
- **Developing a Strategic Investment And Economic Prosperity Plan** (January 23, 2012 meeting of Investment and Economic Prosperity Committee, Agenda Item #6)

BACKGROUND

Appendix A provides a corporate overview of the Property Tax Supported budget position for the year ending as of December 31, 2011.

2011 GENERAL (PROPERTY TAX SUPPORTED) BUDGET

As of December 31, 2011, Civic Administration realized savings in the property tax supported budget totalling \$5.9 million. Outlined below are some of the key items that contributed to the yearend position.

	\$ millions	\$ millions 3rd Quarter Forecast
<ul style="list-style-type: none"> • Social and Community Support Services: <ul style="list-style-type: none"> - \$ 3.4 million increased subsidy for Ontario Works Cost of Administration - \$ 2.3 million in savings from personnel costs, administrative, and program cost savings due to cost, containment and programs savings, - \$ 1.3 million in Ontario Works caseload savings, and - \$ 0.4 million in net other program savings 	7.4	6.8
<ul style="list-style-type: none"> • Higher than anticipated revenue in Long Term Care Services, Parking Services, Recycling & Composting, Finance, Realty and DABU service fees. 	3.4	1.0
<ul style="list-style-type: none"> • Supplementary tax revenue greater than anticipated. 	3.0	3.0
<ul style="list-style-type: none"> • Net savings in Social Housing costs and net operational costs savings experienced at the London & Middlesex Housing Corporation. These reduced costs are partially offset by a reduction in county revenue. 	1.2	0.8
<ul style="list-style-type: none"> • Lower than anticipated Building Permit revenue. 	(0.3)	-
<ul style="list-style-type: none"> • Higher than anticipated winter maintenance costs experienced in the 1st quarter of 2011. 	(0.7)	(1.3)
<ul style="list-style-type: none"> • Required contribution to the City's Unfunded Liability Reserve partially offset by planned savings realized in Civic Departments. Planned savings resulted from personnel savings due to gapping (over and above position management) as well as other program savings (efficiencies), excluding Social and Community Support Services. <p>NOTE: The City's unfunded liability reported in the 2010 annual financial report totalled \$128.9 million. The balance in the unfunded liability reserve at the end of 2010 was \$30.5 million.</p>	(1.5)	0.9

	\$ millions	\$ millions 3rd Quarter Forecast
<ul style="list-style-type: none"> Increase in capital financing (2011 capital levy) to fund 2013 World Figure Skating Championship (\$2.1m) and future industrial land acquisition (\$1.1m). 	(3.2)	(3.2)
<ul style="list-style-type: none"> Reduction in draw required from the Operating Budget Contingency Reserve. 	(3.4)	(3.4)
Year End Position – Before Contributions to Operating Budget Contingency Reserve	<u>\$5.9</u>	<u>\$4.6</u>

*Figures subject to rounding

4th Quarter Year End Position by Service Program

Outlined in the table below is a breakdown of the contributing factors provided by Service Programs identifying year end savings and/or deficits.

	SERVICE PROGRAM	\$ millions
	CULTURE	0.00
0.00	Cultural Services (including Museum London), Heritage, and London Public Library realized a break even position by year end.	
	ECONOMIC PROSPERITY	0.2
0.2	Economic Development Services realized minor savings by year end resulting from prior year savings.	
	ENVIRONMENTAL SERVICES	0.3
(0.18)	Higher than anticipated costs were experienced in the Garbage, Collection and Disposal Service related to higher equipment costs due to an increase in additional leachate and sludge expenses to stay in compliance with Certificate of Approval which was partially offset by higher tipping fees.	
0.52	Recycling revenues were higher in the Recycling and Composting Service as a result of higher commodity pricing which offset the transition costs of the new Material Recovery facility, higher composting costs as greater than expected quantities were delivered by Londoners to the Community EnviroDepots and lower than anticipated funding for household special waste.	
(0.04)	Environmental Stewardship incurred a \$42,000 deficit and the Conservation Authorities all have reported a breakeven position for 2011.	
	PARKS, RECREATION, & NEIGHBOURHOOD SERVICES	0.14
0.18	Neighbourhood & Recreation Services realized a net savings of \$176,000 at year end attributable to: <ul style="list-style-type: none"> Community Centres, Arenas, Recreation and Leisure Programming, and Special Events realized year end savings of \$711,000. Golf had a \$282,000 year end deficit without a contribution to the golf reserve fund. A poor start to the season due to the wet and inclement weather resulted in 10,000 rounds less than business plan target, rebounding throughout the summer with an increase of 5,000 rounds. Sales of food and beverages were lower than anticipated due to the lower activity on the courses. Children's Services incurred a \$131,000 deficit noting that a draw from the CVP reserve was not required, as this deficit was covered by other planned savings achieved within the department. Aquatic Services deficit of \$122,000 is due to reduced demand for children's lessons and admission swimming at indoor pools. 	
(0.04)	Parks & Urban Forestry incurred a \$35,000 deficit as a result of increased costs related to the maintenance of additional subdivisions and parks to adhere to the service level standards established in 2010.	

	SERVICE PROGRAM	\$ millions
PLANNING & DEVELOPMENT SERVICES		0.19
(0.17)	Building Control Services incurred a year end deficit of \$175,000; primarily resulting from a loss of building permit revenue of \$317,000, partially offset by personnel savings and various revenue surpluses.	
(0.15)	City Planning & Research \$146,000 year end deficit results primarily from lower than anticipated development application activity, higher than anticipated Brownfield applications and additional maintenance and hydro costs for office rentals.	
0.51	Development Approvals realized a favourable year end position of \$510,000 resulting from increased development approval activity and personnel savings due to gapping.	
PROTECTIVE SERVICES		(0.9)
(0.27)	Animal Services \$265,000 deficit was primarily from increased operational expenditures and reduced licencing revenue.	
(0.09)	By-Law Enforcement Services incurred \$96,000 year end net deficit mainly due to revenue not materializing; a primarily the residential rental licencing revenue, a shortfall in business licencing revenue and reduced revenue from the untidy lots. These shortfalls are partially offset by savings in personnel due to gapping.	
0.03	Emergency & Security Management Services savings at year end were due to personnel gapping partially offset by increased guard services costs.	
1.00	London Police Services reported a \$1.0 surplus position at year end with lower than anticipated utility costs and net savings in personnel (gapping) despite experiencing higher than anticipated WSIB expenses.	
(1.00)	To balance year end operations, London Police Services contributed to their Unfunded Liability Reserve (\$0.7) and the Sick Leave Reserve Fund (\$0.3).	
(0.60)	Fire Services deficit at year end of \$603,000 is mainly due to personnel cost deficits caused by unanticipated WSIB costs and higher than anticipated overtime.	
SOCIAL & HEALTH SERVICES		9.2
1.17	Housing Services \$984,000 in net savings is due to lower than anticipated subsidy costs resulting from prior year's recoveries and mortgage renewals at lower interest rates, partially offset by County revenue reduction based on shared lower housing costs. London & Middlesex Housing Corporation (LMHC) realized an \$185,321 net surplus in 2011. Significant savings in electricity, maintenance costs and personnel gapping were partially offset by the increased pest control (bed bug treatments) program. This is the second year that LMHC has realized a year end net surplus position. In 2010, LMHC also realized a \$139,271 year end surplus. As a result, as identified to Municipal Council during 2012 budget deliberations, LMHC requested and was approved to utilize \$300,000 from these yearend positions to reduce the 2012 budget request from the City of London.	
0.52	Long Term Care Services realized \$524,000 surplus from increased funding from the Ministry of Health and Long Term Care for the 2011 approved staffing model, resulting in new position gapping savings. Operational cost overruns in maintenance, supplies and equipment offset savings.	
0.17	Middlesex-London Health Unit realized \$168,000 surplus in 2011.	

	SERVICE PROGRAM	\$ millions
7.39	<p>Social and Community Support Services realized \$7.4 million in savings based on the following:</p> <ul style="list-style-type: none"> ○ \$3.4 million in increased subsidy for Ontario Works due to the new funding model implemented in April 2011. ○ \$2.3 million in personnel cost savings due to gapping along with other administrative and program cost savings due to cost containment and program savings. ○ \$1.3 million in Ontario Works caseload savings attributable to case cost savings of \$14 and 611 case surpluses per month. ○ \$0.3 million additional funding from the Ministry for the Energy Emergency fund. ○ \$0.2 million in savings due to lower than budgeted occupancy at emergency shelters. ○ OW Child Care participant net costs exceeded budget by \$0.1 million. 	
TRANSPORTATION SERVICES		0.57
0.28	Parking Services favourable year end position of \$279,000 resulted from higher than anticipated parking revenues and savings in contractual obligations for snow removal and winter grounds maintenance which offset increase costs for meter parts.	
0.00	London Transit realized a breakeven position by year end noting that favourable personnel costs (vacancy management) and ridership and related revenue is projected to offset higher than anticipated fuel costs related to pricing, unfavourable insurance claim deductible costs, and an increased contribution to the Public Liability Reserve, given continuous high claims experience.	
0.29	Roadway Services realized a net \$294,000 surplus at year end mainly due higher than anticipated sanitary/storm maintenance and road restoration recoveries, street lighting and traffic signals program cost savings and personnel gapping. These savings were partially offset by severe weather activity experienced (\$731,000).	
CORPORATE, OPERATIONAL, & COUNCIL SERVICES		(3.8)
3.35	<p>Corporate Services realized savings of \$3.3 million mainly attributable to personnel gapping savings, Fleet savings (lower fuel and supply costs), TSD operational planned savings and administrative cost containment savings.</p> <p>Note: AODA realized program savings of \$1.0 million which, consistent with Council resolution, was transferred to the AODA reserve.</p>	
0.13	Corporate Planning and Administration Services realized \$130,000 in savings due to personnel gapping.	
0.32	Council Services realized one-time savings from unspent funds that were set aside to address the recommendations from the Governance Working Group as well as administrative expenses cost containment initiatives.	
(8.3)	<p>Financial Management anticipates a net \$ 8.3 million deficit at year end due to the following:</p> <ul style="list-style-type: none"> ○ Reduction in strategic draw from the Operating Budget Contingency Reserve (\$3.41 million) as draw was not required to balance the 2011 year end position; ○ \$ 3.2 million in increased 2011 capital levy to provide for a funding source for the 2013 World Figure Skating Championship initiatives, and future industrial land acquisitions; and 	

	SERVICE PROGRAM	\$ millions
0.68	<ul style="list-style-type: none"> ○ Consistent with Council resolution, a \$4.1 million contribution to the Unfunded Liability Reserve to mitigate the growth in the City's unfunded liability was made, it being noted that the City's unfunded liability in 2010 was \$128.9 million. The unfunded liability reserve balance at the end of 2010 was \$30.5 million. ○ Higher than anticipated required net corporate expenditures \$ 0.7 of million was realized in 2011 over and above budget. <p>These budgetary pressures have been partially offset by higher than anticipated supplementary tax revenue (\$3.0 million) and grants in lieu revenue (\$ 0.1 million).</p> <p>Public Support Services:</p> <ul style="list-style-type: none"> ○ Taxation fee revenue realized was \$553,000 higher than budget. 	
	TOTAL YEAR END POSITION	\$ 5.9

*Figures subject to rounding

Housekeeping Budget Transfers

As authorized by resolution of Council at the time of the adoption of the 2011 budget, Civic Administration will, throughout the year, approve transfers between accounts that are considered 'housekeeping' in nature.

"30. That the Civic Administration BE AUTHORIZED to accommodate 2011 budget transfers that are considered "housekeeping" in nature, and that do not impact the Corporate Net Operating Budget. (30/9/CW)"

'Housekeeping' adjustments primarily include items that are budgeted centrally at the time of adoption of estimates (budget) and during the year are distributed to various departments.

The following housekeeping budget adjustments were processed in 2011.

- Adjustments to reflect the recent corporate re-alignment, revised structure in the City Manager's Department, Community Services Department, Planning, Environmental and Engineering Services Department and the Finance Department.
- Allocation of budget dollars from Corporate Revenues & Expenditures to the appropriate Civic Departments and/or Boards and Commissions to allocate Position Management savings, contingencies, and the net increase in fringe benefit costs related the 2011 OMERS rate increase net of budget reduction in the 2011 group benefit plans.
- Transfer of Upper Thames River Conservation Authority 2011 budget for the funding of London's share of the costs of the new UTRCA administration building.
- Allocation of computer and telephone budgets from various departments to the Technology Services Division.

Emerging Issues

Several civic departments/boards and commissions have advised Civic Administration of program service delivery pressures that will likely impact 2012 expenditures/revenues and 2013 budget. These issues include:

- **2012 Ontario Budget** - The 2012 Ontario Budget is anticipated to be delivered to the Ontario Legislature in late March. It is anticipated that this Budget will address the recommendations that were outlined in the "Commission on the Reform of Ontario's Public Services" that was commissioned by the Ontario Government. This report identified 362 recommendations that in one way or another could impact the municipality as the Province looks to address its 2010-2011 \$14 billion deficit and with a target to balance its books by 2017-2018.
- **2012 Federal Budget** – The 2012 Federal Government Budget is set to be delivered March 29th, 2012. While the Federal Budget does not have as much of a direct impact on the municipality as the Provincial Budget, there have been initiatives brought forward that have had

an impact on municipal finances, i.e. Build Canada, Canada's Economic Action Plan, and Federal Gas Tax to name a few.

- **Personnel/Collective Agreements** – Outstanding arbitrations with the corporation's unions may have significant cost implications depending on the outcome of the grievance/arbitration process. It should also be noted that the London Professional Fire Fighters' Association labour agreement expired on December 31, 2010.
- **Ontario Municipal Employees Retirement System (OMERS)** – On September 8, 2010, the OMERS Sponsors Corporation approved a three-year contribution rate increase beginning in 2011. Contribution rates for the employer and employee will increase on average as a percentage of a member's earnings as follows; 1% in 2011, 1% in 2012, and 0.9% in 2013. This announcement puts pressure on future property tax supported budgets, water rate supported budgets, and wastewater & treatment rate supported budgets in 2011, 2012, and 2013. Note the contribution rate increases that were announced are intended to be temporary.
- **PSAB** (Public Sector Accounting Board) - PSAB 3150 requires changes in standards for tangible capital asset accounting.
- **Ontario Works Caseload** - London's economic recovery is lagging other areas of the province. The City of London unemployment rate reached 9.8% in December 2011. The Ministry of Community and Social Services is forecasting a 2.8% growth in London caseload in 2012 over 2011, noting a 3.9% caseload increase was realized in January 2012. Any caseload surplus in 2011 is not anticipated to continue in 2012, and if needed, a draw from the Operating Budget Contingency Reserve may be required.
- **Building Permit Revenue** – Activity levels continue lower than expected due to the economic downturn. A review of Building Permit fees is being conducted and will be reported to Council in 2012.
- **Social Housing Major Repairs Stabilization Reserve Fund** – As indicated in the Social Housing Building Condition Assessment and Capital Reserve Fund Study and reported to Council in 2010, the existing contribution levels to the Social Housing reserve funds are not adequate to meet the future capital repairs necessary for non-profit and Co-op housing properties.

4th Quarter Year End Allocation Recommendations

In 2011 a couple of significant investment opportunities have been presented to Council that could improve and grow London's economy as well lead to growth and service excellence at the City of London.

1) *Strategic Investment and Economic Prosperity Plan*

Throughout 2012, the Investment and Economic Prosperity Committee (IEPC) will be engaged in developing the Strategic Investment and Economic Prosperity Plan which will entail the review and vetting of 20+ unfunded/partially funded investment initiatives that would improve and grow London's economy. Once IEPC has prioritized the list of initiatives, a funding source that would represent the City's share of investment would be required. Examples of the investment initiatives include; Downtown Master Plan – Bus Route Change, Concert Hall, Forks Area Redevelopment, Transit System, 401/402 Corridor Interchange, Hydro Lands, SOHO Community Improvement Plans and Ontario Works in the Community. (Note for a more complete listing of projects, please refer to the "Developing a Strategic Investment and Economic Prosperity Plan" – Investment and Economic Prosperity Committee Report – January 23, 2012)

Given the impact that these initiatives could have on the local economy and the community, Civic Administration is recommending that \$4.6 million of the \$5.9 million that was contributed to the Operating Budget Contingency Reserve at year end be allocated to the Economic Development Reserve Fund.

2) *Information Technology Strategy 2012 - 2014*

On January 16, 2012, the Finance and Administrative Services Committee received from the Chief Technology Officer, the City of London's Information Technology Strategy. This strategy outlined that a change is required to the City's information technology service which would "enable business transformation and to realize a higher return on IT investment". To successfully implement the IT Strategy, three critical success factors were identified; Ownership & Resolve, People, and Funding. The recommendation put forward

in this report helps to address the 3rd critical success factor, “Funding”. Given that only one-time funding is required to support the implementation of this strategy, Civic Administration is recommending that \$ 1.0 million of the \$ 5.9 million that was contributed to the Operating Budget Contingency Reserve at year end be allocated towards the Information Technology Services Strategy. It should be noted that Technology Services realized close to \$ 1 million in savings, excluding personnel savings realized, in 2011 through work that was already underway as part of this transformative process.

3) London & Middlesex Housing Corporation 2012 Budget – City of London Allocation

On February 21, 2012, Municipal Council approved the London & Middlesex Housing Corporation (LMHC) proposal to utilize \$300,000 of their prior year(s) City of London funding surplus in order to reduce their 2012 operating budget request. Consistent with past practice at the end of each year, LMHC returns to the city their unspent city funding. In 2011, LMHC realized an \$185,321 net savings and in 2010 LMHC realized a \$139,271 net savings. Given that LMHC’s unspent funding has been returned and recognized by the City, Civic Administration is recommending, consistent with what was approved during 2012 budget deliberations, that \$300,000 be allocated from the Operating Budget Contingency Reserve and provided back to the London & Middlesex Housing Corporation.

4) London Advisory Committee on Heritage and Trees and Forests Advisory Committee

Both the London Advisory Committee on Heritage and the Trees and Forests Advisory Committee, through their reports to Council requested and were approved one time funding for initiatives that would be undertaken in 2012 which were over and above their Council approved base budget allocation.

- The London Advisory Committee on Heritage in their 12th Report of the London Advisory Committee on Heritage requested that they retain the remainder of their 2011 budget for use in 2012 for the inclusion of a photograph and a link to the Statements of Significance for heritage designated properties listed in the Inventory of Heritage Resources, \$ 5,854.
- The Trees and Forests Advisory Committee through their 7th Report of the Trees and Forests Advisory Committee requested one-time funding of \$1,000 to assist interested members to attend the 2012 Canadian Urban Forest Conference which is to be hosted by the City of London.

2011 WATER AND WASTEWATER & TREATMENT BUDGET

Water Budget

The Water rate supported budget incurred a \$0.8 million deficit at year end. Consistent with past status report, the Water budget continues to experience a decrease in water consumption. This decrease in consumption impacted volumes billed by \$2.2 million or 4.4% of what was budgeted. Consumption volumes for 2011 were 43.5 million m³, 4.4% lower than the budgeted 45.5 million m³. It should be noted that the 2011 Water budget already included a consumption reduction of 0.8 million m³ (46.3 million m³ to 45.5 million m³).

Partially offsetting the revenue loss are savings from the purchase of water, planned savings from personnel gapping and operating supply savings due to cost containment and the delay in commissioning the Southeast Reservoir.

To balance year end operations, consistent with Council resolution, Civic Administration recognized an \$810,976 draw down from the Capital Water Reserve Fund. As a result of this draw down, the 2012 Water Capital Budget and Plan will have to be re-evaluated in light of the reduced balance in the Capital Water Reserve Fund as a source of funding.

Water Budget (\$ 000's)			
	2011 Revised Budget	Year End Position	Year End Savings/ (Deficit)
Expenditures	56,747	55,139	1,608
Revenues	(56,747)	(54,328)	(2,419)
Net	-	(811)	(811)

❖ before draw down from Water Capital Reserve Fund

Wastewater and Treatment Budget

The Wastewater and Treatment budget incurred a \$121,784 deficit at year end. This deficit position is mainly the result of higher than anticipated costs incurred in Sewer Operations which were driven by a cave-in at a major intersection in the city, Richmond and Oxford. Wastewater and Treatment Operations incurred a minor deficit related to the operation of pollution control facilities. Higher costs in these two areas were partially offset by savings realized in Wastewater Engineering and General Administration along with higher than anticipated wastewater and treatment revenue. Revenues for high strength wastes, leachate processing charges, hauled liquid waste charges, and storm drainage exceeded budget, however these revenues were partially offset by a reduction in consumption based revenue; sanitary sewer system revenues. Sanitary sewer billing volumes were 4.2% below budgeted volumes.

To balance year end operations, Civic Administration recognized a \$121,784 draw down from the Wastewater Rate Stabilization Reserve. With this draw, the balance of the Wastewater Rate Stabilization Reserve would be \$ 1,709,298.

Wastewater & Treatment Budget (\$ 000's)			
	2011 Revised Budget	Year End Position	Year End Savings/ (Deficit)
Expenditures	71,364	71,562	(198)
Revenues	(71,364)	(71,440)	76
Net	-	(122)	(122)

❖ before draw down from Wastewater Rate Stabilization Reserve

Emerging Issues - Water and Wastewater

- Ongoing issues with billed flow volumes will impact the revenue derived from these volumes (sanitary surcharge and water billings). The continued impacts of weather conditions, conservation efforts by end users and the economic downturn could result in reduced revenues over this year and possibly next year.
- Outstanding arbitrations with the corporation's unions may have significant cost implications depending on the outcome of the grievance/arbitration process.
- Impact of full cost accounting under the Sustainable Water and Sewage Systems Act, Public Sector Accounting Board changes for tangible capital assets and Ontario Regulation 453/07 Financial Plans.
- Impact of lead mitigation activities to comply with anticipated corrosion control regulations (Ont. Reg.399/07 amending 170/03).
- Enhanced legislative requirements under the Safe Drinking Water Act and Clean Water Act.
- Final decisions in the electrical industry that will have impacts on the water meter reading and billing services currently contracted with London Hydro.
- It is anticipated that there will be a greater focus on inflow and infiltration and resulting bypasses and overflows for municipalities across Canada. This is likely to become a more significant and costly issue in years to come as a result of Canadian Council of Ministers of the Environment (CCME) guidelines.
- If enacted, enhanced legislative requirements under the proposed Water Opportunities and Water Conservation Act, 2010.

EFFICIENCY, EFFECTIVENESS, and ECONOMY RESERVE (formerly Vacancy Management)

All positions that become vacant within the year (with some exceptions) are subject to 90 days of savings (vacancy management). The 90 day savings from these positions are contributed to the Efficiency, Effectiveness, and Economy Reserves to be used as a one-time funding source supported by business case and recommended by the Senior Management Team to fund strategic investments that promote efficiency, effectiveness, and economy.

The Corporation realized \$1,406,803 (\$1,272,784 – property tax supported; \$117,364 – wastewater; and \$16,655 – water). During 2010, the Corporation realized \$1,197,068 (\$1,038,836 – property tax supported; \$126,502 – wastewater; and \$31,730 – water).

The 2011 yearend uncommitted balances in the Efficiency, Effectiveness, and Economy Reserves are:

- Property Tax Supported \$1.7 million
- Water Rate Supported \$0.2 million
- Wastewater & Treatment \$0.7 million
- \$2.6 million

SUMMARY

Civic Administration realized a favourable \$5.9 million year end position in the 2011 Property Tax Supported budget. The major factors contributing to this realized yearend position were comprised of net savings identified in Social and Community Support Services (e.g. Ontario Cost of Administration Subsidy, OW caseload), supplementary tax revenue, net savings in Housing and planned savings realized across the corporation attributable to position management and cost containment. These savings have been partially offset by deficits realized in winter maintenance, no draw from the Operating Budget Contingency Reserve, required contributions to the Unfunded Liability Reserve and the provision of a source of funding for initiatives such as the 2013 World Figure Skating Championship and the acquisition of Industrial Land. Consistent with Council resolution, \$ 5.9 million was contributed to the Operating Budget Contingency Reserve. It is recommended at this time, that Municipal Council allocate this favourable year end position to fund investment opportunities that have been proposed to Municipal Council as well as fund already approved one-time initiatives.

Consistent with prior year experience and adjustments made to budgets each year, Water and Wastewater & Treatment budgets continued to experience shortfalls in revenue due to lower than projected water consumption. As a result, the Water budget incurred a year end deficit of \$0.8 million. To balance year end operations, Civic Administration recognized a \$0.8 million draw down from the Capital Water Reserve Fund.

Wastewater & Treatment experienced a year end deficit of \$0.1 million resulting from higher than anticipated operational cost which were partially offset by higher than anticipated revenues mainly due to non-consumption based revenues. To balance year end operations, Civic Administration recognized a draw down from the Wastewater Rate Stabilization Reserve.

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Recommended By:	
Martin Hayward City Treasurer, Chief Financial Officer	

2011 OPERATING BUDGET STATUS
4th QUARTER REPORT - STATUS
(\$ 000) ⁽¹⁾

	2010 Actual	4th QUARTER REPORT		
		Revised Net Budget ⁽²⁾	Year End Positions	Year End Surplus (Deficit)
Culture:				
Cultural Services	3,690	3,735	3,720	15
Heritage	102	90	85	6
Libraries	17,086	17,794	17,794	0
Total Culture	20,878	21,619	21,599	21
Economic Prosperity:				
Economic Development	10,241	6,531	6,320	211
Total Economic Prosperity	10,241	6,531	6,320	211
Environmental Services:				
Conservation Authorities	10,707	2,903	2,903	0
Environmental Stewardship	655	682	725	(43)
Garbage Recycling & Composting	12,919	12,945	12,607	338
Total Environmental Services	24,281	16,530	16,235	295
Parks, Recreation & Neighbourhood Services:				
Neighbourhood & Recreation Services	13,588	14,837	14,661	176
Parks & Urban Forestry	9,099	9,613	9,649	(36)
Total Parks, Recreation & Neighbourhood Services	22,687	24,450	24,310	140
Planning & Development Services:				
Building Controls	(894)	(1,463)	(1,288)	(175)
City Planning & Research	2,135	2,246	2,392	(146)
Development Approvals	3,213	3,417	2,906	511
Total Planning & Development Services	4,454	4,200	4,010	190
Protective Services:				
Animal Services	1,174	1,059	1,324	(265)
By-Law Enforcement	580	713	809	(96)
Emergency & Security Management	1,075	1,123	1,096	27
Fire Services	49,711	51,402	52,005	(603)
Police Services	79,942	84,910	84,910	0
Total Protective Services	132,482	139,207	140,144	(937)
Social & Health Services:				
Housing	17,536	19,805	18,635	1,170
Long Term Care	4,188	4,183	3,660	523
Primary Health Care Services	15,534	16,215	16,046	169
Social & Community Support Services	28,972	35,565	28,170	7,395
Total Social & Health Services	66,230	75,768	66,511	9,257
Transportation Services:				
Parking	(2,439)	(2,144)	(2,423)	279
Public Transit	21,222	22,905	22,905	0
Roadways	31,982	31,781	31,487	294
Total Transportation Services	50,765	52,542	51,969	573
Corporate, Operational & Council Services:				
Corporate Services	41,117	44,066	40,720	3,346
Corporate Planning & Administration	2,224	2,569	2,439	130
Council Services	2,707	3,068	2,748	320
Financial Management	77,978	71,580	79,872	(8,292)
Public Support Services	328	595	(61)	656
Total Corporate, Operational & Council Services	124,354	121,877	125,718	(3,841)
Total Property Tax Requirements	456,372	462,724	456,816	5,908

1) Subject to rounding.

2) Includes housekeeping budget transfers. As authorized by Council's resolution at the time of the adoption of the 2011 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 departments.