

**THE CORPORATION OF THE CITY OF WINDSOR
Corporate Services Department**



MISSION STATEMENT:

"The City of Windsor, with the involvement of its citizens, will deliver effective and responsive municipal services, and will mobilize innovative community partnerships"

BASIS Report Number:	Report Date: April 14, 2003
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To: Mayor and Members of City Council

Subject: 2002 Final Operating Budget Variance Report

1. RECOMMENDATION: City Wide: Ward(s): _____

To Council for information.

EXECUTIVE SUMMARY:

The Corporation ended the 2002 fiscal year with an operating surplus of \$12,000 as itemized in the table that follows. As per normal practice, this surplus has been transferred to the Budget Stabilization Reserve Fund. It should be noted that this is an improvement of \$957,000 over the amount projected in the variance report submitted to Council at the November 12, 2002 preliminary budget meeting. Additionally this improvement, primarily achieved through the reduction of discretionary expenditures, means that the provision for economic deterioration of \$1,000,000 has not been spent and, therefore that amount has also been transferred to the Budget Stabilization Reserve Fund.

Department	Surplus (Deficit)
Representation	\$145,000
City Manager	\$45,000
Council Services	\$30,000
Legal & Human Resources	(\$120,000)
Payments to the Windsor Public Library	\$0
Economic Development Services	(\$215,000)
Corporate Services	\$650,000
Planning & Building	\$510,000
Traffic Engineering	(\$15,000)
Transit Windsor	(\$265,000)
Public Works	\$555,000
Parks & Recreation	(\$830,000)
Windsor Police Services	\$115,000
Windsor Fire Department	(\$515,000)
Social Services	\$2,030,000
Huron Lodge	(\$480,000)
Non-Departmental	(1,628,000)
Total Surplus	\$12,000

2. BACKGROUND:

Administration monitors the operating budget on an ongoing basis. The 2002 accounts have now been finalized (subject to the results of the ongoing external audit). This report is intended to provide details on the final net operating results of each department.

3. DISCUSSION:

The following table provides an analysis of the final operating variances by department.

Department	Description	Surplus/ (Deficit)
Representation	The surplus in this budget centre is attributable to a savings in the Tourism Development budget of \$30,000, Air Quality Committee \$60,000, \$10,000 in the contributions to municipal conferences budget, \$6,000 in the International Relations budget and \$39,000 combined miscellaneous variances.	\$145,000
CAO	The City Manager's Office ended the year with a surplus of \$45,000. Audit Services realized a surplus of \$100,000 due to gapping of positions. This however, was partially offset due to the over lapping of the City Manager position including the former, the acting and the new.	\$45,000
Council Services	Council Services ended the year with a surplus of approximately \$30,000. This surplus is primarily related to an under expenditure in the personnel accounts of approximately \$350,000. The positions approved to address the new bingo initiative and the manager of clerical services remained vacant for a portion of the year. Also, further savings in salaries were realized as the City Clerk was seconded to the position of Acting City Manager for approximately 6 months. A majority of these savings were however, offset by over expenditures of approximately \$55,000, resulting from the unanticipated 2002 Municipal By-Election. Also, the work stoppage earlier in the year contributed to increased expenditures of \$70,000 and lost revenue of \$135,000, which reduced the department's surplus position. Finally, continued instability of the bingo lottery industry resulted in lower than expected revenues of approximately \$60,000, which further reduced the surplus position for the year.	\$30,000
Legal & HR	The Legal and Human Resources department ended the year with a deficit of \$120,000. The Legal division realized a deficit of \$115,000 for the year. Of the total deficit, \$90,000 was due to staffing issues, which resulted in the over lapping and back filling of several positions. In addition, labour arbitration costs, which are driven by the number of grievances filed per year, were \$45,000 higher than anticipated.	(\$120,000)

Department	Description	Surplus/ (Deficit)
	<p>These deficits were partially offset by \$20,000 in increased revenue.</p> <p>The Human Resources division realized a deficit of \$80,000. Increased recruitment activity and equipment maintenance costs totalling approximately \$65,000, along with \$35,000 in charges associated with the Retirees' banquet, all contributed to the division's unfavourable variance. In addition, recoveries were \$60,000 less than anticipated. The deficit was partially offset however, by net salary savings of \$80,000 that were realized during the year.</p> <p>The Provincial Offences Administration division realized a surplus of \$75,000. While revenues were below budget by \$90,000 for the year, this was more than offset by savings in many areas of operations.</p>	
Payments to the Windsor Public Library	The City's grant to the Windsor Public Library was paid in accordance with the approved budget.	\$0
Economic Development	<p>The Economic Development department realized a deficit of \$215,000 for the year.</p> <p>The Convention and Visitors Bureau ended the year with a surplus of \$30,000. Savings were realized primarily due to gapping of positions and reduced travel expenditures.</p> <p>The Cleary International Centre realized a surplus of \$55,000 in 2002. Salary savings, along with better than expected sales in the Theatre Services area, made up the majority of the surplus.</p> <p>The Development Commission incurred costs of approximately \$300,000 related to their pursuit of the Bluebell project as a major business development initiative in the City of Windsor. Council Resolution 831/2002 authorized reimbursement of this amount to the Development Commission over and above the Commission's 2002 annual budget allocation.</p>	(\$215,000)
Corporate Services	<p>The Corporate Services Department finished the year with a surplus of \$650,000.</p> <p>The primary areas contributing to this surplus include a surplus of \$425,000 in the Building Maintenance program, \$173,000 in the Technology Services Division, and \$155,000 in the Administrative Services Division. These amounts were partially offset by a \$103,000 deficit due to the postponement of a planned retirement in the Treasury area and several other minor deficits.</p> <p>The above noted surpluses relate primarily to unspent wages and salary budgets due to the labour dispute, gapping of positions, lower paid replacements for employees on maternity leave or seconded to other projects.</p>	\$650,000

Department	Description	Surplus/ (Deficit)
Planning & Building	<p>The Planning & Building Department realized a surplus in the amount of \$510,000.</p> <p>A surplus of \$590,000 in the Building Division is mainly attributed to higher than anticipated permit revenue, along with salary savings due to the CUPE 543 work stoppage. Furthermore, under expenditures in temporary salaries, legal services, auditing services, consulting services and computer equipment offset over expenditures related to overtime, workers compensation, computer rental, vehicle-rental and bank charges.</p> <p>The Planning division realized a year-end deficit of approximately \$80,000, attributed mainly to a shortfall in user fee revenue due to a lower than normal rate of development applications. The relocation costs associated with the creation of the new Urban Design function within the division further contributed to the deficit, however, mitigating steps were taken to lessen the impact by way of gapping.</p>	\$510,000
Traffic Engineering	<p>The Traffic Engineering department realized a deficit of \$15,000 for the year.</p> <p>Traffic Signals, Traffic Administration and Parking Enforcement ended the year with a surplus in salaries of \$300,000 due to the CUPE Local 543 labour disruption and the gapping of vacant positions. Also, there was an under realization of revenues in Sign Maintenance.</p> <p>Parking enforcement offset this surplus position by \$315,000 net shortfall due to underachievement in parking and by-law revenue collected due to the labour disruptions (CUPE Local 543 and the Ontario Public Service Employees Union) that prevented capturing vehicle registration data.</p>	(\$15,000)
Transit Windsor	<p>Transit Windsor realized a deficit in the amount of \$265,000 for the year.</p> <p>There are two major issues related to their deficit. Firstly, there was a reduction in tunnel revenue of \$115,000 due to the events of September 11, 2001, which is directly correlated with the losses experienced by the Casino. Secondly, the on-board advertising contract needed to be renegotiated when the advertising company ran into financial difficulties resulting in a shortfall of \$150,000 in advertising revenue.</p> <p>However, Transit Windsor was successful this year in controlling their deficit position by ensuring expenditures in each division were in line with or lower than the approved budget as a result of cost containment initiatives.</p> <p>Some of these initiatives that mitigated a further deficit position were one-time reductions to balance the budget by reducing overtime, adjustment of service at the tunnel to match demand and deferral of discretionary expenditures.</p>	(\$265,000)

Department	Description	Surplus/ (Deficit)
Public Works	<p>The Public Works department ended the year in a surplus position in the amount of \$555,000.</p> <p>Hard Road Maintenance, Sidewalk, Curb & Gutter, and Alley Maintenance programs were overspent \$225,000. This was due to structural deficiencies and deteriorated surface conditions, which required remedial repairs in order to mitigate potential liability claims. The E.C. Row Expressway Maintenance program was overspent \$290,000 because scheduled programmed maintenance activities were funded from the operating budget rather than capital.</p> <p>Equipment Division Operations, Fuels & Miscellaneous Oils, and Vehicle Parts & Service programs were overspent by \$300,000 due to uncontrollable costs of fuel, and equipment replacement parts and service. The Equipment General Expense and Vehicle Rentals programs realized additional revenues approximating \$510,000 primarily due to increased costs of operations recovered from the fleet users.</p> <p>Residential / Commercial Collection and Containerized Collection programs realized under expenditures of \$240,000. This is primarily related to cost savings from the return of in-house fleet equipment no longer required and gapping of vacant full time positions.</p> <p>The Street Sanitation program was underspent by \$65,000 due to gapping of positions. As a result of not filling full time vacant positions and the gapping of temporary assignments the Waste Management Administration program realized an under expenditure of \$110,000.</p> <p>The Street Light Energy program realized an under expenditure of \$300,000 due to the installation of energy efficient lighting units. As a result of improvements in sick leave time off and reduced worker compensation claims, the Environmental Services Lost Time program realized a cost reduction of \$60,000. Finally, the Pest Control Program realized an under expenditure of \$85,000 because of a reduction of activities during the fiscal reporting period.</p>	\$555,000
Parks & Recreation	<p>The Parks and Recreation department realized a deficit of \$830,000 for the year.</p> <p>Several factors contributed to the overall deficit.</p> <p>Based on Council Resolution 511/2002, \$50,000 in overtime costs were incurred to complete the backlog of grass cutting projects on the City's right-of-way. In addition, costs related to the clean-up of the major ice storm of January 31st, 2002 totalled \$700,000, of which \$490,000 was absorbed by Parks Services, for a net cost of \$210,000.</p> <p>Also, it was proposed as part of the 2002 budget process that lifeguard staff at Sandpoint Beach be eliminated, however subsequent determination by the City's Legal department indicated</p>	(\$830,000)

Department	Description	Surplus/ (Deficit)
	<p>that this was too great a risk to the Corporation. As such, Recreation Services managed to incur only \$30,000, or half of the unbudgeted life guarding costs for Sandpoint Beach by rationalizing the difference through reductions in aquatic programming.</p> <p>Additional unbudgeted costs related to the Bright Nights Light display totalled \$22,000, as approved by Council Resolution 913/2002.</p> <p>Unfavourable variances were also realized in the areas of Workers Compensation costs, which were over budget by \$40,000 for the year, and utility costs, which were \$312,000 greater than anticipated. This utility over expenditure in Parks and Recreation is offset by a corporate contingency provision of \$500,000 for utility rate increases set-aside in the non-departmental budget.</p> <p>In addition, at the direction of the City's external auditors, a one-time year-end accounting adjustment for aquatic materials totalled \$59,000.</p> <p>Finally, general revenue shortfalls totalled approximately \$107,000.</p>	
Windsor Police Services	The Windsor Police Services Department ended the year with a \$115,000 surplus.	\$115,000
Windsor Fire Department	<p>The Windsor Fire Department has realized a deficit of \$515,000 in 2002.</p> <p>This deficit was primarily caused by increased overtime expenditures related to the department's staffing requirements. Overtime costs over and above the budgeted amount were incurred as a result of the ice storm of January 31st, increased hazmat training, 9-11 disaster meetings, several long-term WSIB injuries and long-term illnesses.</p>	(\$515,000)
Social Services	<p>The Social Services department realized a surplus of \$2,030,000 for the year 2002.</p> <p>The surplus is the net result of a number of program surpluses/deficits. Direct assistance costs for Ontario Works (OW) clients were up significantly in 2002 exceeding the budget for the net City share by approximately \$678,000. Increased costs for Ontario Disability Support Program and National Child Benefit were also experienced, exceeding the approved City budget by approximately \$218,000 and \$379,000 respectively. The employment services area also had a major budget shortfall of \$352,000.</p> <p>The main factors that mitigated the preceding items included: salary gapping/strike related savings and redeployment initiatives of approximately \$925,000 (City share) over all program areas, City share of additional negotiated Administration fiscal funding of</p>	\$2,030,000

Department	Description	Surplus/ (Deficit)
	<p>\$354,000, and surplus of \$238,000 from unrealized client demand for mandatory and discretionary benefits. In addition, settlement of the 2001 Ontario Works final claim contributed \$165,000 to the surplus.</p> <p>Closure of childcare centres during the strike and renovations at certain sites resulted in a program surplus of \$254,000. Revenue generated by exceeding targets under Consolidated Verification Process (OW related) and excess repayments/reimbursements added \$127,000 and \$250,000 respectively in unbudgeted revenue.</p> <p>Conscious deferral of discretionary expenditures resulted in a surplus of \$382,000.</p> <p>A budget surplus of \$146,000 resulted from inclusion of data processing line and Equifax costs under Welfare Fraud Control Measures, which the Province clarified in-year.</p> <p>Finally, actual expenditures were below budget in several areas with the largest variances due to budget and accounting adjustments made during the year, funding envelopes not being fully expended, municipal budget room in excess of funding, and fiscal adjustments not anticipated. Overall, these adjustments contributed \$816,000 to the surplus.</p>	
Huron Lodge	<p>Huron Lodge ended the year with a deficit of \$480,000.</p> <p>Salaries and Workplace Safety and Insurance Board (WSIB) costs were over budget by \$1,345,000 due to increased expenditures related to WSIB replacement, mandatory training replacement, and sick leave replacement. In addition, the facility experienced several disease outbreaks during the year, which impacted on every program from increased staffing levels to increased supplies for infection control purposes. This, coupled with various other operating over expenditures totalled \$130,000. Also contributing to the deficit were increased utility costs, which were \$75,000 higher than anticipated.</p> <p>The deficit was partially offset by the receipt of better than anticipated Provincial grants of \$490,000 and resident revenue of \$580,000, due to increases announced by the Ministry of Health part way through the year.</p>	(\$480,000)
Non - Departmental	See below.	(\$1,628,000)
	<i>Total</i>	\$12,000

Non-Departmental

Overall, as indicated above, the corporate accounts ended the year in a net deficit position of **\$1,628,000**. This variance is detailed as follows:

Account	Surplus/(Deficit)
Interest Income	\$1,600,000
Corporate Provision for Adjustments to Wages, Salaries, and Related	\$1,240,000
Medical Plans	\$1,115,000
Various Combined Miscellaneous	\$900,000
Social Housing - Non-profit	\$745,000
Social Housing - Local Housing Company	\$740,000
Corporate Utilities Provision	\$500,000
Community Reinvestment Fund	\$440,000
Contingency	\$310,000
US Exchange	\$250,000
Consortium Gas Rebate	\$230,000
Risk Management & Loss Prevention	(\$175,000)
Sick Leave Gratuity	(\$250,000)
Ambulances	(\$370,000)
Net Taxes	(\$430,000)
Consulting/Legal	(\$410,000)
Corporate Strike Savings Provision	(\$515,000)
Capital Funding In Lieu of Debentures	(\$1,400,000)
Funding of Completed Capital Projects	(\$1,713,000)
Transfer to Reserves	(\$1,735,000)
Allowance for Doubtful Accounts	(\$2,700,000)

- **Interest Income** – This surplus relates to improved cash flow management due to earlier tax billing as well as higher rates than those used to generate the budget.
- **Corporate Provision for Adjustments to Wages, Salaries, and Related** – Included in this category are the Corporate provisions for unsettled contracts, pay equity payments, and Workplace Safety Insurance Board payments. A surplus is normally expected in this cost centre because the actual expenditures are charged to the operating departments while the non-departmental budget provides the corporate budget provision. Additionally, the budget is difficult to estimate because charges vary significantly from year to year.
- **Medical Plans** – The surplus is the result of lower usage rates than were budgeted based on information supplied by Green Shield. As a result, Green Shield refunded to the City of Windsor approximately \$1.1 million of unspent contributions.
- **Various Combined Miscellaneous** – This amount is made up of the combined small variances relating to approximately one hundred different non-departmental accounts.
- **Social Housing – Non Profit** – This account experienced a surplus in the amount of \$745,000. This is attributable to specific savings attained as a result of a one time refund of subsidy costs charged by Ministry of Municipal Affairs and Housing in error (\$192,000), a refund of prior year subsidies by providers (\$600,000) and lower than budgeted subsidy costs in 2002 (\$270,000). Under the cost sharing arrangement with the County of Essex, 29.83% of savings accrues to the County.

- **Social Housing – Local Housing Company** – This account experienced a surplus in 2002. This is attributable to savings attained from a one-time receipt of Federal Block funding (\$1,078,012). Under the cost sharing arrangement with the County of Essex (29.83%), the net savings to the City of Windsor is \$740,717.
- **Corporate Utilities Provision** – The budget in this line item provides a Corporate provision to offset potential shortfalls in the departmental utilities budget. The surplus of \$500,000 is offset by a \$400,000 overage in the combined departmental utilities budgets.
- **Community Reinvestment Fund (CRF)** – In 2002, the province updated the calculations related to the CRF. Based on this recalculation, the City received \$440,000 more than anticipated.
- **Contingency** – This account provides a corporate provision for general unforeseen contingencies. Surplus or deficit positions are common in this account due to its nature. The current year’s surplus is \$310,000.
- **U.S. Exchange** – The City takes in U.S. dollars and also pays out cheques in U.S. dollars. Over the course of the year, the exchange differentials resulted in a positive balance of \$250,000.
- **Consortium Gas Rebate** – The City is part of a consortium of entities, which uses its combined purchasing power to achieve savings in the purchase of natural gas. In 2002, a \$230,000 rebate was received from the consortium as the City’s share of savings achieved.
- **Risk Management & Loss Prevention** – The \$175,000 deficit is mainly due to an increase in expenditures related to claims.
- **Sick Leave Gratuity** – Payments are made to eligible retirees for the allowable portion of unused sick leave credits. This account is difficult to budget because not all employees that are eligible to retire actually retire in any given year. In 2002, actual costs exceeded the \$1,000,000 budget by \$250,000.
- **Ambulances** – The service is provided by the County of Essex. Costs are billed to the City based on weighted assessment. According to the service provider, the \$370,000 deficit was due primarily to increases in wage settlements, occupancy costs and a shortfall in subsidy for training on advanced life support.
- **Net Taxes** – The \$430,000 shortfall in this account was realized due to the fact that write offs during the year exceeded supplementary tax additions.
- **Consulting/Legal** – The overage in this account is largely attributable to the expenditures related to the MFP investigation and legal proceedings.
- **Corporate Strike Savings Provision** – The realized savings spread throughout the operating departments offsets the deficit in this non-departmental account.
- **Capital Funding in Lieu of Debentures** – A number of completed capital projects required the issuance of debentures approved by Council (prior to the adoption of the new debt management strategy) to finalize funding. During the final review of the 2002 fiscal results, it was determined that approximately \$1,200,000 was available from the operating budget to fund these projects directly. Therefore, in order to save interest and debenture issuance costs, as well as to reduce long-term debt, this amount was transferred directly from the operating budget in order to finalize the funding. In total approximately \$9,000,000 of previously approved debentures remain unissued. As part of the 2004 budget, a financing strategy for these projects will be brought forward.

- **Funding of Completed Capital Projects** – Each year, completed capital projects are closed out. In 2002, approximately 150 projects were closed out. In order to close out projects, expenditures and revenues within each project need to be balanced. Depending on the timing and the mix of the closed projects, funding is required from (or returned to) the operating budget. In 2002, a net contribution of \$1,913,000 was required from the operating budget in order to finalize funding for the 150 projects that were closed out. This amount represents approximately 2.5% of the combined budgets for these projects.
- **Transfer to Reserves** – \$1,735,000 was transferred from the operating budget to the Riverfront Development Reserve Fund. This transfer was required in order for the reserve to have sufficient funds available to finance the capital projects approved in the 2001 and 2002 capital budgets. The funding transfer approved by CR 910/2000 was not encumbered in the reserve fund through an oversight. Therefore, the amount available from the reserve to fund the 2001 and 2002 capital program was overstated and, without this transfer, the reserve would not have sufficient funds to finance the previously approved projects.
- **Allowance for Doubtful Accounts** – In their comments on the results of the 2001 audit, the external auditors identified a shortfall in the allowance for doubtful accounts. Therefore, based on their recommendation as well as a detailed review of our outstanding accounts receivable, the allowance has been increased by \$2,700,000.

4. FINANCIAL MATTERS:

Discussed throughout this report.

5. CONSULTATIONS:

The operating departments provided comments to augment the analysis performed by the central finance function.

6. CONCLUSION:

While there were many variances within the accounts, overall the Corporation ended the 2002 fiscal year with a surplus of \$12,000. This amount has been transferred to the Budget Stabilization Reserve Fund along with the \$1,000,000 amount budgeted for the potential impacts of a deterioration in the economic environment.

Roman Martiuk
General Manager of Infrastructure Services

Dennis Perlin
City Manager

Helga Reidel
City Treasurer

APPENDICES:

N/A

DEPARTMENTS/OTHERS CONSULTED:

City Manager
Council Services
Legal & Human Resources
Windsor Public Library
Economic Development Services
Corporate Services
Planning & Building
Traffic Engineering
Transit Windsor
Public Works
Parks & Recreation
Windsor Police Services
Windsor Fire Department
Social Services
Huron Lodge

NOTIFICATION :

Name	Address	Email Address	Telephone	FAX