

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: 12022	Report Date: March 10, 2006
Author's Name: Tony Ardovini	Date to Council: April 10, 2006
Author's Phone: (519) 255-6100 Ext #6223	Classification #:

To: Mayor and Members of City Council

Subject: Year-End Operating Budget Variance Report

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

1. THAT Council **RECEIVE FOR INFORMATION** the 2005 Year-end Operating Budget Variance Report, dated March 10, 2006, showing a deficit of (\$41,227). Once the Budget Stabilization Contingency Account of \$1.5 million is included, the deficit is completely offset resulting in a year-end surplus of \$1,458,773, which represents approximately 0.24% of the 2005 gross budget.
2. THAT as per normal practice, Council **APPROVE** the transfer of the 2005 Operating Surplus of \$1,458,773 to the Budget Stabilization Reserve Fund.
3. THAT Council **APPROVE** the transfer of \$7.2 million received as partial settlement related to the MFP settlement to the Budget Stabilization Reserve Fund.
4. That Council **APPROVE** the transfer of \$6,342,945 from the Budget Stabilization Reserve Fund to the Operating Fund to fund the payments made for Phase I (December 2005) of the Seasonal Recreation Pay Equity and that Council **APPROVE** the transfer of additional funds from the Budget Stabilization Reserve Fund, if required for Phase II.
5. That as per normal practice, Council **APPROVE** the transfer of the \$1,588,917 surplus from the Operating Budget Restructuring Account to the Corporate Stabilization Reserve Fund to fund payments made as a result of the compensation review and commitments made in 2003.
6. That Council **APPROVE** the transfer of the \$30,006 from the Corporate Stabilization Reserve Fund to the Operating Fund related to restructuring payments made to the Operating Fund and not transferred to the Reserve Fund prior to the 2005 year-end close.
7. That Council **APPROVE** the transfer of the capital project close-out surplus of \$4,567,894 as follows:

Sewer Surcharge Reserve Fund #153 – 2006 Capital Budget Funding Source -	\$4,000,000
Development Charges Roads/Sanitary/Storm Reserve Fund #119 -	\$558,223
Capital Expenditure Reserve Fund #160 -	\$9,671

8. That Council **APPROVE** \$1,715,841 in budget carryovers as detailed in Appendix B.

EXECUTIVE SUMMARY:

The Corporation ended the 2005 fiscal year with a small operating deficit of (\$41,227). Once the Budget Stabilization Contingency Account of \$1.5 million is included, the deficit is completely offset resulting in a year-end surplus of \$1,458,773. The surplus is itemized in the table that follows. Included in arriving at the net surplus are budget carryovers in the amount of \$1.716 million for accounts that, due to timing, were not expended in 2005 and for which the related budget has been carried to 2006 (Appendix B). The net surplus also includes a \$1.589 million transfer to the Corporate Stability Reserve Fund based on past practice, and a transfer of \$7.2 million received as partial settlement related to the MFP settlement to the Budget Stabilization Reserve Fund. The funding for the Seasonal Recreation Pay Equity payments amounted to \$6,342,945, resulting in a corresponding transfer from the Budget Stabilization Reserve Fund.

As Council will recall, \$1.5 million (equal to approximately 0.24% of the gross budget) is included in the budget to mitigate the impact of changes to estimates and judgements, made in many cases with incomplete information, during the budget development process. Only \$41,227 of this budget was required in 2005, and as per normal practice, the remaining \$1,458,773 was transferred to the Budget Stabilization Reserve.

The transfer to the Budget Stabilization Reserve fund will increase the City's liquidity position and may assist our bond rating. In addition, the reserve can provide stability and soften the impact of an economic downturn, while providing assistance in the cash flow for a number of large capital projects currently underway. As Council is aware, the City's reserves are much lower than that of peer municipalities across the province.

The table below provides a summary of the projected year-end variances for City Departments and Agencies, Boards & Commissions. The projected year-end variances have been sorted from largest deficit to largest surplus. Detailed explanations for each area can be found in Appendix A of the report.

City of Windsor Departments & Corporate Accounts	Year-end Surplus/ (Deficit)	Percentage of 2005 Gross Departmental Budget
Building & Development Services	(\$2,058,801)	(27.3%)
Fire & Rescue Services	(\$745,282)	(2.5%)
Public Works – Operations	(\$718,321)	(2.3%)
Legal	(\$464,494)	(4.3%)
Huron Lodge – Long Term Care	(\$435,393)	(2.5%)
Hospitality & Facility Management	(\$392,462)	(3.2%)
Licensing & Enforcement	(\$358,983)	(7.1%)
Social Support Services	(\$339,753)	(0.3%)
Environmental Services	(\$208,957)	0.7%
Parks	(\$174,278)	(1.5%)
Recreation	(\$30,880)	(0.2%)
Planning	(\$3,514)	(0.3%)
Council Services	\$1,520	0.1%

Human Resources	\$5,458	0.2%
Housing Services	\$9,272	0.0%
Information Technology	\$65,983	1.4%
Office of the CAO	\$119,195	4.6%
Finance	\$230,590	3.3%
Engineering & Corporate Projects	\$475,860	(7.1%)
Total City Departments	(\$5,023,240)	(1.4%)
Corporate Accounts		
Revenue From 400 City Hall Square	(\$1,056,875)	(100.0%)
Sick Leave Gratuities	(\$340,313)	(45.4%)
Miscellaneous Revenue	(\$306,880)	(76.7%)
Green Shield Medical Benefits	(\$225,764)	(1.7%)
Long-term Disability	(\$173,900)	(29.0%)
Local Improvements	(\$161,909)	n/a
Group Life Insurance	(\$116,637)	(6.9%)
Mayor's Office	\$0	0%
Internal Audit	\$42,653	8.6%
Grants in Lieu of Taxes	\$142,650	n/a
Richmond Landing Account	\$299,166	35.9%
Employment Insurance	\$342,414	10.9%
Land Ambulance	\$424,420	4.9%
Balance of General Corporate Accounts	\$437,207	0.2%
Interest on Taxes & Receivables	\$541,638	n/a
Salary & Wage Provision	\$1,075,065	87.0%
Capital Interest Income	\$1,475,821	82.0%
Corporate Tax Accounts	\$1,507,433	n/a
Investment Income	\$2,319,911	100.9%
Total Corporate Accounts	\$6,226,100	3.9%
Total City of Windsor Departments & Corporate Accounts Surplus	\$1,202,860	0.23%

Agencies & Boards	Projected Year-end Surplus/ (Deficit)	Percentage of 2005 Gross Departmental Budget
Police Services	(\$928,272)	(1.6%)
Transit Windsor	(\$264,578)	(1.1%)
Health Unit	(\$51,237)	(1.7%)
ERCA	\$0	0.0%
Other Agency Grants	\$0	0.0%
City Grant to Windsor Public Library	\$0	0.0%
Total Agencies & Boards Projected Deficit	(\$1,244,087)	(1.27%)

2005 Deficit	(\$41,227)	(0.0%)
Budget Stabilization Contingency Account	\$1,500,000	0.24%
2005 Surplus (including budget stabilization contingency account)	\$1,458,773	0.24%

BACKGROUND:

The table below lists relevant operational and economic statistics (extracted from various sources) and is provided as background information.

City of Windsor - Operational & Economic Statistics as at December 31, 2005			
	<u>Dec. 31st 2004</u>	<u>Dec. 31st 2005</u>	<u>% Increase / (Decrease)</u>
<u>Building Permit Activity</u>			
Number of Permits YTD	4,006	3,275	(18.2%)
Value of Construction YTD	\$336,235,650	\$327,326,636	(2.6%)
<i>Source: City of Windsor, Building & Development Department</i>			
<u>Transit Windsor Ridership</u>			
<i>(Combined Cash & Pass Fares)</i>			
Adult	3,595,327	3,811,012	6.0%
Student	1,467,174	1,583,169	7.9%
Senior	564,927	560,567	(0.8%)
Total	<u>5,627,428</u>	<u>5,954,748</u>	<u>5.8%</u>
<i>Source: Transit Windsor</i>			
<u>Social Services Caseloads</u>			
<i>(Ave. monthly caseload for 9-month period Jan. to Sept.)</i>			
Ontario Works (OW)	6,682	7,212	7.9%
Ontario Disability Support Program (ODSP)	6,580	6,867	4.4%
Domiciliary Hostels - Lodging Homes	385	366	(4.9%)
<i>Source: City of Windsor, Social Services Department</i>			
<u>Unemployment Rates (Annual Average)</u>			
Windsor (Census Metropolitan Area - CMA)	9.2%	6.4%	(2.8%)
Ontario	6.2%	5.7%	(0.5%)
Canada	6.6%	6.1%	(0.5%)
<i>Source: Statistics Canada</i>			

	CPI Dec. 31st <u>2004</u>	CPI Dec. 31st <u>2005</u>	% Change From The Previous Year or CPI
<u>Consumer Price Index (CPI)</u>			
Consumer Price Index (CPI) - Canada (All Items)	124.6	127.3	2.2%
Mortgage Interest Cost CPI	87.7	87.8	0.1%
Property Taxes CPI (Including Special Charges)	132.1	136.3	3.2%
Homeowners Insurance Premiums CPI	171.7	180.4	5.1%
Electricity CPI	123.5	125.5	1.6%
Water CPI	151.2	159.2	5.3%
Natural Gas CPI	212.7	238.0	11.9%
Fuel Oil and Other Fuel CPI	187.0	217.3	16.2%
<i>Source: Statistics Canada</i>			

3. DISCUSSION:

Based on analysis of the financial data, as at December 31, 2005, the current year-end surplus is \$1,458,773, which is 0.24% of the gross approved budget, once the budget stabilization contingency account of \$1.5 million is included. The comments are based on Departmental input and Finance Department review. Detailed comments have been provided in Appendix A for areas with projected year-end variances greater than \$100,000 or 1% of their gross expenditure budget.

As Council is aware, the \$1.5 million budget stabilization contingency in the corporate accounts may be used to offset any City deficit at year-end. Budgets inherently contain estimates about future activity that are made using the best available data and professional judgement. As Council will recall, significant discussions took place during budget deliberations about the appropriate budget amounts for such items as winter control expenditures, fuel costs, building permit revenues and Social Services caseload levels. The decision was made to accept a higher level of risk related to potential budget variances in these line items since we have the \$1.5 million budget stabilization contingency provision. Only \$41,227 of this budget was required in 2005, and as per normal Council approved practice, the remaining \$1,458,773 was transferred to the Budget Stabilization Reserve Fund.

Also included in arriving at the net surplus are budget carryovers in the amount of \$1.716 million for accounts that, due to timing, were not expended in 2005 and for which the related budget has been carried to 2006. Appendix B contains a detailed listing of the budget carryovers.

As previously directed by Council at the October 18, 2004 in camera meeting, the net surplus also reflects a \$1.589 million transfer to the Corporate Stability Reserve Fund. This transfer represents the 2005 surplus from the corporate restructuring account that was used to pay the retroactive payments as a result of the compensation review and commitments made in 2003.

In 2005, a partial settlement was received relating to the MFP matter, resulting in a \$7.2 million transfer to the Budget Stabilization Reserve Fund. This transfer to the Budget Stabilization Reserve was almost fully offset by the \$6,343 million required to fund the Seasonal Recreation Pay Equity payments made in December 2005 as part of Phase I of the payout.

The transfer of the 2005 surplus of \$1,458,773 will result in a Budget Stabilization reserve fund balance of approximately \$17 million.

Reserves are an important component to the City's long-term financial stabilization plan. Reserves provide the following benefits:

1. Provide stability of tax rates during economic downturns and when the City is faced with variable and uncontrollable factors like interest rates, unemployment rates, reduction in subsidies and increased social assistance caseloads.
2. Provide a source of internal financing for ongoing operations and the large capital projects currently underway. Reserves also ensure adequate cash flows for the City.
3. Provide flexibility to manage debt levels and protect the City's financial position.
4. Increasing reserves will increase the City's liquidity. This is one of the factors that bond raters use in their annual evaluation of the City's bond rating.
5. Provide financing for one-time or short-term requirements without permanently impacting the tax rate.
6. The Ministry of Municipal Affairs & Housing has communicated that the City's reserves funds as a percentage of municipal operating expenditures for 2004 are 14.9%, while the municipal average across the province is 26.6%. The City's low reserve fund balances present a risk that should be explored further.

Administration monitors the operating budget on an ongoing basis. The 2005 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.

The overall corporate budget variance is made up of various line items for City departments, Corporate Accounts and Agencies & Boards, each with varying surplus and deficit positions. Over the last several years, departmental deficits have been largely offset by better than expected performance of the corporate accounts. The same holds true for 2005, where the approximately \$5 million departmental and \$1.2 million Boards & Agencies deficits are almost completely off set by the \$6.2 million surplus in corporate accounts.

It is important to note that during the 2006 budget process, the corporate accounts budget was reduced by approximately \$5 million, significantly reducing the probability of a large 2006 surplus in this area. Departmental deficits will no longer be able to be offset by corporate accounts. The Finance Department, with the support of the Administrative Group (AAG), is revamping the variance reporting process to reflect this risk. Departments will be required to examine budget variance results and take mitigating actions to limit and reduce any 2006 projected budget deficits. Options to mitigate any projected deficits will be included in the quarterly variance report to Council.

The details of the projected departmental variances are outlined in Appendix A – Components of the 2005 Year-end Variance.

Capital Project Close-outs

Each year, completed capital projects are closed as part of the year-end function. In 2005, approximately 45 projects were closed out. The overall surplus of \$4,567,894 million was transferred back to the original funding source as follows:

Sewer Surcharge Reserve Fund #153 – 2006 Capital Budget Funding Source -	\$4,000,000
Development Charges Roads/Sanitary/Storm Reserve Fund #119 -	\$558,223
Capital Expenditure Reserve Fund #160 -	\$9,671

As reported to the Capital Budget Committee, the majority of the overall surplus was used as a one time funding source for sewer related projects in the 2006 capital budget. A detail breakdown by project will be provided as part of the capital variance report expected to be available for Council by the end of May.

Sewer Surcharge

Revenues collected by Windsor Utilities Commission (WUC) were approximately \$2.8 million lower than projected. On the expense side, the WUC administrative fees were \$0.542 million higher than expected due to a retroactive and new ongoing computer system charge, while appeal refunds were also higher than expected by approximately \$0.2 million. These expenditures were partially offset by lower than expected expenditures from City operations of approximately \$0.3 million. Based on the above factors, an amount of \$3.2 million was transferred from the Sewer Surcharge Reserve Fund, as has been normal Council approved practice, to balance the sewer surcharge operations.

In order to improve the monitoring process, a meeting was held with WUC staff and it was agreed that the City would receive regular quarterly budget vs. actual information from WUC to enhance the Sewer Surcharge projections.

4. FINANCIAL MATTERS:

Discussed throughout the report.

5. CONSULTATIONS:

The City Departments provided comments to augment the analysis performed by the Finance Department.

6. CONCLUSION:

While there were many variances within the accounts, overall the Corporation ended the 2005 fiscal year with a surplus of \$1,458,773, once the \$1.5 million from the budget stabilization contingency account is included. Administration is recommending that the surplus of \$1,458,773 be transferred to the Budget Stabilization Reserve Fund. The table below illustrates the 2005 quarterly year-end projections as presented in previous reports to Council, along with the year-end actual.

2005 Year-end Projections By Quarter	1st Quarter	2nd Quarter	3rd Quarter	Year-End Actual
2005 Projected Year-end (Deficit)/Surplus	(\$2,419,411)	(\$1,089,000)	(\$884,202)	(\$41,227)
Budget Stabilization Contingency Account	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
2005 Projected Year-end (Deficit)/Surplus (including Budget Stabilization Contingency Account)	(\$919,411)	\$411,000	\$615,798	\$1,458,773

Onorio Colucci
Acting City Treasurer

John Skorobohacz
Chief Administrative Officer

Mike Palanacki
Acting General Manager of Public Works

Ronna Warsh
General Manager of Social Services

Michael Duben
General Manager of Client Services

Helga Reidel
General Manager of Corporate Services

APPENDICES:

Appendix A – Components of Projected Variance
Appendix B – 2005 Budget Carry Overs

DEPARTMENTS/OTHERS CONSULTED:

All City Departments

NOTIFICATION :

Name	Address	Email Address	Telephone	FAX

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Strategic Services						
Office of the CAO	\$2,243,838	\$2,124,643	\$119,195	95%	4.6%	The surplus in the Office of the CAO is mainly attributable to gapping of various positions such as the General Manager of Corporate Services, Executive Assistant of Corporate Services and Communications Coordinator. Offsetting the surplus were overexpenditures in the Government Grants area along with salaries within the CAO Administration area.
Planning	\$1,243,433	\$1,246,947	(\$3,514)	100%	(0.3%)	No materially significant year-end variance.
Fire & Rescue Services	\$29,097,536	\$29,842,818	(\$745,282)	103%	(2.5%)	<p>Windsor Fire & Rescue Services has ended the year with a deficit of (\$745,282).</p> <p>Due to staffing requirements, a deficit of approximately (\$337,950) has occurred in overtime expenditures. The department continues to have personnel on long-term illness or accident leaves, which resulted in cost implications, as the unit must maintain minimum staffing levels. Additional pressure on overtime was caused by unforeseen circumstances in Fire Dispatch where a surprise retirement at the end of 2004, one maternity leave, one resignation and one employee transfer caused a shortage of staff. The training period for a new dispatcher is eight weeks before they can work on his or her own.</p>
						<p>In addition, there were two long-term sick absences in clerical staff that caused overtime to keep service levels at a minimum. Furthermore, the Assistant Chief of Fire Rescue is on modified duties that caused acting pay on a daily basis, and also had an impact on overtime in Fire Rescue. Fire Prevention has experienced staff turn over along with a long-term clerical absence and long term WSIB absence, causing an impact to overtime as this division draws qualified individuals from Fire Rescue in order to maintain minimum customer service levels.</p>
						<p>Other Pay, which includes acting pay and specialty pay, resulted in a year-end deficit of approximately (\$199,630). Acting pay is required when a position is covered for vacation, sick leave, etc. In addition, the department must transfer additional staff to the Training Division for 12 weeks to assist with recruit training. As indicated in the consultant's fire report, this division is under staffed. This transfer also has an impact on overtime in the Fire Rescue Division. Furthermore, as per the negotiated contract, four Captains were added to the complement and an additional week of vacation was added for anyone with 28 years of service. There was also an increase in specialty pay, which is given to firefighters who are technically trained to teach classes within the department in HAZMAT, first-aid/CPR, and auto extrication.</p> <p>Costs arising from breakdowns and corrective maintenance on the fire trucks and equipment have resulted in a deficit of approximately (\$73,780).</p> <p>The above issues were communicated during the 2005 budget process and highlighted as potential risk areas for the year.</p>

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
						As indicated during the budget preparation process, the department has always been concerned with trying to establish a base for revenues for fire inspections. The department must rely on new building projections. If revenues fall below the projection, fire has no means to rectify the short fall. In addition, revenue from inspections of existing buildings is basically derived from building owners not meeting code requirements. The department's objective is to try and have all buildings meet minimum code requirements. If they are successful with achieving their goal, revenues will reduce, however, the community will be safer. Once again, the department does not have the means to make up the short fall in the predicted revenue, which has caused an unfavourable variance of approximately (\$42,600).
						Due to aging buildings, extensive repairs and/or maintenance were necessary for the various stations throughout the city, which caused a year-end deficit of approximately (\$52,900). A deficit of approximately (\$33,500) occurred due to rising fuel costs. A small deficit in other miscellaneous line items amounted to approximately (\$4,922).
Huron Lodge	\$6,083,815	\$6,519,208	(\$435,393)	107%	(2.5%)	For 2005, Huron Lodge had a variance of (\$435,393). As explained in the third quarter variance narrative, this amount is attributable to WSIB overages. As of the third quarter, the WSIB accounts were forecasted to end up at (\$438,397). In actuality, the WSIB accounts ended up at (\$444,029). When looking at all other operating accounts other than WSIB, Huron Lodge had a small surplus of 8,636. The WSIB account variance was actually mitigated to a very small degree by the surplus in the operating accounts.
Total Strategic Services	\$38,668,622	\$39,733,616	(\$1,064,994)	103%	(2.1%)	

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Corporate Services						
Finance	\$5,679,279	\$5,448,689	\$230,590	96%	3.3%	The surplus in the Finance Department has resulted mainly from gapping of vacant positions and related training. A portion of the surplus however is the result of savings related to consulting in the PeopleSoft Support area of approximately \$40,000.
Licensing & Enforcement	(\$1,751,831)	(\$1,392,848)	(\$358,983)	80%	(7.1%)	The deficit in Licensing & Enforcement of (\$358,983) can be attributed to the following: The shortfall in Lottery revenue (\$329,000) that was communicated as a risk during the 2005 budget process. The shortfall was as a result of one hall closing in the later part of 2005 that wasn't anticipated. Also, a shortfall in Business Licence revenue of (\$129,983) partially caused by the ruling on dancer licensing which currently does not permit us to licence them and the unanticipated charge from WPS for \$88,000 which was not budgeted. The revenue shortfalls are partially offset by the surplus of \$100,000 in the Enforcement Services area.
Council Services	\$2,931,997	\$2,930,477	\$1,520	100%	0.1%	No materially significant year-end variance.
Legal	\$1,480,232	\$1,944,726	(\$464,494)	131%	(4.3%)	<p>The deficit in Legal of (\$464,494) can be attributed to the following: The shortfall can be attributed to greater than expected insurance claim costs of (\$258,124) and a revenue shortfall in the POA area of (\$258,003). These deficits were partially offset by a surplus of \$51,633 in the Legal Administration area.</p> <p>The shortfall resulting from insurance claim costs was higher than anticipated due to the large volume of claims that were finalized in December. There was a change in ownership of the adjusting company during 2005 and therefore, they were required to close out all files under their former name prior to the end of the year, resulting in increased charges to the City in December. The hiring of the In-house Insurance Claims Adjuster in November also contributed to the increase at the end of the year. As previously reported to Council, this model will result in long term savings to the City. The average monthly amount of claims and adjusting fees for January to November was \$103,474, in December, the amount increased to \$293,222.</p> <p>The consistent shortfall in revenue in the POA area contributed to the deficit in this area and has been addressed in the 2006 budget.</p>
Information Technology	\$3,488,297	\$3,422,314	\$65,983	98%	1.4%	The gapping of several positions resulting from a longer than anticipated recruitment process led to a surplus in the Information Technology Department of \$65,983.
Total Corporate Services	\$11,827,974	\$12,353,358	(\$525,384)	104%	(1.7%)	

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Client Services						
Parks	\$11,095,002	\$11,269,280	(\$174,278)	102%	(1.5%)	The year-end operating deficit within the Parks Department is largely attributed to three main factors. Winter Control was overspent by approximately (\$115,000) due to severe winter conditions in early 2005 and late 2005. Utilities were overspent by approximately (\$47,000) due to rising utility rates. Fuel was overspent by approximately (\$12,000) due to rising fuel prices and to servicing a larger inventory of municipal parks.
Recreation	\$6,472,158	\$6,503,038	(\$30,880)	100%	(0.2%)	<p>The Recreation Department ended the year with a deficit of (\$30,880). While advertising, program registration and facility rental revenue was higher than anticipated in 2005 by \$258,000, as reported earlier in the year, concession revenue was off budget by (\$165,000). The shortfall in concession revenue was expected as existing budget projections were not realistic under the current, contracting-out market conditions.</p> <p>With the average age of our community centres, arenas and outdoor pools being over 42 years old, significant repair and maintenance costs resulted in an overexpenditure of (\$224,000) in the building repair account. In addition, increase charges related to zamboni maintenance and utilities totaling (\$61,000) were realized. The increased expenditures were mitigated by the gapping of positions throughout the Parks and Recreation administration division and the Community Programming division, which resulted in net savings of \$162,000 in the wage accounts.</p>

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Hospitality & Facility Mgmt.	\$4,237,503	\$4,629,965	(\$392,462)	109%	(3.2%)	The year-end operating deficit within Hospitality & Facility Management is attributed as follows: The Cleary International Centre revenue shortfall (\$217,000) in Convention Marketing and Catering as well as Off Premise Catering. This revenue shortfall can be attributed to several factors which include the negative media coverage concerning the fate of the facility, less demand for convention space within Windsor, less US customers due to border issues and a reduced advertising budget.
						The Convention and Visitors Bureau has a year end surplus of \$18,000 resulting from monitoring of expenses. Facility Operations experienced a deficit of (\$193,321). This deficit is largely the result of the District Energy capacity charge for the Justice Facility being unbudgeted. The capacity charge was previously paid by the Windsor Police Services.
Human Resources	\$3,182,296	\$3,176,838	\$5,458	100%	0.2%	<p>The Human Resources Department ended the year with a surplus of \$5,458. However, despite the savings that were achieved due to gapping of positions, and savings in the areas of Employee Wellness and the Retirees' Banquet, the department still realized the projected variance of (\$16,000) in pre-employment medicals, and (\$30,000) in advertising. As previously communicated, while expenditures in these accounts fluctuate depending on the level of recruitment in the City, both accounts have historically been identified as underfunded.</p> <p>In addition to the projected deficits in advertising and pre-employment medicals, due to increased awareness of the Employee Family Assistance Program, utilization rates have risen substantially. As projected, this account was overspent by (\$13,000) at year-end.</p>
						<p>Health & Safety training and consulting costs exceed budget by almost (\$60,000) due to increased legislative training and program requirements. Activity, along with expenditures in this area, are expected to increase in 2006 once the full staff complement has been put in place.</p> <p>It should be noted that while gapping was available to offset the afore-mentioned over expenditures for 2005, as positions are filled in the new year, the Human Resources Department may once again be facing a funding shortfall for 2006.</p>
Total Client Services	\$24,986,959	\$25,579,121	(\$592,162)	102%	(1.4%)	

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Public Works						
Engineering & Corp. Projects	\$4,719,345	\$4,243,485	\$475,860	67%	7.1%	The Engineering and Corporate Projects Department ended the year with a surplus of \$475,860. Recoveries relating to certain Capital Projects and the Border Infrastructure Projects for work done by Public Works Engineering, Corporate Projects, and Geomatics Division were made with the execution of the MTO/City Phase 1 Border Projects Delivery Agreement. Also contributing significantly to the positive variance were savings relating to gapping of several vacant positions in the Department, combined with reduced spending in various miscellaneous expenditure accounts, and minor savings in street light energy and maintenance costs.
Operations	\$12,830,871	\$13,549,192	(\$718,321)	106%	(2.3%)	Public Works Operations ended the 2005 year with an overall deficit of (\$718,321).
						Winter Control for 2005 was over budget by \$1,398,573 due to above average snowfall events in January and December. On a Departmental level the deficit was offset by induced surpluses in the other Divisions as follows:
						Right of Way Maintenance was under spent by \$163,149 in an effort to help mitigate the impending over run in Winter Control. Sewers Maintenance recorded a surplus of \$52,554, while Operations Admin. realized a minor deficit of (\$4,500) due to a retro JJE settlement during the year. Transportation Planning realized a \$77,100 surplus primarily due to gapping of the Transportation Planner position. Field Services ended the year with a surplus of \$123,300 due to increased recovery from capital projects. The Fleet Division recorded a net surplus of \$258,830 as a result of staff vacancies, deferred building maintenance and deferred shop equipment purchases. Traffic Operations finished the year with a \$123,544 surplus due to recoveries from jobs completed in 2005 ahead of the 2006 scheduled completion date. Parking Services shows a variance of (\$113,725) which is equal to the unadjusted net budget figure for the division. The true variance is zero as the revenue surplus for the year and corresponding transfer to the Parking Reserve amounted to \$537,691.
Environmental Services	\$11,918,025	\$12,126,982	(\$208,957)	102%	(0.7%)	Landfill Perpetual Care was overspent by approximately \$200,000. Previously the cost for the treatment of Leachate was corporately budgeted to offset the revenue at the treatment plants. Unfortunately, it appears that when the accounts were transferred to the Solid Waste Division, the treatment costs were not budgeted in Landfill Perpetual Care, hence the overexpenditure in 2005. The result of the above noted issue is an overexpenditure in the tax levy supported budget offset by a similar underexpenditure in the sewer surcharge budget.
Building & Development	\$309,116	\$2,367,917	(\$2,058,801)	766%	(27.3%)	<p>The Building & Development Department's 2005 ending deficit of approximately \$2.0 M is the direct result of a \$2.4 M revenue shortfall. The majority (92%) of the \$2.4 M shortfall in revenue came from Building and Right-Of-Way permits and the remaining 8% was comprised of Development Application fees. The department did see an increase in the number of applications under the Residential Rehabilitation Assistance Program (RRAP), which helped offset some of the overall deficit.</p> <p>Based on the third quarter variance report, it was estimated that several large projects were slated to begin in the fourth quarter and the permit revenues associated with those projects were going to bring the Department close to meeting budget. However, building permit revenue from Casino Windsor of approximately \$2.0 M (representing 83% of the Department's revenue deficit) was not realized in 2005. As part of the 2006 Operating Budget process, Council decided to include this permit revenue as a one time revenue source in the Permit Services Division in 2006.</p>

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
						Recognizing the deficiencies in revenue, every attempt was made throughout the year to monitor and reduce expenditures. Some noteworthy proactive initiatives include gapping of positions resulting in efficiencies in headcount, reducing overtime hours, and identifying recoveries relating to variable costs. These collaborative actions combined with prudent financial management, led to the \$383,000 positive variances in expenditures.
Total Public Works	\$29,777,357	\$32,287,576	(\$2,510,219)	108%	(3.4%)	

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Social Services						
Social Support Services	\$32,809,799	\$33,149,552	(\$339,753)	101%	(0.3%)	The Social Support Department experienced Net City deficit of approximately (\$339,800). This deficit was a result of surpluses/deficits within the various program areas. A year-end surplus of \$200,400 was realized in the Children's Services and Ontario Early Years Programs as a result of strategies adopted to stay within Provincial Funding approvals. The Ontario Works Administration and Employment Programs combined, realized a year-end surplus of approximately \$588,100 resulting from additional one-time Provincial (MCSS) revenues, cost containment strategies, and in-year changes to Provincial programs and funding levels.
						The Ontario Works Financial Assistance Program saw higher than anticipated caseload growth, 7.9% versus the 3% growth budgeted. This, along with cost per case increases of 3.9% over 2004, resulted in a (\$522,000) Net City deficit at year-end. The Net City deficit of (\$108,000) in the National Child Benefits (NCB) program can also be attributed to higher than anticipated OW caseload growth.
						Average caseload growth of 4.4% and mandated benefit cost increases resulted in a Net City deficit of (\$498,300) for the Ontario Disability Support Program.
Housing Services	\$13,302,210	\$13,292,938	\$9,272	100%	0.0%	A net city surplus in Housing Services is approximately \$9,300 which comprised of a surplus of \$185,800 in Residential Support services and a deficit of (\$176,500) in the Housing Services area. The net city surplus in the Residential area is the result of both lower than anticipated caseloads (4.9% decline) in 2005 and lower cost per case in the Domiciliary Hostel program. The Housing Services area deficit is the result of net increases in required social housing subsidies to non-profit housing providers in Windsor and Essex County. The Housing Services area reflects a large deficit that was experienced at the Windsor-Essex County Housing Corporation (the City of Windsor is the sole shareholder) which experienced increases in operating costs without realizing any corresponding increases in rental revenue (geared-to-income). This deficit was somewhat offset by savings in the housing administration area.
Total Social Services	\$46,112,009	\$46,442,490	(\$330,481)	101%	(0.2%)	

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Agencies & Boards						
Police Services	\$54,753,578	\$55,681,850	(\$928,272)	102%	(1.6%)	<p>The following comments have been provided by Windsor Police Services as the Finance Department does not provide financial support to this department.</p> <p>The year-end 2005 Gross Operating Budget for the Windsor Police Service was in a deficit of \$982,272 or 1.6%, once the fringe benefit variance was removed. One of the significant areas of the Service that exceeded our budget projection was our overtime account, the bulk of which arose in our Criminal Investigation Branch.</p> <p>The Overtime overexpenditure of \$1,563,081 includes both regular overtime and court overtime. The Windsor Police Service has implemented statistical data retrieval from the overtime system to enhance the review and control of the overtime. The separation of the overtime expenses to operation and court overtime is assisting the Service in looking at ways to appropriately manage this cost. We are currently looking at sections of the collective agreements that will mitigate some of the costs particularly in the area of the major crime trials.</p>
						<p>Out of our budget of \$1.4 million in overtime, \$250,000 is allocated specifically for the downtown bar enforcement, approx. \$500,000 is spent in court overtime and the remaining is regular overtime. Regular overtime also has such compensation for working on a statutory holiday, change of shifts, call-ins, etc. The over expenditure in the overtime budget will, for the most part, be absorbed from the savings in the salary budget.</p> <p>Unfortunately, due to the nature of our business there are factors impacting this account that we have limited control of. The year brought several labour intensive investigations such as Project Discount (cloned credit and other such cards) and Project Provider (gambling) two major investigative initiatives that will likely lead into significant court overtime in 2006 and the early 2007, the kissing bandit investigation Dean Giffen arrested and the Brandon Burchell Homicide. Once again the POA Court Overtime recovery of \$121,000 from City of Windsor POA was unrecoverable.</p>
						<p>Of the four accounts dedicated to WSIB over expenditure of \$217,977 the WSIB Administration fee account is over \$155,735. This is another account that is not within our control.</p> <p>Part-time, Temporary Salaries - projected over expenditure of \$321,340. The two major accounts in this area are part-time special constables and part-time E911 communicators. This year we have had a high turnover in the special constable ranks, employees applying to become police officers and therefore leaving a gap in this rank. In the interim time period to hire new special constables, the part-time staff is assigned to these vacancies, therefore, has placed us over budget.</p>
						<p>Salaries savings of \$918,368 have offset a significant portion of the deficit. Various factors such as maternity/parental leave of absences, employees on WSIB or sick leave without pay, gapping, etc. are factors impacting this account.</p> <p>Revenue – projected to realize \$100,000 over budget. There is an increase in the number of police clearances and towing charge revenue</p>

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Transit Windsor	\$9,427,508	\$9,692,086	(\$264,578)	103%	(1.1%)	The final year end variance for Transit Windsor was \$264,578, attributable to the increase in fuel costs. The projected deficit at third quarter was \$300,000, due to the projected increase in fuel. The year end variance in the fuel account was \$299,490. The vehicle parts account was also overspent by \$90,000 due to unexpected engine breakdowns that occurred late in the year. If these additional vehicle parts costs had not been required, Transit would have been able to mitigate almost half the fuel deficit. Programs such as training were delayed, and savings were realized in the fringe benefit account for ASO (administrative services only) benefits. The revenues and expenditures for the tunnel service were reduced to reflect the loss of ridership, revenue which has never rebounded from September 11, 2001, and the subsequent border delays that impacted service.
						It should be noted that ridership statistics show an increase of 5.82% for 2005, which is attributable to both the new service on the South Windsor 7 route and annualization of the improved service on the Walkerville 8 route, with the adult and student categories seeing the greatest increases. The revenue figure has not seen a corresponding increase as the adults and students are using the reduced fare media of passes and tickets. This increase in ridership is significant and important in maintaining eligibility for continued gas tax funding.
Windsor Public Library	\$7,661,785	\$7,661,785	\$0	100%	0.0%	The City's grant to the Windsor Public Library was paid in accordance with the approved budget.
Health Unit	\$2,986,783	\$3,038,020	(\$51,237)	102%	(1.7%)	The deficit is a result of the difference between the 2005 Council approved budget and the 2005 Health Unit Board approved budget. This was partially offset by the refund of the 2004 surplus paid to the City in 2005.
ERCA	\$515,199	\$515,199	\$0	100%	0.0%	No year-end variance.
Other Agency Grants	\$2,322,149	\$2,322,149	\$0	100%	0.0%	No year-end variance.
Total Agencies & Boards	\$77,667,002	\$78,911,089	(\$1,244,087)	102%	(1.3%)	

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Corporate Accounts						
Mayor's Office	\$665,832	\$665,832	\$0	100%	0.0%	No year-end variance.
Internal Audit	\$423,599	\$380,946	\$42,653	90%	8.6%	The surplus in this area is primarily due to vacancies throughout the year.
Corporate Tax Accounts	(\$290,336,089)	(\$291,843,522)	\$1,507,433	101%	n/a	In 2005, supplementary tax billings amounted to approximately \$6.2 million, while tax reductions and net tax appeals were approximately \$4.7 million, resulting in a surplus of approximately \$1.5 million.
Local Improvements	(\$750,000)	(\$588,091)	(\$161,909)	78%	n/a	This budget is established based on the amount of local improvements anticipated. The revenue generated proved to be lower than initially established.
Grants in Lieu of Taxes	(\$1,356,000)	(\$1,498,650)	\$142,650	111%	n/a	The surplus in this account is the result of increased capacity at hospitals, universities, colleges and jails.
Capital Interest Income	(\$900,000)	(\$2,375,821)	\$1,475,821	264%	82.0%	The surplus in this account is primarily due to an increase in projects not yet permanently financed (Example: 400 City Hall Square, Huron Lodge). In addition, the average interest rate charged to deficit balances was slightly higher in 2005. This results in an interest expense financing charge in the capital budget and a corresponding recovery in the operating budget.
Investment Income	\$1,500,000	(\$819,911)	\$2,319,911	(55%)	100.9%	A surplus in this account of \$2,319,911 is due to a better than projected cash flow position during the year and a steady increase in interest rates during the year. This account has always been extremely difficult to project and has become even more difficult given the large capital projects presently underway. This account was reduced in during the 2006 budget process to better reflect actual activity.
Interest on Taxes & Receivables	(\$4,600,000)	(\$5,141,638)	\$541,638	112%	n/a	Given the overall increase in the tax levy and corresponding increase in outstanding taxes, an additional \$541,638 in interest revenue over the budgeted amounts is realized in 2005. Tax arrears as a percentage of total taxes are in the average range compared to peer municipalities across the Province.
Richmond Landing Account	\$832,605	\$533,439	\$299,166	64%	35.9%	This surplus in the Richmond Landing Account is primarily due to the budget only reflecting six months of revenue for the air-space lease in addition to a rebate for 2004 common area fees.
Balance of Expense & Revenue Accounts	\$38,059,177	\$37,621,970	\$437,207	99%	(0.4%)	The net variance for all general corporate accounts not individually listed represents approximately 80 other accounts.
Employment Insurance	\$3,145,000	\$2,802,586	\$342,414	89%	10.9%	A rate reduction in Employment Insurance benefits subsequent to setting the 2005 budget has contributed to a surplus in this account. The reduced rates have been reflected in the 2006 budget estimate.
Group Life Insurance	\$1,300,000	\$1,416,637	(\$116,637)	109%	(6.9%)	Higher than anticipated death benefit payouts related to retirees, have contributed to the deficit in this account.

Appendix A
2005 Year-end Components of the Projected Variance

Department	2005 Net Budget	2005 Year-End Actuals	2005 Year-End Surplus / (Deficit)	% Committed	% of 2005 Gross Expenditure Budget	Description
Long-Term Disability	\$600,000	\$773,900	(\$173,900)	129%	(29.0%)	The deficit in this account is primarily due to there being 5 more employees on LTD than in previous years. In addition, in 2005 there was a settlement made on a claim processed in 2003.
Sick Leave Gratuity	\$750,000	\$1,090,313	(\$340,313)	145%	(45.4%)	This is a difficult account to budget as it involves estimating the percentage of eligible employees that will actually retire in the year. This deficit is due to a larger number of retirees in 2005 than anticipated.
Green Shield Medical Benefits	\$13,245,000	\$13,470,764	(\$225,764)	102%	(1.7%)	The deficit in this account was projected to be (\$700,000) at 3rd quarter. A surplus cheque of \$500,000 was received from Green Shield related to the experience rating refund for 2005. This revenue was used to partially offset the deficit. Cost of service is increasing due to escalating drug costs and higher usage.
Revenue from 400 City Hall Square East	(\$1,056,875)	\$0	(\$1,056,875)	0%	100.0%	Budget of \$1,056,875 for the contribution from 400 City Hall Square West project was based on previously projected move in dates. Move in dates for external tenants were delayed resulting in less revenue being received in the 2005 calendar year. Additionally, some expenditures were incurred for miscellaneous issues related to the various physical moves. It is expected that the timing difference will simply extend the lease period and there appears to be no impact on the overall business case for the project at this time.
Miscellaneous Revenue	(\$400,000)	(\$93,120)	(\$306,880)	23%	76.7%	This account is used for any unexpected miscellaneous revenue that is received by the City and is inherently very difficult to predict. It appears that with the implementation of the new financial system, miscellaneous revenues are being better captured within more specific revenue accounts, thereby resulting in a shortfall in this miscellaneous revenue account. The budget has been reduced to \$50,000 for 2006.
Land Ambulance	\$8,602,290	\$8,177,870	\$424,420	95%	4.9%	Based on discussions with the County of Essex, delays in various initiatives and savings in health benefit premiums for EMS Staff have resulted in a savings of \$424,420 for 2005.
Salary and Wage Provision	\$1,235,538	\$160,473	\$1,075,065	13%	87.0%	This amount was provided to help pay for the recreation seasonal retroactive pay equity payouts. However, in 2005, the City received \$7.2 million as a preliminary payment related to the MFP litigation in partial settlement, which was deposited to the Budget Stabilization Reserve Fund. Therefore, given this unexpected inflow, payouts for the noted retro payments have been made from the Budget Stabilization Reserve resulting in a surplus in this account.
Total Corporate	(\$229,039,923)	(\$235,266,023)	\$6,226,100	103%	3.9%	
Grand Total	\$0	\$41,227	(\$41,227)		(0.0%)	

APPENDIX B
2005 Budget Carry-Forwards

Control Number	Department	Description	Amount	Dept. subtotal
BCF05001	Office of the CAO	Corporate Communications	\$31,000.00	
BCF05002	Office of the CAO	Employee Recognition / Simply Brilliant Programs	\$7,796.30	\$38,796.30
BCF05003	Fire & Rescue	First Aid, CPR, Defibrillator Replacement Budget Set Up For a 5-Year Period	\$76,000.00	
BCF05004	Fire & Rescue	Community Emergency Response Volunteers (CERV) Program	\$12,939.26	
BCF05005	Fire & Rescue	Carpet Repairs, Video Camera and Guest Speaker	\$6,130.00	
BCF05006	Fire & Rescue	Purchase of Replacement Parts for Fire Trucks	\$3,000.00	\$98,069.26
BCF05007	Huron Lodge	Donations Received for the Resident's Life Enhancement Fund	\$13,673.08	\$13,673.08
BCF05008	Finance	HRMS Time & Labour Upgrade	\$170,000.00	
BCF05009	Finance	PeopleSoft Training	\$50,000.00	
BCF05010	Finance	Consulting - Peoplesoft Support	\$50,000.00	\$270,000.00
BCF05011	Licensing & Enforcement	Provincial Smoking By-Law	\$31,500.00	\$31,500.00
BCF05012	Council Services	Office Renovations, Furniture & Equipment Related to the Council Secretariat	\$75,000.00	
BCF05013	Council Services	Installation of Records File Management System in Departments Across the Corporation	\$69,000.00	
BCF05014	Council Services	311 Initiative	\$21,000.00	
BCF05015	Council Services	Committee of Council - Windsor-Essex County Environmental Committee	\$46,736.00	
BCF05016	Council Services	Committee of Council - Windsor Bicycling Committee	\$4,917.00	
BCF05017	Council Services	Committee of Council - Windsor Heritage Committee	\$4,220.00	
BCF05018	Council Services	Committee of Council - International Relations Committee	\$11,256.00	
BCF05019	Council Services	Committee of Council - Windsor Citizen's Crime Prevention Committee	\$3,967.00	
BCF05020	Council Services	Committee of Council - Windsor Citizen's Crime Prevention Committee (Graffiti Eradication)	\$43,684.00	
BCF05021	Council Services	Committee of Council - Windsor Accessibility Advisory Committee	\$9,484.00	
BCF05022	Council Services	Committee of Council - Race & Ethnocultural Relations Committee	\$2,918.00	\$292,182.00
BCF05023	Information Technology	400 CHS HRSDC Resource Centre Implementation Issues	\$24,000.00	
BCF05024	Information Technology	Invoices For Retroactive Charges at Westcourt for 2001, 2002, 2003, 2004, 2005	\$60,514.00	\$84,514.00
BCF05025	Recreation	Temporary Wages For Customer Service Pilot Project	\$6,738.17	
BCF05026	Recreation	Pool Maintenance Operator to be Funded From Cleaning Contract in 2006	\$10,770.00	
BCF05027	Recreation	Repairs and Painting at Riverside Centennial Pool	\$23,054.00	\$40,562.17
BCF05028	Human Resources	Purchase of Furniture For the New Corporate Training Room at 400 CHS	\$50,000.00	
BCF05029	Human Resources	Purchase of Furniture For the Health & Safety Division Relocated to 98 Chatham.	\$10,000.00	\$60,000.00
BCF05030	Operations	Purchase of Traffic Count Equipment	\$5,636.00	\$5,636.00
BCF05031	Police Services	Brochures Re. Guide to Police Practices	\$16,000.00	\$16,000.00
BCF05032	Mayor's Office	Mayor's Office	\$61,245.00	
BCF05033	Mayor's Office	Community Relations (Mayor's Office)	\$113,935.00	\$175,180.00
BCF05034	Corporate Accounts	Neighbourhood Improvement Fund (Ward Fund)	\$280,030.00	
BCF05035	Corporate Accounts	Surplus From Olangapo Trip	\$975.00	
BCF05036	Corporate Accounts	Economic Development Initiative	\$123,082.00	
BCF05037	Corporate Accounts	Productivity Improvement Fund	\$185,641.00	\$589,728.00
	Total		\$1,715,840.81	\$1,715,840.81