

**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: May 7, 2004
Author's Name: Onorio Colucci; Penny King	Date to Council: May 17, 2004
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To: Mayor and Members of City Council

Subject: 2003 Final Operating Budget Variance Report

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

1. THAT Council **RECEIVE FOR INFORMATION** the 2003 Final Operating Budget Variance Report showing a surplus of \$5,551,000, which represents approximately 0.9% of the 2003 gross budget of \$641,652,387.
2. THAT Council **APPROVE** the application of \$4,872,243 of the 2003 Operating Surplus to fund completed capital projects for which debt has been approved in previous capital budgets but has yet to be issued, resulting in the reduction of long-term debt of \$4,668,855.
3. THAT Council **APPROVE** the transfer of the remaining 2003 Operating Surplus of \$678,757 to the Budget Stabilization Reserve Fund.

EXECUTIVE SUMMARY:

The Corporation ended the 2003 fiscal year with an operating surplus of \$5.725 million as itemized in the table that follows. Included in arriving at the net surplus are budget carryforwards in the amount of \$1.636 million, which consist of approximately 22 different items which were not expended in 2003 and for which the related budget has been carried to 2004.

Approximately \$4.872 million of the surplus could be used to fund completed capital projects for which debt has been approved in previous Capital Budgets, but has yet to be issued due to the debt management plan. This will result in a reduction of long-term debt of approximately \$4.669 million. As per normal practice, the remainder of the surplus is recommended to be transferred to the Budget Stabilization Reserve Fund.

Department	Surplus (Deficit)
Representation	\$ 44,000
City Manager's Office	\$ 5,000
City Clerk's Office	(\$ 125,000)
Legal & Human Resources	(\$ 153,000)
Payments to the Windsor Public Library	\$ 0
Economic Development Services	\$ 47,000
Corporate Services	\$ 453,000

Planning & Building	(\$ 308,000)
Traffic Engineering	(\$ 254,000)
Transit Windsor	(\$ 181,000)
Public Works	(\$ 328,000)
Parks & Recreation	(\$ 286,000)
Windsor Police Services	\$ 118,000
Windsor Fire Department	(\$ 504,000)
Social Services	\$1,474,000
Huron Lodge	(\$ 639,000)
Non-Departmental	\$6,188,000
Total Surplus	\$5,551,000

2. BACKGROUND:

The information outlined in this report is based on the organizational structure, as it existed prior to the corporate restructuring, consistent with information presented in the 2003 3rd Quarter Operating Budget Variance Report.

Administration monitors the operating budget on an ongoing basis. The 2003 accounts have now been finalized (subject to the results of the 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	<p>The surplus in this budget centre is attributable to combined savings of \$29,000 in the Tourism Development and Municipal Associations budgets, and \$35,000 in the Windsor Essex County Environmental Committees budget. Although a budget resides in this area, the actuals were charged in the Pollution Control Service Unit.</p> <p>These surpluses are partially offset by \$20,000 of combined miscellaneous deficits.</p>	\$44,000
City Manager's Office	The City Manager's Office ended the year with a slight surplus of approximately \$5,000, attributable to combined miscellaneous variances.	\$5,000
City Clerk's Office	<p>The deficit in this budget centre is primarily attributable to the combined activity in the areas of City Clerks Admin and Licensing.</p> <p>The Bingo Industry Group realized a salary savings of approximately \$185,000 in 2003 primarily related to gapping of positions. Other areas in the City Clerk's Office realized approximately \$65,000 in combined miscellaneous surpluses.</p> <p>These savings were however offset by decreases in actual lottery license revenue of approximately \$375,000 relative to budget.</p>	(\$125,000)

Department	Description	Surplus/ (Deficit)
Legal & HR	<p>The Legal and Human Resources department ended the year with a deficit of approximately \$153,000.</p> <p>The Legal division realized a deficit of \$37,000 for the year, primarily due to salary variances resulting from movement of staff into new positions.</p> <p>The Human Resources division realized a deficit of approximately \$90,000 in 2003. Additional expenditures associated with increased recruitment activity related to positions such as the Executive Director of Social Services and Human Resources were the main contributors to the division's unfavourable variance. In addition, revenue recoveries were over budgeted by \$44,000, further contributing to the deficit.</p> <p>The Provincial Offences Administration division realized a deficit of approximately \$26,000. The deficit is largely attributable to the negotiated increase in the salaries of Windsor Police Services officers providing security, in addition to the change in the weighted assessment formula that has been incrementing in favour of the county participants.</p>	(\$153,000)
Payments to the Windsor Public Library	The City's grant to the Windsor Public Library was paid in accordance with the approved budget of \$7,843,774.	\$0
Economic Development Services	<p>The Economic Development Services department realized a surplus of approximately \$47,000 for the year.</p> <p>The Convention and Visitors Bureau ended the year with a surplus of approximately \$16,000, related to the "Windsor...Get to Know Your Neighbours Again" marketing initiative. The objective of this campaign was to encourage U.S. visitation back to Windsor by reminding Americans of the positive tourism experiences they once enjoyed. The 2003 surplus for the CVB is a result of the revenues realized from this initiative, partially offset by associated disbursements.</p> <p>The Cleary International Centre realized a surplus of approximately \$31,000 in 2003. The Cleary experienced a \$175,000 shortfall in actual sales compared to budget. Food and beverage represents the majority (85%) of unrealized sales. The primary reason for this decline relates to SARS, specifically a decrease in American business and lower than expected convention attendance. In addition, media coverage related to the issue of alternative uses for the Cleary has had a short term as well as long term negative impact on business development.</p> <p>Despite these deficiencies in sales and business development, the Cleary was able to offset any potential negative variances through efficiencies and savings in many areas of operations, ultimately resulting in an overall surplus for the Cleary in 2003.</p>	\$47,000

Department	Description	Surplus/ (Deficit)
Corporate Services	<p>The Corporate Services Department finished the year with a surplus of approximately \$453,000.</p> <p>The City Auditor's Office ended the year with a surplus of approximately \$113,000 mainly due to gapping of positions within the area. For the first three months of the year, the Director of Internal Audit position was vacant, and an Internal Auditor position remained vacant for the entire year.</p> <p>The Facility Management division realized a surplus of approximately \$118,000 in 2003. This area experienced an overall drop in base salary expenditures in the areas of Administration and Caretaking due to vacancies and gapping. Additionally, savings in costs related to data processing services and computer equipment, combined with the implementation of cost saving measures within the Caretaking division, increased the overall savings to approximately \$118,000.</p> <p>The Social Housing Administration division ended the year with a surplus of approximately \$86,000. Approximately \$57,000 of this surplus relates to additional revenue recovered from the County of Essex. The remainder of the surplus (approximately \$29,000) relates to unspent wages resulting from gapping of positions.</p> <p>Technology services ended the year with a surplus of approximately \$92,000. This surplus relates to a savings in the salary budget due to gapping of positions and lower paid replacements for employees on maternity leave.</p> <p>Financial Services ended the year with a surplus of approximately \$44,000. This area was the most impacted by the corporate reorganization due to the centralization of staff. These centralized staff were both budgeted and expensed to the old departments and therefore the significant gapping savings are reflected in the former operating departments. As well, staff salaries for external hires are reflected in the Financial Services actual expenditures, but no dollars were budgeted for these centralized positions in 2003. The resulting deficit in Financial Services was offset by a surplus in the Special Projects area, which has now been combined within Financial Services.</p>	\$453,000
Planning & Building	<p>Due to the uncertainty in the economy affecting all forms of development, the combined Planning and Building areas completed the year with a revenue deficit of approximately \$308,000.</p> <p>The City Planner's Office ended the year with a deficit of approximately \$114,000. This deficit is attributable to a combination of factors, including a shortfall in projected revenues for site plan control, and reduced development applications relating to the annexed area of Tecumseh. The area projected an increased number of development applications being processed in the new Tecumseh lands, in the existing urban designated areas.</p>	(\$308,000)

Department	Description	Surplus/ (Deficit)
	<p>This projection has not been realized.</p> <p>The Building division ended the year with a deficit of approximately \$194,000. The value of permits, particularly on larger projects, was down for 2003, which is reflected in the reduced revenue in building permit fees.</p>	
Traffic Engineering	<p>The Traffic Engineering department realized a deficit of approximately \$254,000 for the year.</p> <p>Parking Enforcement ended the year with a \$254,000 deficit, primarily related to increased salary expenditures. The salaries of three Parking Enforcement Officers who were employed at Parking Maintenance (On/Off Street Parking) for the year were charged to this area in addition to the salaries of the temporary employees hired to replace them. Also contributing to the deficit are a number of miscellaneous variances, including the high monthly maintenance fees and repair costs related to this area's aging ticket information system. This system is targeted to be replaced by the Parksmart system in July 2004.</p> <p>Traffic Engineering areas excluding Parking Operations ended the year within budget. There was a minor deficit of approximately \$18,000 directly attributable to the vandalism of signage. Minor savings in administrative costs from other areas of operations helped to offset this variance.</p>	(\$254,000)
Transit Windsor	<p>Transit Windsor realized a deficit in the amount of approximately \$181,000 for the year.</p> <p>Part of the deficit is attributable to an over expenditure of approximately \$136,000 in fuel costs resulting from the significant increase and fluctuations in fuel prices at the commencement of the year. In the Spring of 2003, Transit was able to secure a fuel contract which helped stabilize the budget and minimize the over expenditure. Also contributing to the deficit is a \$45,000 increase in existing Property taxes that was not budgeted for.</p> <p>In 2003 Transit Windsor was able to absorb increased benefit costs of \$160,000 and cover the write off a large uncollectible account receivable and obsolete inventory with the over realization of revenues from the Social Services bus pass program.</p>	(\$181,000)
Public Works	<p>The Public Works department ended the year in a deficit position of approximately \$328,000.</p> <p>Public Works Administration ended the year with a deficit of approximately \$129,000. Lease costs for the corporate radios for various departments within Public Works, which were expensed in this area, were not distributed to the other areas in Public Works resulting in a \$27,000 deficit for Administration. Also contributing to this deficit is an over expenditure in temporary part-time salaries of \$69,000. This over expenditure in salaries</p>	(\$328,000)

Department	Description	Surplus/ (Deficit)
	<p>was the result of several factors including restructuring, the leave of absence of an employee, and the need for assistance within Public Works Clerical to maintain the service levels required for the Division to operate properly. The remainder of the \$33,000 variance is attributed to various miscellaneous accounts.</p> <p>Public Works Engineering was over budget by approximately \$187,000 in 2003. This is largely attributable to recoveries coming in lower than anticipated. Specifically, recoveries from work done on capital projects by Drafting was under budget by \$99,000. There has also been a decline in requests for Lawyer Letters from the public resulting in a decrease in revenue of \$68,000 relative to budget. The remaining variance of \$20,000 is made up of combined miscellaneous variances.</p> <p>Public Works Operations realized a deficit of approximately \$11,400 for 2003. Public Works Equipment Division experienced a deficit of \$363,000 in fuels and miscellaneous oils expense. This was largely offset by a surplus rental recovery of \$ 256,000. The balance of the offset came from collective administrative savings (salaries) in the other service units of operations.</p>	
Parks & Recreation	<p>The Parks and Recreation department realized a deficit of approximately \$286,000 for the year.</p> <p>Several factors contributed to the overall deficit.</p> <p>A surplus in the Administrative Area of approximately \$73,000 was mainly due to unexpectedly higher revenues from advertising initiatives combined with lower personnel costs due to gapping certain positions and hiring temporary staff during recruitment.</p> <p>The Recreation Area ended the year with a deficit of \$49,000. This was mainly due to the City's contribution to the Black Oak Heritage project (HRDC), which resulted in a perimeter fence being built to protect this park from ATV's and other motorized vehicles. Other factors contributing to the deficit include lost revenues due to the power outage with no corresponding reduction in staff levels, in addition to an over-expenditure in salary and wage accounts resulting from the need for increased staff levels to handle recreation programs.</p> <p>The Parks Area realized a deficit of \$197,000 for 2003. This area was adversely affected by preparatory grounds work for the Canadian Baseball Championships held in 2003, in addition to major repairs of aging equipment such as HVAC's, humidifiers and specialized lawn mowers etc. Other factors contributing to the deficit include severe weather conditions that resulted in higher snow removal and salting costs; increased vandalism, related cleanup and restoration work; and costs attributable to the power outage.</p> <p>The Commercial Services Area ended 2003 with a deficit of</p>	(\$286,000)

Department	Description	Surplus/ (Deficit)
	<p>approximately \$113,000. The negative variance in this area was primarily due to higher net operating costs for Windsor Arena caused by renovations that closed the facility for the better part of the summer, resulting in lower rental and concession revenues. Other contributors to the variance include lower than projected revenues for Willistead Manor, and an over-expenditure in temporary salary dollars relative to budget. In addition, replacement of the fire equipment at Mackenzie Hall, and unrealized commissions for dinner-theatre programming are further contributors to the unfavourable variance in this area.</p> <p>The Service Units have made a concerted effort to stay within the approved budget by addressing only the emergency repairs required to equipment and by refraining from equipment purchases unless absolutely necessary. The Parks and Recreation Department's 2003 year end deficit represents an improvement from the 3rd Quarter projected deficit of \$400,000.</p>	
Windsor Police Services	<p>The final year-end police service budget for 2003 resulted in a surplus of funds in the amount of \$743,600. The majority of the savings came from the salary account as a result of gapping due to employment hires, maternity and parental leave of absences, etc. There was also an increase in revenue that contributed to the surplus mostly from contract duty employment recovery of administrative charges.</p> <p>As per the Windsor Police Services Board's resolution for the acceptance of the 2004 budget, the final surplus of funds that was carried over to offset the 2004 requested budget increase totals \$452,000, resulting in a preliminary net surplus for 2003 of approximately \$292,000.</p> <p>Additionally, a further \$174,000 was required to be carried forward to help bridge a Police 2004 budget cut which will not materialize until 2005.</p>	\$118,000
Windsor Fire Department	<p>The Windsor Fire Department ended the year with an overall deficit of \$504,000.</p> <p>This deficit was primarily caused by increased overtime expenditures related to the department's staffing requirements.</p> <p>Overtime costs over and above the budgeted amount were incurred as a result of the blackout in August 2003, the gapping of retirees from the previous year, the recruit class starting late in the year, the retirement of 6 additional personnel, and 16 long-term WSIB injuries and long-term illnesses.</p>	(\$504,000)
Social Services	<p>The Social Services department realized a surplus of \$1,474,000 for the year 2003. The surplus is the net result of a number of program surpluses/deficits.</p> <p>The Ontario Disabilities Support Program and Intake Screening</p>	\$1,474,000

Department	Description	Surplus/ (Deficit)
	<p>Unit exceeded the approved City budget by approximately \$630,000 and \$46,000 respectively, due to unanticipated Provincial Ministry (MCFCS) cost increases. Children's Services Programs was over budget by approximately \$321,000, due to lower than expected revenues and various operating over-expenditures. These deficits were offset by surpluses in the following program areas:</p> <p>An Ontario Works (OW) caseload decline in 2003 resulted in lower than budgeted net city costs for financial assistance, mandatory and discretionary benefits of approximately \$236,000. MCFCS announced in-year revenue increases for the OW Employment services program that added \$261,000 to the surplus.</p> <p>The Domiciliary Hostel Program received a one time fiscal funding increase leading to a net city surplus of \$174,000. Due to an overestimation of the 2003 net city liability budget, the National Child Benefit Program also experienced a surplus in the amount of \$74,000.</p> <p>Negotiated MCFCS funding increases of \$198,000 in excess of budget, the fiscal allocation of \$145,000 in salaries to other administration funding, along with unspent budgeted expenditures that did not materialize of \$557,000 contributed to the surplus in OW Administration.</p> <p>An under-expenditure of \$624,000 in salary dollars in relation to budget was realized in the Ontario Works – Cost of Administration Program. This has been addressed in 2004 through a reduction in budgeted salaries.</p> <p>The OW – Cost of Administration surplus is also attributed to deferred training of \$50,000, under-expenditures of \$24,000, \$60,000, and \$46,000 for professional services, furniture and equipment, and postage/supplies respectively.</p> <p>The remainder of the \$22,000 Social Support surplus can be attributed to combined miscellaneous variances in both the OW – Cost of Administration Program and Special Services Programs.</p>	
Huron Lodge	<p>Huron Lodge ended the year with a deficit of approximately \$639,000.</p> <p>Salary and wage accounts were over budget by approximately \$978,000 of which \$237,000 was due to a JJE award to Health Care Aides. This has been an ongoing issue at Huron Lodge and is addressed in the 2004 Operating Budget. Workplace Safety and Insurance Board accounts were over budget in the amount of \$335,000. These deficiencies, coupled with various other operating over expenditures totalling \$29,000, contributed to the deficit for 2003.</p> <p>The deficit was partially offset by the receipt of better than</p>	(\$639,000)

Department	Description	Surplus/ (Deficit)
	<p>anticipated Provincial grants of \$162,000 and resident revenue of \$487,000 due to increases announced by the Ministry of Health part way through the year.</p> <p>Other revenue increases amounting to approximately \$54,000 also helped mitigate the 2003 deficit.</p>	
Non - Departmental	See below.	\$6,188,000

Non-Departmental

Overall, as indicated above, the corporate accounts ended the year in a net surplus position of **\$6,188,000**. This variance is detailed as follows:

	Account	Surplus/(Deficit)
1	Interest Income / Foreign Exchange / Financing Costs	(\$1,644,976)
2	Allowance for Doubtful Accounts	(\$988,450)
3	Corporate Restructuring	(\$394,961)
4	Canderel Lease	(\$394,107)
5	Social Housing - Local Housing Company	(\$361,342)
6	Interim Control By-Law / Rail Issues / Border Traffic Issues	(\$105,410)
7	External Auditing	(\$23,555)
8	Corporate Training	\$40,006
9	Social Housing - Non-profit	\$53,382
10	Legal and Consulting	\$66,157
11	Mainframe Lease	\$74,686
12	Landfill Perpetual Care	\$76,186
13	Health & Safety Audit	\$90,513
14	Various Combined Miscellaneous	\$181,964
15	Local Government Restructuring	\$205,000
16	Funding of Completed Capital Projects	\$278,163
17	Ambulances	\$285,261
18	Community Reinvestment Fund	\$1,968,000
19	Property Tax Appeals and Related Accounts	\$6,781,483

- 1. Interest Income/ Foreign Exchange/ Financing Costs** – This deficit relates to lower exchange rates, lower interest rates and lower recoveries from capital projects as fewer larger projects were in un-funded positions in 2003.
- 2. Allowance for Doubtful Accounts** – In their comments on the results of the 2002 audit, the external auditors identified a shortfall in the allowance for doubtful accounts. Therefore, based on their recommendation as well as administration's review of the outstanding accounts receivable, the expenditure of the allowance for doubtful accounts for 2003 is \$1,388,450 resulting in a deficit of (\$988,450).
- 3. Corporate Restructuring** – The deficit is due to an accrual of 2004 payments to displaced employees in accordance with Accounting Matching Principles, as discussed with the external auditors.

4. **Canderel Lease** – Expenditures for the Canderel Lease were budgeted only for 6 months in 2003 based on the anticipation that it would be leased by July 1, 2003. The variance represents the 6 months that were not budgeted for.
5. **Social Housing – Local Housing Company** – The Windsor-Essex County Housing Corporation incurred a large fiscal deficit (\$1,000,000) in 2003 as a result of an increase in utilities/municipal taxes and operating maintenance and repairs. As well, the Corporation has experienced a significant drop in revenue, as Social assistance payments have not increased in a number of years. As tenant rents are based on this income, rental subsidies have increased. Partially offsetting this deficit was Block Federal Funding, which was received in 2003 in excess of budgeted amounts due to MMAH reallocation of funding to Provincial Service Managers. Also offsetting the deficit was additional revenue generated through an increase in the County of Essex cost share based on 70% City / 30% County split as a result of the WECHC deficit noted above.
6. **Interim Control By-Law/Rail Issues/Border Traffic Issues** – These items were approved late in the year and hence a budget was not set up in 2003. These expenditures will be budgeted for in 2004.
7. **External Auditing** – The deficit in this account relates to extra auditing performed by KPMG due to the PeopleSoft system implementation and the significant impacts related to the restructuring.
8. **Corporate Training** - In 2003 the Corporation was busy restructuring and realigning its services. Consequently, many workshops, training expenditures, new partnerships, ventures and new strategies were deferred until 2004.
9. **Social Housing – Non Profit** – Surplus is a result of under spending in subsidies to Non-Profit providers. Subsidies are provided based on legislation (Social Housing Reform Act) and Operating Agreements in place. In addition, social housing providers are required to provide audited financial statements and overpayments/underpayments are reconciled six to eight months after each year-end.
10. **Legal and Consulting** – The budget for these items is an estimated corporate provision. Actual expenditures may vary significantly from year to year. The surplus is reflective of the usage in 2003.
11. **Mainframe Lease** – Surplus represents higher than expected recoveries in this account due to the 2002 budget carry forwards. The budget was reduced in 2004.
12. **Landfill Perpetual Care** – This surplus is due to lower levels of leachate generated and treated.
13. **Health and Safety Audit** – Due to the corporate restructuring and movement of staff, the intended number of audits was not performed in 2003.
14. **Various Combined Miscellaneous** – This amount is made up of the combined small variances relating to dozens of different non-departmental accounts.
15. **Local Government Restructuring** – The surplus relates to the unspent corporate provision for cost increases due to boundary adjustments. Offsetting costs are found in various service units' budgets.
16. **Funding of Completed Capital Projects** – Each year, completed capital projects are closed. In 2003, approximately 154 projects were closed out. The surplus represents the net transfer to the operating fund regarding the combined net surplus of the 154 closed completed projects.
17. **Ambulances** – The service is provided by the County of Essex. Costs are billed to the City based on weighted assessment. The surplus relates to a one time accounting adjustment made in 2003 relating to the 2002 fiscal year.

18. Community Reinvestment Fund (CRF) – The provincial grant increased in 2003 by approximately \$1,000,000 per year, retroactive to 2002.

19. Property Tax Appeals and Related Accounts – Net tax additions less write offs were budgeted at \$5.3M, net write offs. In actual fact there were net additions of \$1.5M resulting in a \$6.8M surplus. Conversely, local improvements revenue, net other miscellaneous accounts finished the year with a \$100,000 deficit. This is a difficult account to budget for accurately. It has typically been budgeted for conservatively. The 2004 budget has been reduced by \$4.7M.

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 2003 fiscal year with a surplus of \$5.551 million. We are recommending that \$4.872 million be used to fund completed capital projects for which debt has been approved in previous capital budgets but has yet to be issued resulting in the reduction of long-term debt of \$4.669 million. The remaining surplus of \$0.679 million is recommended to be transferred to the Budget Stabilization Reserve Fund.

Roman Martiuk
General Manager of Corporate Services & City
Treasurer

John Tofflemire
General Manager of Infrastructure
Services & City Engineer

Steve Salmons
General Manager Community Services,
Windsor Public Library CEO

John Skorobohacz
Chief Administrative Officer / City Manager

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