



TO: GENERAL COMMITTEE

SUBJECT: 2019 BUDGET AND BUSINESS PLAN YEAR-END REPORT

WARD: ALL

PREPARED BY AND KEY CONTACT: J. KUEHL, MANAGER OF BUSINESS PLANNING AND BUDGET, EXT. 4407
J. COWLES, SENIOR MANAGER OF CORPORATE FINANCE AND INVESTMENT, EXT. 5347
C. MILLAR, DIRECTOR OF FINANCE/TREASURER, EXT. 5130

SUBMITTED BY: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER
D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES
A. MILLER, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT
R. JAMES-REID, EXECUTIVE DIRECTOR – ACCESS BARRIE
I. PETERS, DIRECTOR OF LEGAL SERVICES

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That the 2019 Budget and Business Plan Year-End Report be received.
2. That the net 2019 year-end Tax Rate supported deficit of \$54,093 be funded from the Tax Rate Stabilization Reserve (350230) in accordance with the City's Financial Policies.
3. That \$661,385 in discretionary development charge discounts and exemptions granted during the year be partially funded from the Development Charges (DC) Discounts and Exemptions Reserve (350390) in the amount of \$238,181, with the remaining \$423,204 to be funded from the Tax Rate Stabilization Reserve (350230).
4. That the net 2019 year-end Wastewater rate supported surplus of \$1,682,771 after the following adjustments, be allocated 70% to the Wastewater Capital Reserve (341010) and 30% to the Wastewater Rate Stabilization Reserve (341030) in accordance with the City's Financial Policies:
 - a) \$191,590 in discretionary development charge discounts and exemptions granted during the year attributable to wastewater supported services be funded from the 2019 wastewater rate supported operating surplus.

5. That the net 2019 year-end Water rate supported surplus of \$294,610 after the following adjustments, be allocated 70% to the Water Capital Reserve (340010) and 30% to the Water Rate Stabilization Reserve (340030) in accordance with the City's Financial Policies:
 - a) \$98,381 in discretionary development charge discounts and exemptions granted during the year attributable to water supported services be funded from the 2019 water rate supported operating surplus.
6. That pursuant to Ontario Reg. 653/05 and the City's Capital Financing and Debt Management Policy, Staff Report EMT001-20 serve as the method for disclosing outstanding financing leases.
7. That \$14,150 of facility rental costs in 2020 associated with the 2020 Ontario Winter Games be funded from the Tourism Reserve (350370).

PURPOSE & BACKGROUND

8. The purpose of this report is to present the Corporation's year-end financial and performance results, and obtain approval to make transfers to/from reserves in accordance with the Financial Policies Framework.
9. This year, as a result of shifting priorities and resourcing challenges while dealing with the COVID-19 crisis, Key Division Service Delivery Initiatives (KDSDIs) and Key Performance Indicators (KPIs) have not been included in the report.
10. The City's Financial Policies Framework requires the Director of Finance to issue quarterly memos and a year-end staff report on finances that compare year-to-date actual results to budget and the previous year. This report reflects activity for the 12 months ended December 31, 2019.
11. The recommendations in this report are reflective of the policies and principles documented in the current Financial Policies Framework.

ANALYSIS

SUMMARY OF OPERATING RESULTS - TAX

12. Overall, 98.9% accuracy was achieved related to the tax rate based net expenditures budget. The following table summarizes the financial variances to December 31, 2019 between planned net operating expenditures and actual results by Division for tax rate based operations. Appendix A includes a breakdown of the tax rate based variances by department.

	2018 Actual (\$)	2019			
		Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Council & Mayor's Office	871,549	1,059,388	1,049,295	10,093	1.0%
Office of the CAO	2,140,675	2,822,172	2,239,231	582,941	20.7%
Community and Corporate Services	41,258,325	42,945,241	41,366,488	1,578,753	3.7%
Infrastructure and Growth Management	38,643,065	39,400,207	42,701,420	(3,301,213)	(8.4%)
Invest Barrie	3,625,866	3,776,476	3,930,981	(154,505)	(4.1%)

	2018 Actual (\$)	2019			
		Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Access Barrie	13,500,407	15,455,955	14,289,734	1,166,191	7.5%
Innovate Barrie	10,540,809	11,394,769	10,958,301	436,467	3.8%
Financial Expenses & Other General Government	47,366,280	52,420,460	50,594,803	1,825,658	3.5%
Service Partners & Grants	79,204,898	82,820,299	82,178,630	641,669	0.8%
Total Net Expenditures	237,151,874	252,094,966	249,308,912	2,786,054	1.1%
Corporate Revenues	(242,084,747)	(252,094,966)	(249,254,819)	(2,840,147)	1.1%
(Surplus)/Deficit	(4,932,873)	0	54,093		

13. Key contributors (positive variances) to the Corporation's year-end tax rate results include the following items, with additional details provided later in the report as noted:

Details in paragraphs #17-18

- Service Partners \$642K;
- Utilities \$639K.

Details in Appendix B

- Debt Charges \$1.4M;
- Investments \$1.1M;
- Transit \$1.1M;
- Group Benefit Adjustment \$1.0M;
- Interest & Penalties on Taxes in Arrears \$587K;
- Province of Ontario Grant Revenue \$456K;
- Recreation \$356K;
- Enforcement Services \$247K.

14. Key offsetting contributors to the Corporation's tax rate year-end result include the following with additional details later in the report as noted:

Details in paragraphs #16

- Salary Gapping (\$468K);

Details in Appendix B

- Assessment Review Board Decisions (ARB) (\$3.0M)
- Supplementary Tax Additions (\$2.1M);
- Corporate Fleet – Repairs, Maintenance, and Fuel (\$1.3M);
- Engineering – Interdepartmental Recoveries (\$700K);
- Planning Services Revenue – Subdivision and Condo Fees (\$555K).

Salary Gapping

15. The salary gapping provision approved by Council in the 2019 Business Plan is \$1.275M. This amount includes both permanent staff and casual/part-time salary costs. The City continues to implement a variety of techniques to achieve salary gapping targets. These include delaying rehires for a minimum of 12 weeks or longer when viable, managing overtime costs where possible, and requiring summer students to take at least one week of unpaid vacation during their term.
16. At year end the City realized an unfavourable variance of \$468K in salary gapping. Total salary gapping of \$807K was achieved against an annual target of \$1.275M. Salary recoveries associated with capital projects were significantly under budget which was the primary driver of the shortfall. This was partially offset by short term vacancies during recruitments as well as new positions from the 2019 Business Plan that were budgeted for the entire year in order to reflect the full cost of these positions. Due to the timing of the business plan approval these positions are not typically filled until late in the 1st quarter.

Service Partners

17. The City's service partners generated a surplus of \$642K for 2019 with the County of Simcoe as the primary contributor. Children and Community Services and Social Housing were the key drivers of the County's surplus, partially offset by deficits from Paramedics, Ontario Works, and Long Term Care.

Utilities

18. The tax rate portion of utility costs realized a 10% favourable variance of \$639K in 2019. This variance is attributed to conservation efforts, which accounted for the majority of these cost savings at \$432K with the remaining variance due to lower than anticipated electricity rates.

Other adjustments to the year-end surplus

Development Charge (DC) Discounts

19. In 2019 DC discounts in the amount of \$951,356 were granted. The current City-Wide DC By-law 2019-055 includes discretionary discounts relating to non-residential development for non-profit institutions, accessory buildings to an existing industrial building, and a 40% discount of the development charges otherwise applicable for the first 1.5 million square feet of development for a list of targeted uses within the City.
20. Section 5(6)3. of the DC Act states: "If the development charge by-law will exempt a type of development, phase in a development charge, or otherwise provide for a type of development to have a lower development charge than is allowed, the rules for determining development charges may not provide for any resulting shortfall to be made up through higher development charges for other development." This means that in the case of discretionary discounts, the DC reserves must be replenished by an alternate funding source. It is recommended the discounts be funded from the DC Discount & Exemptions Reserve up to the available balance of \$238,181, with the remainder being funded \$423,204 by the Tax Rate Stabilization Reserve, \$191,590 by the Wastewater Rate surplus, and \$98,381 by the Water Rate surplus.

SUMMARY OF OPERATING RESULTS - WATER

	Year-to-Date December 31, 2019			
	Budget (\$)	Actual (\$)	Variance (\$)	%
Salaries and Benefits	7,935,241	7,832,405	102,836	1.3%
Operating Expenses	6,275,101	6,444,616	(169,515)	(2.7%)
Transfers to Reserves	4,695,247	4,695,247	0	0.0%
Corporate Support	8,157,015	7,836,803	310,589	3.8%
Total Net Expenditures	27,062,604	26,818,694	243,911	0.9%
Revenues	(27,062,604)	(27,211,685)	149,081	(0.6%)
(Surplus)/Deficit	0	(392,991)		
Recommended Adjustments		98,381		
Adjusted Surplus to Transfer to Reserves		(294,610)		

21. The 2019 year ended with a surplus of \$392,991 for the Water Operations Branch. This is a result of expenditures tracking at 99.1% of budget and revenue at 100.6% of budget.

SUMMARY OF OPERATING RESULTS – WASTEWATER

	Year-To-Date December 31, 2019			
	Budget (\$)	Actual (\$)	Variance (\$)	%
Salaries and Benefits	4,347,172	4,151,528	195,644	4.5%
Operating Expenses	8,940,472	7,924,625	1,015,847	11.4%
Transfers to Reserves	13,518,634	13,518,634	0	0.0%
Corporate Support	7,555,587	6,930,496	625,091	8.3%
Total Net Expenditures	34,361,865	32,525,283	1,836,583	5.3%
Revenues	(34,361,865)	(34,399,644)	37,779	(0.1%)
(Surplus)/Deficit	0	(1,874,361)		
Recommended Adjustments		191,590		
Adjusted Surplus to Transfer to Reserves		(1,682,771)		

22. The 2019 year ended with a surplus of \$1,768,243 for the Wastewater Operations Branch before adjustments. This is a result of expenditures tracking at 94.7% of budget and revenue at 100.1% of budget.

23. The surplus is a result of many contributing factors including savings from utilities and chemicals, reduced consulting and professional expenses as a result of delayed assessments from capital project realignment, reduced contracted services due to wet weather, unmet timing expectations for the Oro Biosolids capital upgrade project, and lower corporate support and internal transfers. Details of the expense variance are provided in Appendix C.

SUMMARY OF OPERATING RESULTS – PARKING

	Year-to-Date December 31, 2019			
	Budget (\$)	Actual (\$)	Variance (\$)	%
Salaries and Benefits	373,687	345,710	27,977	7.5%
Operating Expenses	305,588	318,725	(13,136)	(4.3%)
Transfers to/(from) Reserves	(620,243)	(622,446)	2,203	(0.4%)
Corporate Support	2,052,226	1,753,926	298,300	14.5%
Total Net Expenditures	2,111,259	1,795,915	315,344	14.9%
Revenues	(2,111,259)	(2,271,894)	160,635	(7.6%)
(Surplus)/Deficit	0	(475,979)	475,979	

24. The 2019 year ended with a \$475,979 favourable outcome for the Parking Services Branch resulting in a lower than planned draw from the Parking Reserve. This is a result of operating expenditures tracking at 85.1% of budget and revenue at 107.6% of budget. Details of the expense variance are provided in Appendix C.
25. The City's current model for parking service delivery consists of a combination of ground level and parkade type parking. This model presents a blend of relatively inexpensive ground level parking with the space efficiency of a parkade structure. The parkade service delivery model in particular minimizes the footprint for parking in a high density area and allows for other development in the City Centre to occur. However, the parkade service delivery model does come at additional cost for items such as maintenance and debt servicing on the initial investment. While debt servicing costs are scheduled to be eliminated by 2024, lifecycle costs are anticipated to ramp up. As a result, it is anticipated that draws from the parking reserve will continue to be required in future years.

FINANCING LEASES

26. Financing leases are agreements the City entered into for the purpose of obtaining long-term financing of capital undertakings, with contractual payments extending beyond the term of the approving Council.
27. The capital financing and debt management policy adopted by Council in March 2018, in accordance with Ontario Regulation 653/05, requires the Treasurer to disclose to Council any outstanding financing leases subsisting in the fiscal year and provide the following details:
- Estimates of the proportion of financing leases to the Corporation's total long-term debt.
 - A statement that in his or her opinion all financing leases were made in accordance with this Policy.
 - Any other information that, in the Treasurers opinion, should be recorded.

28. The following table summarizes the list of outstanding financing leases and the proportion related to long term debt as at December 31, 2019:

Outstanding Financial Leases - Dec 31, 2019	Amount (\$)
Equipment	10,067
Contracts	1,334,591
Building and Facilities	1,959,771
Total Outstanding Financial Leases (TOFL)	3,304,430
Total Long-Term Debt (LTD)	325,998,230
TOFL to LTD ratio	1.01%

29. In the opinion of the Treasurer, all lease financing agreements entered into by the City, since the adoption by Council of the capital financing and debt management policy, were in accordance with said policy.

CAPITAL PLAN STATUS AT DECEMBER 31, 2019

30. The Capital Plan presented in Appendix D is a high level summary of activity as at December 31, 2019. The total capital budget for 2019 was \$363.8M, including carryover from prior years and new projects, and the projected year-end spending plan was \$178.8M due to the multi-year nature of many of the projects. The actual spending at year-end was \$144.0M, which is 80.5% of the projected spending plan. The capital projects that contribute to the key variances between planned and actual spending have been identified in Appendix E.

RATE STABILIZATION RESERVES

31. The December 31, 2019 Rate Stabilization Reserve balances affected by the recommendations in this report are as follows:

	Balance at Dec. 31, 2019 (\$)	Commitments (\$)	Recommended Motion (\$)	Non-Committed Balance at Dec. 31, 2019 (\$)	2019 Minimum Target Balance (\$)
Tax Rate Stabilization Reserve	7,545,229	(533,351)	(477,297)	6,534,581	29,534,974
Wastewater Rate Stabilization Reserve	2,076,864	(320,461)	504,831	2,261,234	3,429,353
Water Rate Stabilization Reserve	3,102,039	(263,067)	88,383	2,927,355	2,719,404

* 2019 Minimum Expected Balance as per the Financial Policies Framework

32. Stabilization reserves are maintained in order to fund unexpected one-time, non-recurring expenditures, and to address any potential deficits. As per the Financial Policies Framework, the target range is 10% to 15% of total own source revenues for Stabilization Reserves. These reserves provide Council with the flexibility to stabilize the impact of economic volatility on City programs. In the absence of healthy stabilization reserve balances, the tax levy and user rates feel the impact of unforeseen events, one time expenditures and revenue shortfalls. The non-committed balance at December 31, 2019 shows that reserve balances currently fall well short of their minimum expected level with the exception of the Water Rate Stabilization Reserve.
33. Included as part of the "Recommended Motion" column of the table above are contributions to or draws from reserves after the various adjustments recommended in this report. These contributions or draws come from the allocation of year-end surpluses, or the funding of year-end deficits. The allocations for surpluses are as prescribed by the City's Financial Policies (30% for rate stabilization reserves). The amounts are as follows:
- a) (\$54,093) from the Tax Rate Stabilization Reserve to fund the operating deficit;

- b) \$504,831 to the Wastewater Rate Stabilization Reserve; and
- c) \$88,383 to the Water Rate Stabilization Reserve

CAPITAL, DEVELOPMENT CHARGE, AND CASH-IN-LIEU PARKLAND RESERVES

34. The December 31, 2019 capital reserve balances affected by the recommendations in this report are as follows:

	Balance at Dec. 31, 2019 (\$)	Commitments (\$)	Recommended Motion (\$)	Non-Committed Balance at Dec. 31, 2019 (\$)
Tax Capital Reserve	38,115,607	(43,207,286)	-	(5,091,679)
Wastewater Rate Capital Reserve	40,938,727	(16,669,681)	1,177,940	25,446,986
Water Rate Capital Reserve	19,913,338	(11,124,482)	206,227	8,995,083
Parking Reserve	48,045	(321,169)	-	(273,124)
Development Charge Reserves	(13,577,700)	(122,937,630)	951,356	(135,563,974)
Cash-in-lieu Parkland Reserve	17,304,300	(442,018)	-	16,862,282

* Capital Commitments are based on approved capital spending for the current and prior years as at year-end. Future year approved capital spending is not included, and the reserve balance does not include potential future contributions to the reserve.

35. The City's Financial Policy Framework targets a minimum threshold cash balance in the Tax Capital Reserve equivalent to one year's worth of the 5 year average of the non-growth tax-supported capital expenditure requirements which is currently estimated at \$26M. This ensures that one year of tax based funding is available in reserves to maintain liquidity. Currently, based on the level of commitments, the tax capital reserve is not only short of target, but is in a deficit position.
36. Included as part of the "recommended motion" column of the table above, are contributions to reserves resulting from the allocation of year-end surpluses after the various adjustments recommended in this report. The allocations are as prescribed by the City's Financial Policies. The amounts are as follows:
- a) \$0 to the Tax Capital Reserve due to the year-end deficit;
 - b) \$1,177,940 to the Wastewater Capital Reserve;
 - c) \$206,227 to the Water Capital Reserve; and
 - d) \$951,356 to the Development Charge Reserves
37. The table below summarizes activities within the City's Development Charge Reserves for 2019 compared to Budget. Development charges collected for 2019 were lower than planned by \$19.3 million. However, the lower revenues were partially offset by lower than expected draws from the reserves by \$10.1 million related to capital expenditures.

	2019 Actuals	2019 Budget	Variance
Opening Balance, January 1 (Deficit)	(\$10,139,266)	(\$20,372,287)	\$10,233,021
DC Revenues	39,630,379	58,972,753	(19,342,374)
Expenditures	(42,117,457)	(52,190,808)	10,073,351
Closing Balance, December 31, (Deficit)	(\$12,626,344)	(\$13,590,342)	\$963,998

38. On a consolidated basis, the City's Financial Policy Framework targets a positive balance for Development Charge Reserves. At year end December 31, 2019 after recommended motion in this report, the City's Development Charge Reserves are in a deficit position at (\$12,626,344). In addition, the City's Development Charge Reserves have total funding commitments of \$135M. Development charge commitments include City led projects and projects in the Salem and Hewitt's Secondary Plan Area that are being led by developers and financed through Development Charge Credits. As it occurs, future growth will generate contributions to the reserve, to fund these commitments.

Administrative Cleanup - 2020 Ontario Winter Games

39. The City of Orillia hosted the 2020 Ontario Winter Games and had reached out to the City of Barrie to continue its relationship from the 2018 Ontario Winter Games as a host partner. Through staff report REC004-19 the agreement involved a \$20,000 commitment consisting of a \$5,850 cash contribution and \$14,150 of facility rental costs, with the cash contribution identified as being funded by the Tourism Reserve in 2019. Paragraph #6 of the recommended motion has been added to also include the \$14,150 facility costs incurred in 2020 as being funded from the Tourism Reserve.

ENVIRONMENTAL MATTERS

40. There are no environmental matters directly related to the recommendation.

ALTERNATIVES

41. The following alternative is available for consideration by General Committee:

Alternative #1

General Committee could alter the proposed recommendation by directing staff to allocate the adjusted surplus in the water and wastewater rate budgets in some other manner.

Although this alternative is at the discretion of Council, it is not consistent with the current Financial Policies Framework which specifies that year-end surpluses will be split 70/30 between capital reserves and rate stabilization reserves.

FINANCIAL

42. The information in the analysis section explains the impact of the recommendations in this report as they relate to the Tax, Water, Wastewater, and Parking Reserves, as well as the compliance of those recommendations with the financial policies set out in the current Financial Policies Framework.

LINKAGE TO 2018-2022 COUNCIL STRATEGIC PLAN

43. The recommendations in this report are operational, and are not specifically related to the goals identified in the 2018-2022 Strategic Plan.

APPENDIX A

Tax-Supported Operating Budget Variance by Department as at December 31, 2019

	Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Office of the Mayor and CAO	3,881,560	3,288,526	593,034	15.3%
Council & Mayor's Office	1,059,388	1,049,295	10,093	1.0%
Office of Chief Administrative Officer	664,060	485,549	178,511	26.9%
Legal Services	1,818,771	1,417,948	400,823	22.0%
Internal Audit	339,342	335,734	3,607	1.1%
Community and Corporate Services	42,945,241	41,366,488	1,578,753	3.7%
GM of Community and Corporate Services	349,324	371,190	-21,865	-6.3%
Facilities	2,201,666	2,141,376	60,291	2.7%
Barrie Fire and Emergency Services	26,521,469	26,353,300	168,169	0.6%
Finance	3,619,973	3,332,927	287,047	7.9%
Legislative and Court Services	2,126,407	1,752,612	373,795	17.6%
Recreation Services	8,126,400	7,415,083	711,317	8.8%
Infrastructure & Growth Management	39,400,207	42,701,420	-3,301,213	-8.4%
GM of Infrastructure and Growth Management	479,733	490,453	-10,721	-2.2%
Engineering	2,039,779	3,234,416	-1,194,637	-58.6%
Planning & Building Services	657,317	1,086,727	-429,410	-65.3%
Environmental Services	7,468,832	7,217,339	251,493	3.4%
Roads Operations	13,853,842	14,627,658	-773,816	-5.6%
Parks and Forestry Operations	6,558,831	6,131,918	426,913	6.5%
Traffic	3,942,172	4,366,286	-424,115	-10.8%
Fleet	4,399,701	5,546,622	-1,146,920	-26.1%
Invest Barrie	3,776,476	3,930,981	-154,505	-4.1%
Invest Barrie – Administration	324,665	350,449	-25,784	-7.9%
Business Development	899,517	753,015	146,503	16.3%
Department of Creative Economy	2,552,294	2,827,517	-275,223	-10.8%
Access Barrie	15,455,955	14,289,764	1,166,191	7.5%
Access Barrie - Administration	339,453	347,337	-7,883	-2.3%
Customer Service	1,172,727	1,182,440	-9,713	-0.8%
Communications and Marketing	972,512	979,269	-6,758	-0.7%



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	Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Transit & Parking Strategy	12,971,263	11,780,718	1,190,545	9.2%
Innovate Barrie	11,394,769	10,958,301	436,467	3.8%
Innovate Barrie - Administration	409,935	354,635	55,300	13.5%
Centre for Continuous Improvement	781,818	842,182	-60,364	-7.7%
Human Resources	2,768,945	2,676,085	92,859	3.4%
Information Technology	7,434,072	7,085,399	348,672	4.7%
Other Expenses	52,420,460	50,594,803	1,825,658	3.5%
Financial Expenses & Other General Government	52,420,460	50,594,803	1,825,658	3.5%
Total Net City Services	169,274,668	167,130,283	2,144,385	1.3%
Service Partners and Grants	82,820,299	82,178,630	641,669	0.8%
Total Net Expenditures	252,094,966	249,308,912	2,786,054	1.1%
Net Taxation for own purposes	-241,806,346	-237,264,927	-4,541,419	1.9%
Payments in Lieu of Taxes	-2,003,900	-1,983,416	-20,484	1.0%
Investment Revenue	-3,319,646	-5,045,299	1,725,653	-52.0%
Corporate Recoveries	-4,965,074	-4,961,177	-3,896	0.1%
Total Revenue	-252,094,966	-249,254,819	-2,840,147	1.1%
Total Operating Variance	0	54,093	-54,093	

APPENDIX B

Detailed Tax Supported Operating Variance Explanations

Service/Driver: Financial Expenses – Debt Charges			
Budget: \$11.5M	Actual: \$10.0M	Variance \$: \$1.4M	Variance %: 12%
<p><u>Reason for Variance</u></p> <p>The variance is due to the timing difference of the debenture issuance, the structure of the debentures issued and lower interest rates achieved. The budget assumes that half the debt service cost is paid during the year. Actuals are lower because the issuances of the debentures were later in the year, hence interest only was paid. In addition actual interest rates were on average 1.25% lower than budget.</p>			
<p><u>Impact Going Forward</u></p> <p>Aside from the impact of the favorable interest rate, the variance due to timing is expected to reverse.</p>			
<p><u>Actions to Mitigate Future Anticipated Variances</u></p> <p>No further action required at this time.</p>			

Service/Driver: Corporate Revenues – Interest on Investments			
Budget: \$511K	Actual: \$1.7M	Variance \$: \$1.1M	Variance %: 224%
<p><u>Reason for Variance</u></p> <p>Active management of investments continues to achieve better than expected results. Portfolio holdings returned higher than expected as investors sought quality during periods of uncertainty throughout the year. Active cash management continues to allow for daily yield pickup.</p>			
<p><u>Impact Going Forward</u></p> <p>Recent market volatility, sparked by the Coronavirus and falling oil prices, has caused central banks to cut interest rates further depressing market yields. Expectation for high returns will be subdued in the near term.</p>			
<p><u>Actions to Mitigate Future Anticipated Variances</u></p> <p>No further action required at this time.</p>			

Service/Driver: Transit – Contracted Services			
Budget: \$17M	Actual: \$16.4M	Variance \$: \$636K	Variance %: 3.7%
<p><u>Reason for Variance</u></p> <p>Barrie's 20 year transit contract uses Key Performance Indicators to monitor the service. The KPI's are not meant to be fully comprehensive, but rather to provide an indication of the service providers' performance. The output specifications represent the minimum standard of service for which the service provider would be entitled to receive its full monthly payment. Deductions are applied in accordance with the KPI's, where the application is higher than originally anticipated to date. The application of the performance based contract has resulted in the favourable variance in 2019.</p>			
<p><u>Impact Going Forward</u></p> <p>Staff are anticipating the level of performance deductions to decrease as the service provider remedies areas of focus.</p>			
<p><u>Actions to Mitigate Future Anticipated Variances</u></p> <p>City staff continue to work collaboratively with the service provider to monitor and report output specifications and KPI's. This monitoring entails the prevention, detection, diagnosing and correction of deficiencies. Emphasizing advance monitoring should ensure parties can continue to address issues before the services are significantly impacted.</p>			

Service/Driver: Transit – Fuel			
Budget: \$2.5M	Actual: \$2.1M	Variance \$: \$444K	Variance %: 17.5%
<p><u>Reason for Variance</u></p> <p>Fuel prices have been very volatile over the past year and have reached as high as \$1.12/litre in the summer of 2018 and dropped as low as \$0.83/litre in February of 2019. The projection in the 2019 business plan was \$1.12/litre and the recent downswing in fuel prices has resulted in the significant variance.</p>			
<p><u>Impact Going Forward</u></p> <p>With the continued decline in fuel prices, staff are anticipating ongoing favourable variances against budget into 2020.</p>			
<p><u>Actions to Mitigate Future Anticipated Variances</u></p> <p>Staff will continue to monitor fuel trends and adjust future fuel budgets to reflect the most current market conditions.</p>			



Service/Driver: Group Benefit Adjustment			
Budget: \$0	Actual: \$1.0M	Variance \$: \$1.0M	Variance %: N/A
<u>Reason for Variance</u> Over time an unadjusted balance was accumulating in the group benefits liability accounts on the City's Balance Sheet. At the end of 2019, with the switch from SunLife to GreenShield, staff were able to determine the true cost of SunLife services and adjust the balance as the contract ended. The effect of this accounting entry is to create a positive variance at year end 2019.			
<u>Impact Going Forward</u> N/A.			
<u>Actions to Mitigate Future Anticipated Variances</u> On an annual basis, staff will ensure timely yearly reconciliations between liability entries and actual experience costs with the new service provider. This process will help to better match benefit expenses in the year they are incurred.			

Service/Driver: Corporate Revenues – Interest and Penalties on Taxes in Arrears			
Budget: \$2.2M	Actual: \$2.8M	Variance \$: \$587K	Variance %: 26%
<u>Reason for Variance</u> Interest and Penalties on Taxes in Arrears are higher than budget because of improved efficiencies in the processing of outstanding water accounts and higher volume of late payments related to new supplementary billings.			
<u>Impact Going Forward</u> The decision to eliminate late fees as a result of the COVID-19 crisis until June 30 th , 2020, will reduce interest and penalties revenue in 2020.			
<u>Actions to Mitigate Future Anticipated Variances</u> Based on current and forecasted economic and political conditions, budgets and forecasts will be reviewed and adjusted as required.			

Service/Driver: Corporate Revenues – Province of Ontario Grant Revenue			
Budget: \$0	Actual: \$456K	Variance \$: \$456K	Variance %: N/A
<p><u>Reason for Variance</u></p> <p>The variance is due to unexpected payments from the Province related to a 2016 decision to exempt retirement residences from property taxes.</p>			
<p><u>Impact Going Forward</u></p> <p>No additional payments are expected from the Province in subsequent years.</p>			
<p><u>Actions to Mitigate Future Anticipated Variances</u></p> <p>No budget in 2020.</p>			

Service/Driver: Recreation – Revenue			
Budget: \$10.0M	Actual: \$10.4M	Variance \$: \$356K	Variance %: 4%
<p><u>Reason for Variance</u></p> <p>Primarily driven through summer camp registrations which were well-attended. Summer camp registration revenue grew by 13% and Inclusion Services revenue was up 9% over 2018. Special Event revenue exceeded budget by \$165,000 due to continued strong performance at the Sadlon Arena and our three main Rec Centres. Recreation's Programming team secured additional grant funding to support our summer camp program needs.</p>			
<p><u>Impact Going Forward</u></p> <p>There are two key revenue streams that struggled in 2019:</p> <ul style="list-style-type: none"> ice rental revenue was only up 2.1% due to lower-than-expected women's hockey and lacrosse/ball hockey rentals recPASS membership revenue was only up 2.2% which reflected continued growth in Senior's memberships offset by a decline in Family recPASS memberships. 			
<p><u>Actions to Mitigate Future Anticipated Variances</u></p> <p>Ice rentals and recPASS memberships represent 52% of total revenues. Marketing of ice and arena floor rentals to community groups may help offset the decline in women's hockey ice rentals. A review of the recPASS Family membership package will take place to understand the reasons for the decrease in memberships and to develop a marketing plan to grow this segment.</p>			

Service/Driver: Enforcement Services – Total Revenues			
Budget: \$1.8M	Actual: \$2.1M	Variance \$: \$247K	Variance %: 14%
<u>Reason for Variance</u> <p>The variance was mainly related to Business Licensing, Lottery Licensing, and Parking Enforcement. Lottery Licensing has a percentage revenue share with the municipality from revenues generated by the operations (based on number of players and winnings). Driver for Hire operations provide a per trip fee that varies from year to year. In 2019 there was an increase in participation in lotteries and in the number of trips taken using drivers for hire, which in turn increased the overall municipal portion throughout the year.</p> <p>Parking enforcement did see an increase in parking infractions issued which would explain some of the increased revenue, the remaining increase may be attributed to collections of fines through the Ministry of Transportation.</p>			
<u>Impact Going Forward</u> <p>Some trends may continue, such as parking enforcement, however the percentage of revenue share from both Lotteries and the per trip fee from driver for hire operations will continue to fluctuate based on public use.</p>			
<u>Actions to Mitigate Future Anticipated Variances</u> <p>We will monitor percentage of revenues coming in quarterly in 2020 and adjust 2021 revenues accordingly, however those percentages depend on participation and fluctuate year over year.</p>			

Service/Driver: Assessment Review Board (ARB) Decisions – Corporate Expense

Budget: \$500K

Actual: \$3.5M

Variance \$: (\$3.0M)

Variance %: (593%)

Reason for Variance

Effective April 1, 2017, the Assessment Review Board introduced new Rules of Practice and Procedure to deal with the backlog of property tax assessment appeals and introduced a timeline of 104 weeks to settle appeals. As a result, many of the appeals that were already open at this date were examined and resolved in 2019. Several of the larger appeals settled in 2019 include the following: 509 Bayfield Street (Georgian Mall) 2017-18 \$413k, 201 Cundles Rd E 2013-18 \$202k, 120 Mapleview Dr W 2017-19 \$216k, 320 Bayfield Street (Bayfield Mall) 2017-19 \$590K, 625 Veterans Drive \$246k and 100 Mapleview Dr E (Park Place) \$931k.

Impact Going Forward

There are several additional Province wide centralized appeals that are ongoing that are expected to be settled in 2020 or 2021.

Actions to Mitigate Future Anticipated Variances

The City utilizes MPAC's Appeals and Request for Reconsideration Dashboard to better understand assessment at risk, as well as meets quarterly with MPAC staff to update progress. Staff continue to work with consultants to assist in proactive management of the property assessment base and selected appeals. Staff will also continue to file a Statement of Response during the prescribed time frame when planning to participate in an appeal, and participate in mediation/settlement conferences.



Service/Driver: Corporate Revenues – Supplemental Tax Additions			
Budget: \$4.0M	Actual: \$1.9M	Variance \$: (\$2.1M)	Variance %: (54%)
<u>Reason for Variance</u> Prior to 2019, the City had budgeted \$3.0M for in year tax additions while achieving actual results nearing \$3.5M. As a result of development activity within the City, the 2019 budget included expected in year tax additions (Supplemental Taxes) of \$4M. The actual results came in much lower at \$1.9M creating a negative \$2.1M variance. However, some of this variance is related to timing difference when new additions are processed on the tax rolls by MPAC.			
<u>Impact Going Forward</u> With ongoing development occurring within the City, staff believe that budgeted amounts will be achieved. However, some timing delays may result this year because of the impact of COVID-19 impacting MPAC's ability to update tax rolls.			
<u>Actions to Mitigate Future Anticipated Variances</u> Staff will continue to work with MPAP to ensure up to date information is being shared. As well, staff will continue to monitor results during the year and provide appropriate recommendations for next year's budget.			



Service/Driver: Corporate Fleet – Repairs & Maintenance Vehicles			
Budget: \$1.4M	Actual: \$2.4M	Variance \$: (\$1M)	Variance %: (70%)
<u>Reason for Variance</u> The unfavourable variance is mainly attributable to an aging fleet, particularly in the light duty and Fire fleets.			
<u>Impact Going Forward</u> Going forward we are expecting to see further overages in the Fleet repairs and maintenance expenses until the average age of the Fleet assets are reduced to optimal levels. We are working to utilize our Fleet Renewal program in order to update the aging Fleet assets. Once the average age of the Fleet is reduced, we expect to see substantial savings in the repairs and maintenance expenses.			
<u>Actions to Mitigate Future Anticipated Variances</u> The introduction of the Fleet Renewal Program in 2019 should reflect a significant impact on the Operating Budget moving forward (once the average age of Fleet assets are reduced to optimal levels).			

Service/Driver: Corporate Fleet – Fuel			
Budget: \$732K	Actual: \$1.1M	Variance \$: (\$336K)	Variance %: (46%)
<u>Reason for Variance</u> The unfavourable variance can be attributed to winter control related diesel and gasoline expenses (winter maintenance equipment, snow plows and sander activity). The winter season saw a larger than normal increase in plow and sanding activity.			
<u>Impact Going Forward</u> Staff members have factored in historical winter events/conditions into the 2020 business plan.			
<u>Actions to Mitigate Future Anticipated Variances</u> No further action required at this time. Staff members reviewed/refined their budget predictions as part of the 2020 business plan in order to mitigate this variance moving forward.			



Service/Driver: Engineering: Interdepartmental Recoveries			
Budget: \$1.8M	Actual: \$1.1M	Variance \$: (\$700K)	Variance %: (37%)
<u>Reason for Variance</u> Interdepartmental recoveries consist of recoveries from water and wastewater rates for work performed on their behalf. Recoveries consist of engineering staff time and direct costs. For 2019, engineering recovered less in salaries and experienced delays in certain projects. Reduced salary recoveries were mainly due to less planned work being completed and delays with the sanitary sewer video inspection program due to a contractor bankruptcy.			
<u>Impact Going Forward</u> Engineering has revised the 2020 budgeted interdepartmental recoveries to reflect anticipated work plans for 2020.			
<u>Actions to Mitigate Future Anticipated Variances</u> Engineering will review future work plans and adjust the budget for interdepartmental transfers accordingly.			

Service/Driver: Planning Services Revenue – Subdivision and Condo Fees			
Budget: \$936K	Actual: \$381K	Variance \$: (\$555K)	Variance %: (59%)
<u>Reason for Variance</u> Planning application revenues were down in some key areas such as subdivisions, rezoning and site plans. Subdivision application fees are based on the proposed unit counts and there were smaller proposals in 2019 compared to larger proposals as seen in previous years in the secondary plan areas.			
<u>Impact Going Forward</u> Revenue forecasts for planning application fees will be reviewed against recent year's performance and economic considerations will be taken into account for future year budget purposes.			
<u>Actions to Mitigate Future Anticipated Variances</u> No further action required at this time.			

APPENDIX C

Detailed User Rate Supported Operating Variance Explanations

Service/Driver: Wastewater Operations – Operating Expenses & Corporate Support			
Budget: \$8.9M	Actual: \$7.9M	Variance \$: \$1.0M	Variance %: 11%
<u>Reason for Variance</u> <p>The year-end surplus is attributed to several factors:</p> <ul style="list-style-type: none">- Utility savings of \$126K were realized due to a successful change in the hydro billing structure and the continued benefits of water conservation within the WwTF;- Wastewater chemicals were underspent by \$119K due to the optimization of chemical nutrient removal (phosphorus) utilized at the facility;- A favourable variance of \$264K relating to “Consulting & Professional Services” occurred due to an attempt to align the condition assessments with capital works projects. Assessments were put on hold due to capital works project realignments, and a change in the corporate asset management legislation;- The favourable variance of \$191K for “Contracted and Other Services” was a result of reduced Wessuc expenses in 2019. Wessuc collects materials from the treatment facilities and spreads them on fields when the weather is appropriate. Due to an extremely wet spring in 2019, Wessuc was unable to collect and spread materials until mid-May. This was a month behind schedule and reduced the total amount of Wessuc expenses for 2019;- A \$295K favourable variance in “Other Materials & Supplies”, “Rents & Other Expenses”, and “Small Tools” is a result of management expecting the Oro-Biosolids capital project upgrade to move forward in 2019. The budgeted repairs & maintenance of the facility were put on hold due to the fact that Operations thought the tanks and equipment were going to be replaced.			
<u>Impact Going Forward</u> <p>Spending on operations and infrastructure repairs varies from year to year. As a result, historical averages will continue to be used for annual budget development.</p>			
<u>Actions to Mitigate Future Anticipated Variances</u> <p>No specific actions are required at this time.</p>			



Service/Driver: Wastewater Operations – Corporate Support & Internal Transfer			
Budget: \$7.5M	Actual: \$6.9M	Variance \$: \$625K	Variance %: 8%
<u>Reason for Variance</u> The year-end “Corporate Support & Internal Transfer” expenses vary annually depending on the amount of recoveries required from other departments. These expenses are beyond the control of Wastewater Operations management.			
<u>Impact Going Forward</u> No actions needed at this time.			
<u>Actions to Mitigate Future Anticipated Variances</u> No specific actions are required at this time.			

Service/Driver: Parking Operations – Revenues			
Budget: \$2.1M	Actual: \$2.3M	Variance \$: \$160K	Variance %: 8%
<u>Reason for Variance</u> The favourable Parking revenue variance in 2019 was due to new credit card pay and display machines in areas where there were none previously. Staff had removed single space coin meters along several downtown streets with pay and display machines that have credit card options, improving customer experience and the ability to pay longer for spaces.			
<u>Impact Going Forward</u> Now that we have some data on the financial impact of the updated pay and display machines, we will be able to budget accordingly for the 2021 budget.			
<u>Actions to Mitigate Future Anticipated Variances</u> Nothing to note at this time.			



Service/Driver: Parking Operations – Interdepartmental Transfers – Property (Collier Street Parkade)			
Budget: \$237K	Actual: \$20K	Variance \$: \$216K	Variance %: 91%
<u>Reason for Variance</u> The favourable Repairs & Maintenance result for the Collier Street Parkade in 2019 was due to renewal work expected to be completed in Q4 being deferred until the spring of 2020. This delay was a result of the potential impact the work may have had on parking space availability while Dunlop Street was closed for construction. This work will be deferred until spring 2020.			
<u>Impact Going Forward</u> We expect to see an increase in Repairs and Maintenance expenses in 2020 when the renewal work is expected to commence. However, it is expected that expenses will return to the historical average going forward.			
<u>Actions to Mitigate Future Anticipated Variances</u> Nothing to note at this time.			

APPENDIX D

Capital Plan Progress Update by Division as at December 31, 2019

Summary of Capital Plan & Forecast	2019 Capital Budget			Performance Reporting					
	Carryover from Prior Year Budgets	New Projects Approved in 2019 Budget	2019 Total Budget with Transfers	Projected YTD Spending Plan	Actual 2019 Spending	Variance to 2019 Projected	% of 2019 Projected Spending Plan Achieved	% of 2019 Total Budget	Planned Spending (Deferred)
Access Barrie	1,279,619	967,541	2,247,160	951,704	111,937	839,766	12%	5%	(2,135,223)
Community and Corporate Services	30,810,763	46,101,225	76,911,987	70,989,073	62,175,812	8,813,261	88%	81%	(14,736,175)
Infrastructure & Growth Management	82,792,305	114,134,846	196,927,151	96,744,583	74,863,706	21,880,877	77%	38%	(122,063,445)
Developer Built Projects	38,142,424	37,451,790	75,594,214	2,394,809	1,026,662	1,368,147	43%	1.4%	(74,567,552)
Innovate Barrie	7,233,732	4,605,088	11,838,820	7,529,817	5,650,689	1,879,128	75%	48%	(6,188,131)
Invest Barrie	500,000	(265,000)	235,000	235,000	146,813	88,187	62%	62%	(88,187)
Total	160,758,843	202,995,489	363,754,333	178,844,986	143,975,620	34,869,366	81%	40%	(219,778,712)

APPENDIX E**Capital Plan Status Variances at December 31, 2019****CITY BUILD PROJECTS****Barrie - Simcoe Emergency Services Campus:**

2019 Total Budget with transfers	\$99.9M
Projected Spending Plan to end Q4	\$55.4M
Actual Spending to end Q4	\$50.1M
Variance to Projected to end Q4	\$5.3M

Comments:

Expenditures for Q4 were lower than anticipated, primarily due to delay in project team not achieving construction milestones tied to ICL (profit). A two week holiday shutdown by most trade partners at the end of December also contributed to less expenditures towards the project. Additionally, a significant portion of the project's Furniture, Fitments and Equipment (FFE) budget expected to be invoiced in Q4 was not completed until Q1 of 2020.

EN1316 Sunnidale Road Highway 400 Crossing Reconstruction:

2019 Total Budget with transfers	\$1.0M
Projected Spending Plan to end of Q4	\$0.3M
Actual Spending to end of Q4	\$0.1M
Variance to Projected at end of Q4	\$0.2M

Comments:

Modifications to the scope including a dam stability review as a result of the sewer main route resulted in delays in engaging a design consultant. The design consultant has been retained and the design is advancing.

EN1239 WwTF Underground Sludge Transfer Pipe Replacement – Administration Building:

2019 Total Budget with transfers	\$1.2M
Projected Spending Plan to end of Q4	\$1.1M
Actual Spending to end of Q4	\$0.4M
Variance to Projected at end of Q4	\$0.7M

Comments:

The tendered price was significantly less than the pre-tender estimate. The project is progressing as planned. Excess budget will be returned on the spring 2020 Capital Status report.

Harvie Road Crossing Projects:**EN1262 Harvie Road ROW Expansion - Essa to Bryne:**

2019 Total Budget with transfers	\$10.4M
Projected Spending Plan to end of Q4	\$6.4M
Actual Spending to end of Q4	\$7.2M
Variance to Projected at end of Q4	(\$0.8M)

EN1277 Bryne Drive Construction – Harvie to North of Caplan:

2019 Total Budget with transfers	\$1.9M
Projected Spending Plan to end of Q4	\$1.0M
Actual Spending to end of Q4	\$0.5M
Variance to Projected at end of Q4	\$0.5M

EN1278 Bryne Drive Construction – Harvie to South of Essa:

2019 Total Budget with transfers	\$1.5M
Projected Spending Plan to end of Q4	\$0.6M
Actual Spending to end of Q4	\$0.5M
Variance to Projected at end of Q4	\$0.1M

EN1286 Big Bay Point Road ROW Expansion – Bayview to Huronia:

2019 Total Budget with transfers	\$3.1M
Projected Spending Plan to end of Q4	\$1.9M
Actual Spending to end of Q4	\$2.1M
Variance to Projected at end of Q4	(\$0.2M)

EN1287 Harvie Road & Big Bay Point Road Crossing – Highway 400:

2019 Total Budget with transfers	\$22.0M
Projected Spending Plan to end of Q4	\$25.0M
Actual Spending to end of Q4	\$16.8M
Variance to Projected at end of Q4	\$8.2M

Comments:

A number of individual projects contribute to the overall Harvie Road Crossing project. The combined underspend to the end of Q4 for this group of projects is \$7.8M. At the end of Q3, the variance was \$13.9M however this variance will be reduced to zero as the project schedule catches up in 2020.

The construction has experienced some delays including ongoing utility relocations, additional scope elements and existing infrastructure conflicts which have impacted the contractor's anticipated schedule. The City staff, consultant staff and the contractor are working together to resolve scheduling elements and ensure overall project is still on track for opening of the Harvie Road/Big Bay Point Road/Highway 400 crossing in the fall of 2020. The recent events related to COVID 19 may impact project schedule. The project team will continue to monitor and assess schedule and project cost impacts.

EN1143 Mapleview Drive West Sanitary Forcemain Twinning:

2019 Total Budget with transfers	\$12.7M
Projected Spending Plan to end of Q4	\$9.1M
Actual Spending to end of Q4	\$4.0M
Variance to Projected at end of Q4	\$5.1M

Comments:

This project includes construction of the Holly Pump Station which has been delayed by four months. Excess contingencies of \$2.5M have been released as part of the 2020 capital plan. Projected spending plans are only adjusted following Spring/Fall capital status reports and therefore, the projected \$9.1M was not modified as part of the return of excess funds.