

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"

LiveLink Report Number: 12753	Report Date: March 2, 2007
Author's Name: Tony Ardochini/Natasha Couvillon	Date to Council: April 23, 2007
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 2006 Year-end Operating Budget Variance Report, dated March 2, 2007, showing a surplus of \$193,318. Once the Budget Stabilization Contingency Account of \$1.5 million is included, the result is a year-end surplus of \$1,693,318, which represents approximately 0.23% of the 2006 gross budget.
2. THAT Council **APPROVE** the transfer of the 2006 Operating Surplus of \$193,318 and the 2006 Budget Stabilization Contingency Account balance of \$1.5 million from the Budget Stabilization Reserve Fund to the Self Insurance Reserve Fund.
3. THAT, in order to avoid the need to re-budget for various items, Council **APPROVE** \$2,498,836 in budget carryovers as detailed in Appendix B – 2006 Budget Carry-Forwards, related to 2006 budgeted expenditures that will be expensed in 2007.
4. THAT consistent with prior instructions, Council **APPROVE** transfers from the Operating Fund to the Budget Stabilization Reserve Fund for 2006 expenditures amounting to \$622,357 related to the Interim Control Bylaw – Rail Issues and \$241,168 for Border Traffic Issues.
5. THAT Council **APPROVE** the establishment of a Building Permit Reserve Fund – Fund 180, as required under Bill 124, and the related transfer of \$240,142 for 2005 net expenditures from the Building Permit Reserve to the Budget Stabilization Reserve and \$481,048 for 2006 net expenditures from the Building Permit Reserve to the Operating Fund, for a total transfer of \$721,190, from the Building Permit Reserve.
6. THAT Council **APPROVE** the transfer of the net Reserve Account and Reserve Fund close-out surplus of \$457,495, detailed in Appendix C – Summary of Reserve Accounts and Funds to be transferred to/(from) the following funds:

Sewer Surcharge Reserve Fund #153 -	\$459,168
Capital Expenditure Reserve Fund #160 -	(\$5,581)
Capital Project 7069034 – Municipal Pool Refurbishment	\$3,908

7. THAT Council **APPROVE** the on-going annual transfer of net expenditures related to the CLASS computerized booking system from the operating accounts to the CLASS Technology Reserve Account. The amount of the transfer will fluctuate annually based on activity within the operating accounts. The 2006 transfer is \$5,567.
8. THAT Council **APPROVE** the on-going annual transfer of net expenditures related to vacant property management from the operating accounts to the Capital Expenditure Reserve Fund. The amount of the transfer will fluctuate annually based on activity within the operating accounts. The 2006 transfer is \$42,077.
9. THAT City Council **AUTHORIZE** the City Treasurer to provide a temporary loan, consistent with the discussion in the Housing Integration report of July 20, 2006, to the Windsor Essex Community Housing Corporation effective January 1, 2007 in the amount of \$1,076,523 representing the amount of the cumulative deficit of the former City of Windsor Non Profit Housing Co. and further, that payments relative to the temporary loan amount be repaid to the City of Windsor as a first charge from any future operating surpluses generated by the Non-Profit Portfolio of Windsor Essex Community Housing Corporation.
10. THAT City Council **AUTHORIZE** the Chief Administrative Officer and City Clerk to sign an agreement securing the loan from the Non-Profit Portfolio of Windsor Essex Community Housing Corporation satisfactory in form to the City Solicitor and in financial content to the City Treasurer and in technical content to the Executive Director of Housing and Children's Services.

EXECUTIVE SUMMARY:

The Corporation ended the 2006 fiscal year with an operating surplus of \$193,318. Once the Budget Stabilization Contingency Account of \$1.5 million is included, the result is a year-end surplus of \$1,693,318. The surplus is itemized in Table A – Summary of 2006 Year End Position, which follows. Included in arriving at the net surplus are budget carryovers in the amount of \$2.499 million for accounts that, due to timing, were committed but not expended in 2006 and for which the related budget has been carried to 2007 in order to avoid the need to re-budget for those items in 2007. The carry-forwards are outlined in Appendix B.

As Council will recall, \$1.5 million (equal to approximately 0.21% 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. Overall positive budgetary results allow this total to be transferred to reserve funds as per normal practice.

It is recommended that the entire \$1.5 million, along with the year-end surplus of \$193,318, be transferred to the Self Insurance Reserve Fund, which should allow for an increase of insurance deductibles with a corresponding decrease in insurance premiums.

Table A 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.

Table A – Summary of 2006 Year End Position

City of Windsor Departments & Corporate Accounts	Year-end Surplus/ (Deficit)	Percentage of 2006 Gross Departmental Budget
Building & Development Services	(\$2,562,399)	(40.6%)
Legal	(\$558,853)	(4.9%)
Parks & Facility Operations	(\$357,998)	(1.8%)
Licensing & Enforcement	(\$179,367)	(3.3%)
Hospitality & Corporate Facility Planning	(\$178,080)	(2.6%)
Fire & Rescue Services	(\$154,382)	(0.5%)
Engineering & Corporate Projects	(\$67,275)	(0.9%)
Planning	(\$43,350)	(3.2%)
Recreation	(\$11,964)	(0.1%)
Public Works – Operations	\$13,396	0.0%
Office of the CAO	\$44,878	1.5%
Finance	\$67,423	1.0%
Information Technology	\$71,451	1.5%
Council Services	\$82,767	1.9%
Human Resources	\$102,882	3.2%
Huron Lodge – Long Term Care	\$169,225	0.9%
Social Support Services	\$183,379	0.2%
Environmental Services	\$219,957	0.7%
Housing & Children Services	\$823,009	1.1%
Total City Departments	(\$2,335,301)	(0.6%)
Corporate Accounts		
Corporate Tax Accounts	(\$240,159)	(0.3%)
Office of the City Auditor	\$18,015	4.0%
Corporate Expense & Revenue Accounts	\$5,468,184	3.9%
Total Corporate Accounts	\$5,246,040	2.2%
Total City of Windsor Departments & Corporate Accounts Surplus	\$2,910,739	0.5%

Agencies & Boards	Year-end Surplus/ (Deficit)	Percentage of 2006 Gross Departmental Budget
Police Services	(\$2,805,207)	(4.5%)
Transit Windsor	\$87,786	0.3%
Health Unit	\$0	0.0%
ERCA	\$0	0.0%
Other Agency Grants	\$0	0.0%
City Grant to Windsor Public Library	\$0	0.0%
Total Agencies & Boards Deficit	(\$2,717,421)	(2.65%)

Net Total 2006 Surplus (prior to Budget Stabilization Contingency Account)	\$193,318	(0.0%)
Budget Stabilization Contingency Account	\$1,500,000	0.21%
2006 Surplus (including Budget Stabilization Contingency Account)	\$1,693,318	0.23%

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, 2006			
	<u>Dec. 31st 2005</u>	<u>Dec. 31st 2006</u>	<u>% Increase / (Decrease)</u>
<u>Building Permit Activity</u>			
Number of Permits YTD	3,275	1,769	(46.0%)
Value of Construction YTD	\$327,326,636	\$337,195,825	3.0%
<i>Source: City of Windsor, Building & Development Department</i>			
<u>Transit Windsor Ridership</u>			
<i>(Combined Cash & Pass Fares)</i>			
Adult	3,596,646	3,653,867	1.6%
Student	1,583,169	1,579,178	(0.3%)
Senior	560,567	660,290	17.8%
Tunnel	<u>214,366</u>	<u>251,965</u>	17.5%
Total	<u>5,954,748</u>	<u>6,145,300</u>	<u>3.2%</u>
<i>Source: Transit Windsor</i>			
<u>Social Services Caseloads</u>			
<i>(Avg. monthly caseload for 12-month period Jan. to Dec..)</i>			
Ontario Works (OW)	7,212	7,914	9.7%
Ontario Disability Support Program (ODSP)	6,867	7,200	4.8%
Domiciliary Hostels - Lodging Homes	366	355	(3.0%)
<i>Source: City of Windsor, Social Services Department</i>			
<u>Unemployment Rates (Annual Average)</u>			
Windsor (Census Metropolitan Area - CMA)	6.4%	8.3%	1.9%
Ontario	5.7%	5.7%	0.0%
Canada	6.1%	5.7%	(0.4%)
<i>Source: Statistics Canada</i>			

	CPI Dec. 31st <u>2005</u>	CPI Dec. 31st <u>2006</u>	% Change From The Previous Year or <u>CPI</u>
<u>Consumer Price Index (CPI)</u>			
Consumer Price Index (CPI) - Canada (All Items)	127.3	129.9	2.0%
Mortgage Interest Cost CPI	87.8	92.1	4.9%
Property Taxes CPI (Including Special Charges)	136.3	140.4	3.0%
Homeowners Insurance Premiums CPI	180.4	194.9	8.0%
Electricity CPI	125.5	133.9	6.7%
Water CPI	159.2	169.9	6.7%
Natural Gas CPI	238.0	220.2	(7.5%)
Fuel Oil and Other Fuel CPI	217.3	206.7	(4.9%)
<i>Source: Statistics Canada</i>			

In a continuing effort to assist both Administration and Council in determining and evaluating emerging trends that have an impact on the City's economic activity, the following additional statistics have been gathered as background information.

	Dec. 31st <u>2005</u>	Dec. 31st <u>2006</u>	% Increase / (Decrease)
<u>Tourism Marketing</u>			
Number of Coaches ⁽¹⁾	6,042	5,823	(3.6%)
Number of Visitors	239,119	234,640	(1.9%)
⁽¹⁾ Year-End Economic Benefit of Motorcoaches for 2006 is: \$19,892,653			
<u>Convention Marketing</u> ⁽²⁾			
Hotel Room Tracking ⁽³⁾	19,408	21,061	8.5%
Occupancies % - City Wide	53%	53%	0.0%
Occupancies % - Downtown	55%	54%	(1.8%)
Number of Convention Groups Booked	42	45	7.1%
Number of Delegates	13,995	12,761	(8.8%)
Number of Delegate Nights	37,500	31,747	(15.3%)
⁽²⁾ Year-End Economic Benefit of Convention Marketing for 2006 is: \$19,072,836			
⁽³⁾ Includes Super Bowl XL (8,541)			
<u>CVB Membership Marketing</u>			
Number of Members	541	546	0.9%
Visitors Serviced at Casino	83,967	65,894	(21.5%)
Number of Visitors Serviced by Bureau	13,663	8,658	(36.6%)
Internet Page Views	1,109,040	1,317,329	18.8%
<i>Source: City of Windsor, Convention and Visitors Bureau</i>			

3. DISCUSSION:

Based on analysis of the financial data, as at December 31, 2006, the overall operating year-end surplus is \$1,693,318 (0.23% of the 2006 gross approved budget) once the budget stabilization contingency account of \$1.5 million is included. 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. The comments are based on Departmental input and Finance Department review.

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. In many cases, the decision was made to accept a higher level of risk related to potential budget variances in these line items since there is the \$1.5 million budget stabilization contingency provision. Overall positive budgetary results allow this total to be transferred to reserve funds as per normal practice. It is recommended that the transfer be to the Self Insurance Reserve Fund.

Also included in arriving at the year-end surplus are budget carryovers in the amount of \$2.499 million for accounts that, due to timing, were committed but not expended in 2006 and for which the related budget has been carried to 2007 in order to avoid the need to re-budget for these items. Appendix B contains a detailed listing of the budget carryovers.

The transfer of the 2006 surplus of \$1,693,318 will result in a Self Insurance reserve fund balance of approximately \$3.0 million. Reserves are an important component to the City's long-term financial stabilization plan and provide many benefits as previously reported to Council. Specifically, the Self Insurance Reserve Fund can assist with providing insurance savings in the future by allowing for increased insurance deductibles with a corresponding decrease in insurance premiums.

As reported in the 2006 BMA Management Consulting Study, the City's reserves funds as a percentage of municipal operating expenditures for 2005 are 10.5%, while the municipal average across the province is 42.0%. The proposed 2007 budget recommends a reserves enhancement plan to gradually increase reserves to provide Council with greater financial flexibility.

Administration monitors the operating budget on an ongoing basis. The 2006 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 2006, where the approximately \$2.3 million Departmental and \$2.7 million Boards & Agencies deficits are completely offset by the \$5.2 million surplus in corporate accounts. In 2006, while the corporate accounts budget was reduced by approximately \$5 million, a surplus of \$5.2 million was still realized largely due to \$2.6 million in unexpected provincial funding from the Ontario Municipal Partnership Fund (OMPF) and unexpected savings of \$1.4 in the Land Ambulance account, which is administered by the County of Essex. Although past practice has allowed for some departmental deficits to be offset within the corporate accounts, budget reductions

over the past few years in this area mean that this practice will no longer be able to be supported on an on-going basis.

It is also important to note that in 2006, the Finance Department, with the support of the Administrative Advisory Group (AAG), revamped the variance reporting process. Under the new process, Departments were required to examine budget variance results and take mitigating actions to limit and reduce any year-end projected budget deficits. Options to mitigate any projected deficits were included in the quarterly variance reports to Council. In addition, seasonally adjusted quarterly budgets were prepared in order to assist in the identification of significant budget to actual variances. This proactive approach to managing projected budget variances reduced the departmental deficits from \$5 million in 2006 to \$2.3 million in 2006.

Despite the identification of mitigating factors, some material variances were realized in 2006. Some of the more significant variances (as a % of gross budget) include the following:

The Legal Department was made aware of a retroactive assessment in the City of Windsor's insurance premium payment. The City currently places its insurance with the Ontario Municipal Insurance Exchange (OMEX). In 2006, OMEX identified a need to strengthen its reserves, and as a result, issued a retro-assessment to all members of this municipal insurance reciprocal. Although the payment related to this retro-assessment was paid in full in 2006, if averaged over 4 years, it would represent an 11% increase in premiums. This increase must be viewed in the context of the overall "hardened" insurance market, in which municipal insurance premiums have been rising steadily over the past five years and where some municipalities insured outside of OMEX have experienced annual increases well in excess of 50%. As previously reported to Council, the 2006 retroactive payment totalled \$821,834.

The Cleary International Centre and Chrysler Theatre ended the year with a net deficit of (\$284,700) due to decreased sales fuelled by uncertainty surrounding the future of the facility. Although expenditures were closely monitored throughout the year, it was difficult to reduce the variance impact due to the high fixed costs of the facility.

The recent non-smoking ban and its associated impact on the Bingo Industry have contributed to the challenges facing the Licensing & Enforcement Department. This contributed to the Business Gaming Division of the Licensing & Enforcement Department reporting a variance of (\$515,242) at year-end, which is discussed in more detail in Appendix A.

In 2006, Public Works renewed their Winter Control Contract based on a public tender. The new contract will add \$514,752 annually to the cost of the program and this increased cost has been considered in the development of the 2007 Operating Budget. For 2006, the increased costs contributed significantly to Winter Control division's reported deficit of (\$210,765).

The Social Support Services Department, through a strategy of seeking senior level funding support, was able to secure increased annualized program funding, along with one-time funding. In addition, the Housing and Children Services Department experienced a year-end surplus of \$823,000. These positive variances were tempered however by increased caseloads in the Ontario Disabilities Support Program (ODSP) area of 4.8% and the Ontario Works Financial Assistance (OW) area of 9.7%. Further details supporting the year-end surplus are provided in Appendix A.

Windsor Police Services ended the year with a deficit of (\$2.8 million). The City's Finance Department does not provide financial support to the Police Department and therefore has not analyzed the Windsor Police Services deficit. However, the Police Chief has provided the analysis contained in Appendix D.

With respect to Corporate Accounts, material variances include:

- Sick Leave Gratuity – This payout is made to certain employees (largely in the Police and Fire departments) upon their retirement. Annual estimates are made on the number of employees retiring, but there is significant uncertainty as to the number of employees that actually retire. For 2006, a deficit of approximately (\$500,000) was realized.
- Medical Benefits – Medical benefit payments are based on actual usage. For 2006, a deficit of approximately (\$475,000) was realized in this account based on more usage of the benefits than projected in the budget.
- Net Interest Revenues – This area realized a surplus of approximately \$1.5 million for 2006 based on better than expected cash flows.
- Capital Project Financing Charges – A surplus of approximately \$1.9 million was realized at year-end due to higher short-term rates and the timing of capital project expenditures.
- Land Ambulance – A surplus of approximately \$1.4 million was realized at year-end due largely to an increase in provincial grants.
- Ontario Municipal Partnership Fund (OMPF) – A surplus of approximately \$2.6 million was realized in this account due to unexpected increased funding announced by the Province.

The details of the projected departmental and corporate accounts variances are outlined in Appendix A – Components of the 2006 Year-end Variance, and Appendix D – Windsor Police Services 2006 Year-end Variance Report.

Reserves Close-Outs

Reserves are generally set up with dedicated funding sources for specific initiatives and projects, with the balances being monitored on a continuous basis for activity and project completeness. Appendix C details those reserves that are no longer active and as part of normal practice, are being recommended for closeout. It is also recommended that the balances identified in the reserves to be closed-out be transferred to related reserves.

Operating Transfers to Reserves

Throughout the course of the year, costs related to certain initiatives are captured in operating accounts and are then transferred at year-end to reserves. In 2006, the following transfers occurred:

- \$622,357 from the Operating Fund to the Budget Stabilization Reserve Fund for 2006 expenditures related to the Interim Control By-law for rail issues and \$241,168 for 2006 expenditures related to border traffic issues
- \$5,567 for 2006 expenditures related to the CLASS registration system from the Operating Fund to the CLASS technology reserve account
- \$42,077 for 2006 expenditures related to vacant property management from the Operating Fund to the Capital Expenditure Reserve Fund

Winhome Housing Integration

On July 20, 2006, a report entitled “Housing Integration Update and Shareholder Declaration” was presented to City Council for approval in regards to the amalgamation of Winhome (City of Windsor Non-Profit Housing Corporation and Windsor Housing Company Limited) and the Windsor Essex

County Housing Corporation. The amalgamation occurred on January 1, 2007 and the new corporation has been named “The Windsor Essex Community Housing Corporation (CHC)”.

There were several recommendations made within the council report with regards to funding the accumulated operating deficit of the City of Windsor Non Profit Housing Company totalling approximately \$2.2 million as at December 31, 2005. More specifically, City Council approved by council resolution 360/2006 the transfer of \$1.3 million from the Windsor Housing Company Reserves (Winhome) and an additional amount of \$580,000 from the Social Housing Reserve held by the City of Windsor).

The recommended plan for the remaining deficit was to transfer any remaining un-funded balance to the newly integrated Housing Company (CHC) with an equivalent loan payable to the City of Windsor. It was anticipated that this loan balance may be repaid to the City at such time that future operating surpluses are generated by the CHC Non-Profit Portfolio based on expected synergies of the amalgamation.

The actual accumulated operating deficit for the period ending December 31, 2005 was \$2,183,280. Following the transfer of the approved \$1,880,000 as detailed above, the un-funded balance from prior years was reduced to \$303,280.

The report to City Council also estimated that an additional operating deficit of approximately \$300,000 would accrue through to June 30, 2006. The final amalgamation was completed on January 1, 2007 and while the final audit is not yet finalized it is estimated that the operating deficit for the full year of 2006 will be \$773,243. This brings the total cumulative deficit of the City of Windsor Non Profit Housing Company to \$1,076,523 as at December 31, 2006.

As was discussed in the report to City Council back in July 2006 it was anticipated that any remaining deficit balance would be transferred to the books of the newly amalgamated housing company to be funded from future operating surpluses that will be generated by the newly amalgamated entity. While funding of the remaining deficit remains the responsibility of the newly formed Windsor Essex Community Housing Corporation it was anticipated that the City would provide a temporary loan for such deficit amounts until such time as they could be repaid from future surpluses. As such, it is recommended at this time that City Council authorize the City Treasurer to provide a temporary interest-free loan in the amount of \$1,076,522 to be repaid as a first charge to any operating surpluses (as defined by the Social Housing Reform Act) generated by the Non Profit Portfolio of the Windsor Essex Community Housing Corporation. Council should be aware that it may take a number of years for the repayments to be made. Significant risk to the loan principal may be present if the level of expected synergies does not materialize.

Non-Tax Supported Variances

Building & Development

The Building & Development Department is a particular risk area in that it is very difficult to project to year-end. A general softening of the economy related to housing starts and development applications, combined with a downward forecast in revenue for 2006 has negatively affected the Department's year-end variance from the 2006 budget and the Department ended the year with a variance of (\$2.56) million. A large portion of the variance, approximately (\$1.975) million, is related to Bill 124 legislation, which in future years will be budgeted as a transfer to/from the Building Permit Fee Reserve.

The remaining portion (\$587,063) of the unfavourable variance pertains to non-Bill 124 related areas of the Building Department such as Development Applications and Committee Teams.

It is important to note that the year-end building permit deficit of approximately (\$1.975) million had not previously been included in the City's year-end variance projection. The current deficit is consistent with Bill 124 legislation that requires any year-end variances (actual revenues less actual expenditures) in the building permit area to be transferred to/from a separate reserve fund. For the third quarter variance report however, the Bill 124 portion of the variance was shown in the reserve as opposed to the levy-supported budget. Upon a more thorough review of the legislation, it was felt that this is a more appropriate disclosure since the levy supported budget for 2006 included a net revenue from Bill 124 operations of \$1.975.

On an actual results basis, Bill 124 operations expenditures exceeded revenues resulting in a deficit of (\$481,048). A transfer of \$481,048 was transferred from the reserve fund to balance the account, which increased the deficit balance of the reserve to (\$721,190). The intent of the legislation is for permit revenue to completely fund expenditures related to issuing the permit and to smooth out the peaks and valleys inherent with the economic cycles associated with the building industry. The deficit in the reserve can be addressed by increasing permit fees, reducing expenditures, through subsidization from the general tax base, or a combination of all three. This matter will be discussed further as part of the 2007 budget development.

Sewer Surcharge

Revenues collected by Windsor Utilities Commission (WUC) were approximately \$4.7 million lower than projected in 2006 due to mainly to changes in the budget forecasts (the budget and rates were last updated in 2004) and a decrease in water usage. Operational savings of approximately \$1.6 million assisted in offsetting a portion of the shortfall in revenue. Based on the above factors, an amount of \$3.1 million was transferred from the Sewer Surcharge Reserve Fund, as has been normal Council approved practice, to balance the sewer surcharge operations. Given that this variance report is focused on the tax supported levy, a detailed analysis of the sewer surcharge revenue and expenditures projections will be completed as part of the 2007 budget process.

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 2006 fiscal year with a surplus of \$1,693,318, once the \$1.5 million from the budget stabilization contingency account is included. Administration is recommending that the surplus of \$1,693,318 be transferred to the Self Insurance Reserve Fund. The table below illustrates the 2006 quarterly year-end projections as presented in previous reports to Council, along with the year-end actual. The difference from the third quarter projection is largely attributable to the unexpected Windsor Police Services deficit as well as the change in Bill 124 reporting, partially offset by the unexpected OMP funds announced by the Province.

2006 Year-end Projections By Quarter	1st Quarter	2nd Quarter	3rd Quarter	Year-End Actual
2006 Projected Year-end (Deficit)/Surplus	(\$872,000)	\$1,169,000	\$1,480,000	\$193,318
Budget Stabilization Contingency Account	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
2006 Projected Year-end (Deficit)/Surplus (including Budget Stabilization Contingency Account)	\$628,000	\$2,669,000	\$2,980,000	\$1,693,318

Onorio Colucci
Chief Financial Officer & City Treasurer

John Skorobohacz
Chief Administrative Officer

Dev Tyagi
General Manager of Public Works

Ronna Warsh
General Manager of Social & Health
Services

Michael Duben
General Manager of Community &
Protective Services

Helga Reidel
General Manager of Corporate Services

APPENDICES:

Appendix A – Components of the 2006 Year End Variance

Appendix B – 2006 Budget Carry-Forwards

Appendix C - Summary of Reserve Accounts and Funds to be Closed for 2006

Appendix D – Windsor Police Services Variance Analysis

DEPARTMENTS/OTHERS CONSULTED:

All City Departments

NOTIFICATION :

Name	Address	Email Address	Telephone	FAX

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps
Strategic Services						
Office of the CAO	\$2,450,984	\$2,406,106	\$44,878	1.5%	98%	The office of the Chief Administrative Officer ended the year with a \$44,878 surplus due primarily to the salary gapping of the Executive Assistant positions that were filled in the second half of the year.
Planning	\$1,290,784	\$1,334,134	(\$43,350)	(3.2%)	103%	The Planning Department's unfavourable variance to budget of (\$43,350) reveals a shortfall in recoveries with the primary source for the shortfall being various capital projects not yet started that were projected to provide recoveries for expenses (\$75,000). This shortfall in revenue is partially offset by a 'net' surplus in department expenditures due to gapping created by staff vacancies.
Fire & Rescue Services	\$30,168,249	\$30,322,631	(\$154,382)	(0.5%)	101%	<p>The Fire Department ended the year with a deficit of (\$154,382).</p> <p>An arbitration hearing was held in relation to a union policy grievance in the matter of vacation payout for employees retiring from the Fire service and had an unfavourable impact of approximately (\$118,000). The motor fuel account was overspent by (\$35,000) due to price fluctuation and usage fluctuation (i.e. call volume). Due to personnel on long-term illness or accident leave, workers compensation was over budget by approximately (\$81,000). This in turn had an impact on overtime - deficit of (\$36,500) and acting pay - deficit of (\$50,000). This also contributed to the surplus of approximately \$119,000 in salaries largely caused by the gapping in the Fire Prevention division.</p> <p>Costs arising from breakdowns and corrective maintenance on the fire trucks and equipment have resulted in a deficit of approximately (\$78,000).</p>
						<p>One-time revenues largely attributable to building permit revenue received from large projects such as the Casino Windsor expansion, St. Joseph's highschool, etc... resulted in a surplus of approximately \$122,000. 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.</p> <p>A surplus of approximately \$3,118 in miscellaneous line items assisted in offsetting the department's year end variance.</p>

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps
						<p>To summarize, the variance is comprised of the following:</p> <p>1) Arbitration award - Policy grievance vacation payment (\$118,000)</p> <p>2) Motor fuel overexpenditure - call volume (\$35,000)</p> <p>3) LTD, WSIB, Accident Leave - additional personnel costs (\$81,000)</p> <p>4) Overtime - costs per above item #3 (\$36,500)</p> <p>5) Acting Pay - costs per above item #3 (\$50,000)</p> <p>6) Surplus in Fire Prevention salary gapping \$119,000</p> <p>7) Fire vehicle maintenance (\$78,000)</p> <p>8) Building Permit revenue increase (large new construction projects) \$122,000</p> <p>9) Misc. surplus - various accounts <u>\$3,118</u></p> <p style="text-align: right;">Net Deficit <u>(\$154,382)</u></p>
Total Strategic Services	\$33,910,017	\$34,062,871	(\$152,854)	(0.4%)	100%	

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps
Corporate Services						
Finance	\$5,215,084	\$5,147,661	\$67,423	1.0%	99%	The net surplus is based on gross savings of approximately \$300,000, largely due to vacant positions due to the significant movement of staff experienced by the department. Partially offsetting this gross surplus is a deficit of (\$240,000) in revenues from the tax information dial-up service and treasurer certificates (caused by decreased volume and timing of fee increase implementation). The net remainder of approximately \$7,000 relates to minor variances in a number of accounts across the department.
Licensing & Enforcement	(\$853,802)	(\$674,435)	(\$179,367)	(3.3%)	79%	<p>The Licensing and Enforcement Department ended the year with a deficit of (\$179,367). As outlined in detail below, the Business Gaming Licensing Division had a deficit (\$515,242) with surpluses in the Licensing Enforcement Services Division of \$304,626 and the School Crossing Guard Initiative of \$31,249.</p> <p>The Business Gaming Division had a net yearend deficit variance of (\$515,242) attributed to a number of factors which include:</p> <ol style="list-style-type: none"> 1. A deficit of (\$752,302) in lottery revenue due to a number of challenges which includes the non-smoking ban and its associated impact on the Bingo Industry, the waiving of the Provincial surcharge as of May 1, 2006 with the implementation of the Interim Revenue model, the closing of Derby, Hollywood, Northwood and Classic II Bingo Halls in 2006 as well as the receivership announcement of the CBC Bingo Group. 2. The Bingo Industry Group department offset this deficit with a surplus of \$179,293 due to salary gapping of a Gaming Analyst and Junior Clerk position that were never filled and budgetary savings on research activities. 3. An increase in business licenses revenue of \$25,873. 4. Additional marriage licenses and birth registrations were sold resulting in a surplus of \$57,263 for the Vital Statistics department. 5. A slight decrease in dog licenses issued caused a deficit of (\$25,369).
						<p>The Licensing Enforcement Services Division ended the year with a net surplus of \$304,626. One contributing factor to this surplus is a timing difference of \$156,000. A Joint Job Evaluation (JJE) decision, in accordance with the CUPE 543 collective agreement, increased the compensation for Compliance Officers in the Bylaw Enforcement Area resulting in a variance of (\$42,000). The Parking Enforcement area experienced a revenue surplus of \$190,626 from the Courts that more than offset the JJE decision for the Parking Offences Officers job classification decision from a grade 7 to grade 11.</p> <p>In its third year of operations the School Crossing Guard initiative ended the year with a \$31,250 yearend surplus due to operational savings with no impact to the level of service.</p>

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps																				
						<div>In summary, the variance is comprised of the following:</div> <table><tr><td>1) Decline in bingo lottery revenue</td><td>(\$752,302)</td></tr><tr><td>2) Salary gapping savings – Bingo Industry Group</td><td>\$179,293</td></tr><tr><td>3) Increased business license revenue</td><td>\$25,873</td></tr><tr><td>4) Additional marriage license and birth registration revenue</td><td>\$57,263</td></tr><tr><td>5) Decrease in dog license revenue</td><td>(\$25,369)</td></tr><tr><td>6) Timing difference</td><td>\$156,000</td></tr><tr><td>7) JJE awards – Compliance and Parking Offences Officers</td><td>(\$42,000)</td></tr><tr><td>8) Increased Parking Enforcement revenue</td><td>\$190,626</td></tr><tr><td>9) School Crossing Guard program</td><td>\$31,249</td></tr><tr><td>Net Deficit</td><td>(\$179,367)</td></tr></table>	1) Decline in bingo lottery revenue	(\$752,302)	2) Salary gapping savings – Bingo Industry Group	\$179,293	3) Increased business license revenue	\$25,873	4) Additional marriage license and birth registration revenue	\$57,263	5) Decrease in dog license revenue	(\$25,369)	6) Timing difference	\$156,000	7) JJE awards – Compliance and Parking Offences Officers	(\$42,000)	8) Increased Parking Enforcement revenue	\$190,626	9) School Crossing Guard program	\$31,249	Net Deficit	(\$179,367)
1) Decline in bingo lottery revenue	(\$752,302)																									
2) Salary gapping savings – Bingo Industry Group	\$179,293																									
3) Increased business license revenue	\$25,873																									
4) Additional marriage license and birth registration revenue	\$57,263																									
5) Decrease in dog license revenue	(\$25,369)																									
6) Timing difference	\$156,000																									
7) JJE awards – Compliance and Parking Offences Officers	(\$42,000)																									
8) Increased Parking Enforcement revenue	\$190,626																									
9) School Crossing Guard program	\$31,249																									
Net Deficit	(\$179,367)																									
Council Services	\$4,319,294	\$4,236,527	\$82,767	1.9%	98%	<div>Overall surplus of \$82,767 is mainly attributable to lease payment savings of approximately \$21,000 realized by the purchase of two new copiers and unspent 2005 budget carryforward amounts. The budget carryforwards include amounts for the ongoing Records Management initiative of approximately \$69,000, the Council Secretariat renovation for \$75,000 and the various Committees of Council. The 2006 Municipal Election had a surplus of \$8,030 at the end of 2006, although some small invoices are still anticipated to be received through the first part of 2007.</div> <div>Due to steadily increasing call volumes the 311 Call Centre hired two temporary part time Operators, which resulted in a deficit variance of approximately (\$83,000). These temp staff were able to improve 311's service rate and decrease the abandoned call rate.</div>																				
						<div>In summary, the variance is comprised of the following:</div> <table><tr><td>1) Lease payment savings</td><td>\$21,000</td></tr><tr><td>2) Records Management initiative</td><td>\$69,000</td></tr><tr><td>3) Council Secretariat renovation carry forward</td><td>\$75,000</td></tr><tr><td>4) 2006 Municipal Election account</td><td>\$8,030</td></tr><tr><td>5) 311 Call Centre – hiring of 2 temporary part-time operators</td><td>(\$83,000)</td></tr><tr><td>6) Misc. deficit – various administrative accounts</td><td>(\$7,263)</td></tr><tr><td>Net Surplus</td><td>\$82,767</td></tr></table>	1) Lease payment savings	\$21,000	2) Records Management initiative	\$69,000	3) Council Secretariat renovation carry forward	\$75,000	4) 2006 Municipal Election account	\$8,030	5) 311 Call Centre – hiring of 2 temporary part-time operators	(\$83,000)	6) Misc. deficit – various administrative accounts	(\$7,263)	Net Surplus	\$82,767						
1) Lease payment savings	\$21,000																									
2) Records Management initiative	\$69,000																									
3) Council Secretariat renovation carry forward	\$75,000																									
4) 2006 Municipal Election account	\$8,030																									
5) 311 Call Centre – hiring of 2 temporary part-time operators	(\$83,000)																									
6) Misc. deficit – various administrative accounts	(\$7,263)																									
Net Surplus	\$82,767																									
Legal	\$2,479,249	\$3,038,102	(\$558,853)	(4.9%)	123%	<div>Since January 1, 2004, the City of Windsor has placed its insurance with the Ontario Municipal Insurance Exchange (OMEX). In 2006, OMEX identified a need to strengthen its reserves and as a result, issued a retro-active assessment for the years 2004 and 2005. The amounts levied against Windsor are:</div> <div>2004 - \$231,291</div> <div>2005 - \$821,834</div> <div>The amount for 2004 is currently under dispute, however, there is no dispute with respect to the amount for 2005 and the City was invoiced for this amount in December of 2006.</div> <div>The 2006 deficit is attributable to this payment of (\$821,834), the absorption of Police overtime costs associated with POA Court and external Legal Costs in excess of budget of approximately (\$93,000), representing primarily \$83,000 for MFP related matters. This deficit is partially offset by the \$213,839 surplus in the insurance account as our premium increases have not mirrored forecasts and the collection of an additional net \$150,000 in by-law fines revenue.</div>																				

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps												
						<div>In summary, the variance is comprised of the following:</div> <table><tr><td>1) OMEX retro-active assessment (2005)</td><td>(\$821,834)</td></tr><tr><td>2) Overtime related to POA Courts and transfer of legal costs</td><td>(\$93,000)</td></tr><tr><td>3) Insurance account surplus</td><td>\$213,839</td></tr><tr><td>4) Increased By-law fines revenue</td><td>\$150,000</td></tr><tr><td>5) Misc. deficit – various administrative accounts</td><td>(\$7,858)</td></tr><tr><td>Net Deficit</td><td>(\$558,853)</td></tr></table>	1) OMEX retro-active assessment (2005)	(\$821,834)	2) Overtime related to POA Courts and transfer of legal costs	(\$93,000)	3) Insurance account surplus	\$213,839	4) Increased By-law fines revenue	\$150,000	5) Misc. deficit – various administrative accounts	(\$7,858)	Net Deficit	(\$558,853)
1) OMEX retro-active assessment (2005)	(\$821,834)																	
2) Overtime related to POA Courts and transfer of legal costs	(\$93,000)																	
3) Insurance account surplus	\$213,839																	
4) Increased By-law fines revenue	\$150,000																	
5) Misc. deficit – various administrative accounts	(\$7,858)																	
Net Deficit	(\$558,853)																	
Information Technology	\$3,641,355	\$3,569,904	\$71,451	1.5%	98%	The bulk of the net surplus consists of a \$60,514 budget carry forward from 2005 to cover an outstanding invoice that was in dispute and was still not resolved in 2006. Instead of continuing to carry the budget forward again into 2007, the item will be dealt with as a budget variance issue if it gets resolved in 2007. The remainder of the variance reflects numerous minor variances in budget line items.												
Total Corporate Services	\$14,801,180	\$15,317,759	(\$516,579)	(1.6%)	103%													

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps												
Client Services																		
Parks & Facility Operations	\$13,538,498	\$13,896,496	(\$357,998)	(1.8%)	103%	<p>A review of Parks and Facility Operations year-end position finds the department overspent by (\$357,998).</p> <p>A) Parks: Per the July 2005 Local 82 Collective Agreement, 'Seasonal' positions are to be transitioned to 'Full-Time' over the course of the term of the contract. Over the course of 2006, 7 such positions were transitioned (6 remain outstanding). The negative impact to the Department in 2006 is approximately (\$32,000).</p> <p>Fuel prices remained high for a good portion of 2006. The price of fuel contributed to an over expenditure of approximately (\$34,000).</p> <p>The Forestry area incurred cost overages of (\$21,000) in overtime wages. Overtime is only incurred during and following storms as public safety responses.</p>												
						<p>B) Facility Operations: Facility Operations incurred utility cost overruns in the following areas: - 400 City Hall Square (\$198,000) - 2006 represented the first full year of operations and therefore represents the base year upon which future budgets will be developed. We have requested additional budget dollars in this respect for 2007. - 37 University (\$23,000) - Although revenues from some special events (such as Superbowl parties, Farmer's Market), partially offset expenses with operating the old Armouries building, utility expenses could not be fully recovered. We have requested additional budget dollars in this respect for 2007.</p> <p>Under the F. A. Tilston facility lease agreement, it has been determined that a (\$50,000) budgeted Management fee cannot be collected, thereby producing a negative variance. This has been adjusted accordingly through the 2007 budget process.</p>												
						<p>In summary, the variance is comprised of the following:</p> <table><tr><td>1) Conversion of Local 82 positions - seasonal to full-time</td><td>(\$32,000)</td></tr><tr><td>2) Fuel over expenditure – small equipment</td><td>(\$34,000)</td></tr><tr><td>3) Forestry overtime related to storms</td><td>(\$21,000)</td></tr><tr><td>4) Utilities over expenditure – 400 City Hall Square and 37 University</td><td>(\$221,000)</td></tr><tr><td>5) Budget adjustment – F.A. Tilston Armoury management fee</td><td>(\$50,000)</td></tr><tr><td>Net Deficit</td><td>(\$358,000)</td></tr></table>	1) Conversion of Local 82 positions - seasonal to full-time	(\$32,000)	2) Fuel over expenditure – small equipment	(\$34,000)	3) Forestry overtime related to storms	(\$21,000)	4) Utilities over expenditure – 400 City Hall Square and 37 University	(\$221,000)	5) Budget adjustment – F.A. Tilston Armoury management fee	(\$50,000)	Net Deficit	(\$358,000)
1) Conversion of Local 82 positions - seasonal to full-time	(\$32,000)																	
2) Fuel over expenditure – small equipment	(\$34,000)																	
3) Forestry overtime related to storms	(\$21,000)																	
4) Utilities over expenditure – 400 City Hall Square and 37 University	(\$221,000)																	
5) Budget adjustment – F.A. Tilston Armoury management fee	(\$50,000)																	
Net Deficit	(\$358,000)																	
Recreation	\$6,667,672	\$6,679,636	(\$11,964)	(0.1%)	100%	<p>No material variance to report. The Recreation Department faced a number of challenges in the same areas as reported in previous variance reports such as declining concession revenues, loss of Pride of Windsor Cruise revenue and increased bank charges. However, these challenges were mitigated with enhanced program and rental revenues and through due diligence by closely monitoring expenditures.</p>												

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps														
Hospitality & Corporate Facility Planning	\$2,745,814	\$2,923,894	(\$178,080)	(2.6%)	106%	<p>The Hospitality & Corporate Facility Planning Department ended the year with a deficit of (\$178,080). The deficit is comprised of the following:</p> <p>Corporate Facility Planning ended the year with a surplus amounting to approximately \$128,000, which is mainly attributable to gapping.</p> <p>Sales forecast at the Cleary International Centre declined given uncertainty surrounding the transfer of operations. The Cleary International Centre and Chrysler Theatre ended the year with a net deficit of (\$284,700) which accounted for a loss in business among the Social, Corporate and Convention markets.</p> <p>Willistead Manor was in a year-end deficit position due to increased utility costs of (\$6,700). In addition, an unbudgeted reserve contribution to a Capital project of (\$21,600) was made based on 10% of sales and catering commission revenue collected by the Manor in 2006.</p> <p>The Convention and Visitors Bureau ended the year with a slight surplus of \$3,200 due to savings in administrative accounts.</p>														
						<p>In summary, the variance is comprised of the following:</p> <table><tr><td>1) Corporate Facility Planning – gapping savings</td><td>\$128,000</td></tr><tr><td>2) Cleary and Chrysler Theatre – net operating deficit</td><td>(\$284,700)</td></tr><tr><td>3) Willistead Manor – Utilities over expenditure</td><td>(\$6,700)</td></tr><tr><td>4) Willistead Manor unbudgeted capital reserve transfer</td><td>(\$21,600)</td></tr><tr><td>5) Convention & Visitors Bureau – administrative savings</td><td>\$3,200</td></tr><tr><td>6) Net surplus – various accounts</td><td><u>\$3,720</u></td></tr><tr><td>Net Deficit</td><td><u>(\$178,080)</u></td></tr></table>	1) Corporate Facility Planning – gapping savings	\$128,000	2) Cleary and Chrysler Theatre – net operating deficit	(\$284,700)	3) Willistead Manor – Utilities over expenditure	(\$6,700)	4) Willistead Manor unbudgeted capital reserve transfer	(\$21,600)	5) Convention & Visitors Bureau – administrative savings	\$3,200	6) Net surplus – various accounts	<u>\$3,720</u>	Net Deficit	<u>(\$178,080)</u>
1) Corporate Facility Planning – gapping savings	\$128,000																			
2) Cleary and Chrysler Theatre – net operating deficit	(\$284,700)																			
3) Willistead Manor – Utilities over expenditure	(\$6,700)																			
4) Willistead Manor unbudgeted capital reserve transfer	(\$21,600)																			
5) Convention & Visitors Bureau – administrative savings	\$3,200																			
6) Net surplus – various accounts	<u>\$3,720</u>																			
Net Deficit	<u>(\$178,080)</u>																			
Human Resources	\$3,213,990	\$3,111,108	\$102,882	3.2%	97%	<p>Overall surplus of \$102,882 due mainly to salary and wage gapping and a budget carryforward from 2005 for the Corporate Training Room. Some of the costs incurred for the Corporate Training Room were covered by Pandemic Planning and Information Technology, which resulted in some of the budget carryforward remaining unspent.</p> <p>Although in a surplus overall, some deficit variances to note include Pre-Employment Medicals (\$24,205), Advertising (\$30,980), Health & Safety (\$35,842) and the Employee Family Assistance Program (EFAP) (\$41,983).</p>														
Total Client Services	\$26,165,974	\$26,611,134	(\$445,160)	(1.0%)	102%															

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps								
Public Works														
Engineering & Corp. Projects	\$4,768,234	\$4,835,509	(\$67,275)	(0.9%)	101%	The majority of the year end deficit in the Engineering and Corporate Projects Department can be attributed to the reduction in revenue. Full year revenue shortfall was mainly due to the fact that residential construction has continued to drop. As a result, the Department's revenue shortfall was approximately (\$188,300), of which \$125,000 relates to an offsetting hoarding permit revenue from the Casino. In addition, higher operating expenditures relating to street light maintenance, energy, and miscellaneous office expenditures amounting to approximately \$114,405 contributed to the overall negative variance to budget. However, a significant portion of the Department's deficit was offset by savings in salary dollars, mainly due to short-term gapping as well as unfilled positions. The combination of these two factors amounted to annual salary savings of approximately \$235,430.								
						<div>In summary, the variance is comprised of the following:</div> <table><tr><td>1) Revenue shortfall</td><td>(\$188,300)</td></tr><tr><td>2) Increased operating expenditures (street light maint, energy, supplies)</td><td>(\$114,405)</td></tr><tr><td>3) Salary gapping savings</td><td><u>\$235,430</u></td></tr><tr><td>Net Deficit</td><td><u>(\$67,275)</u></td></tr></table>	1) Revenue shortfall	(\$188,300)	2) Increased operating expenditures (street light maint, energy, supplies)	(\$114,405)	3) Salary gapping savings	<u>\$235,430</u>	Net Deficit	<u>(\$67,275)</u>
1) Revenue shortfall	(\$188,300)													
2) Increased operating expenditures (street light maint, energy, supplies)	(\$114,405)													
3) Salary gapping savings	<u>\$235,430</u>													
Net Deficit	<u>(\$67,275)</u>													
Operations	\$12,847,277	\$12,833,881	\$13,396	0.0%	100%	Public Works Operations realized an overall surplus of \$13,396 for the 2006 fiscal year end. Winter Control ended the year with a (\$210,765) deficit due to an unbudgeted increase resulting from the renewed Winter Control Contract. The new contract, signed in 2006, will add \$514,752 annually to the cost of the program. Field Services, with a \$914 surplus, received awaited revenue in the amount of \$129,000 from the Province for work done on border infrastructure projects during 2004, 2005 and 2006. This more than offset under recoveries in the division that occurred due to deferred projects during 2006.								
						<div>Remaining divisional surpluses/(deficits) were as follows: Fleet division \$45,000 surplus due to favourable level of recoveries, Transportation Planning \$69,599 surplus largely due to staff gapping, Traffic Operations \$40,765 surplus mainly due to staff vacancies during the year, Right of Way \$17,395 surplus, Sewers Maintenance \$19,261 surplus as budgeted, Parking Operations \$37,448 surplus as budgeted and Operations Admin. (\$6,221) deficit due to temporary replacements during vacation periods and unanticipated overtime.</div> <div>Transfer made to the On-Off Street Parking Reserve - 2006 Budgeted: \$512,115 2006 Actual: \$790,533</div> <div>This transfer to the On-Off Street Parking Reserve does not impact the levy supported budget.</div>								

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps																				
						<p>In summary, the variance is comprised of the following:</p> <table><tr><td>1) Winter Control over expenditure due to contract renewal</td><td>(\$210,765)</td></tr><tr><td>2) Field Services – net surplus various admin. accounts</td><td>\$914</td></tr><tr><td>3) Fleet Division – increased recoveries</td><td>\$45,000</td></tr><tr><td>4) Transportation Planning – gapping savings</td><td>\$69,599</td></tr><tr><td>5) Traffic Operations – gapping savings</td><td>\$40,765</td></tr><tr><td>6) Right of Way – net surplus various admin. accounts</td><td>\$17,395</td></tr><tr><td>7) Sewers Maintenance – net surplus various admin. accounts</td><td>\$19,261</td></tr><tr><td>8) Parking Operations – net surplus various admin. accounts</td><td>\$37,448</td></tr><tr><td>9) Operations Administration – net deficit various admin. accounts</td><td>(\$6,221)</td></tr><tr><td>Net Surplus</td><td><u>\$13,396</u></td></tr></table>	1) Winter Control over expenditure due to contract renewal	(\$210,765)	2) Field Services – net surplus various admin. accounts	\$914	3) Fleet Division – increased recoveries	\$45,000	4) Transportation Planning – gapping savings	\$69,599	5) Traffic Operations – gapping savings	\$40,765	6) Right of Way – net surplus various admin. accounts	\$17,395	7) Sewers Maintenance – net surplus various admin. accounts	\$19,261	8) Parking Operations – net surplus various admin. accounts	\$37,448	9) Operations Administration – net deficit various admin. accounts	(\$6,221)	Net Surplus	<u>\$13,396</u>
1) Winter Control over expenditure due to contract renewal	(\$210,765)																									
2) Field Services – net surplus various admin. accounts	\$914																									
3) Fleet Division – increased recoveries	\$45,000																									
4) Transportation Planning – gapping savings	\$69,599																									
5) Traffic Operations – gapping savings	\$40,765																									
6) Right of Way – net surplus various admin. accounts	\$17,395																									
7) Sewers Maintenance – net surplus various admin. accounts	\$19,261																									
8) Parking Operations – net surplus various admin. accounts	\$37,448																									
9) Operations Administration – net deficit various admin. accounts	(\$6,221)																									
Net Surplus	<u>\$13,396</u>																									
Environmental Services	\$12,774,772	\$12,554,815	\$219,957	0.7%	98%	<p>The Environmental Services (E.S.) divisions ended the year as follows:</p> <p>1) E.S. Waste Management has a surplus of approximately \$200,000, largely due to additional revenues from the Recycling Cost Recoveries, and less than expected garbage tonnage which equates to lesser expenditures in Tipping Fees.</p> <p>2) E.S. Environmental Services realized savings of roughly \$100,000 mostly in Base Wages, Computer Supplies, Other Professional-External, Maintenance Contracts, and Utilities.</p> <p>3) E.S. Overhead incurred an overexpenditure of about (\$75,000), mainly due to unbudgeted expenses relating to the Landfill Perpetual Care.</p> <p>Overall, the Environmental Services Department netted a 2% savings from its operations for the year 2006.</p>																				
Building & Development	(\$1,106,106)	\$1,456,293	(\$2,562,399)	(40.6%)	(132%)	<p>The Building & Development Department's 2006 year-end negative variance from budget of approximately \$2.56 million is the result of two factors. A large portion of the variance (\$1,975,335) is related to Bill 124 legislation which in future years will be budgeted as a transfer to/from the building permit fee reserve. Since the net overall 2006 budget figure of (\$1,106,106) for the Department included a projected surplus for the Bill 124 operations of \$1,975,335 within the levy supported budget, the deficit is being reported in the levy. The remaining portion (\$587,063) of the unfavourable variance pertains to non-Bill 124 related areas of the Building Department such as Development Applications & Committee Teams.</p>																				
						<p>In terms of the Bill 124 reserve, legislation requires that any year-end surplus/deficit (actual revenues less actual expenditures) to administer and enforce building permit fees be transferred to/from a separate reserve fund The beginning balance of this reserve in 2006 was a deficit of \$240,142. A transfer from the reserve was required in 2006 in the amount of \$481,048. The current cumulative balance of the Building Permit Reserve fund at year-end is a deficit of \$721,190.</p>																				
						<p>Recognizing the deficiencies in revenue throughout the year, resources are being utilized effectively and efficiently in order to reduce operating expenditures. The Department continued to focus on the reduction of expenditures through proactive initiatives such as: gapping of positions resulting in efficiencies in headcount and the reduction of overtime hours. These actions combined with prudent financial management led to a \$130,000 positive variance in expenditures for the Department. Other measures to mitigate the reserve's deficit are also being considered as part of the 2007 budget.</p> <p>It should be noted that for the 3rd quarter variance report, the Bill 124 portion of the variance was shown in the reserve as opposed to the levy supported budget. Upon a more thorough review of the legislation, it is felt that this is a more appropriate disclosure.</p>																				

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps
Total Public Works	\$29,284,177	\$31,680,498	(\$2,396,321)	(3.1%)	108%	

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps								
Social & Health Services														
Social Support Services	\$30,198,931	\$30,015,552	\$183,379	0.2%	99%	Social Support Services experienced a Net City surplus of approximately \$183,400 at year-end. This surplus is the net of surpluses/deficits in various programs. As a result of seeking senior level funding support, the Ontario Works Administration & Employment programs received increased annualized program funding along with additional one-time funding of \$598,000. This, along with a conservative approach to budgeting revenue, has resulted in a surplus of \$978,000. As a result of caseload growth of 4.8% in the Ontario Disabilities Support Program (ODSP) over the prior year, the City had a deficit of (\$207,800) in this program. Ontario Works Financial Assistance (OW) also experienced higher than budgeted caseload growth, 9.7% higher than 2005, and resulted in a (\$586,800) deficit.								
						<div>In summary, the variance is comprised of the following:</div> <table><tr><td>1) Ontario Works Administration & Employment surplus</td><td>\$978,000</td></tr><tr><td>2) Ontario Disabilities Support Program - increased caseload</td><td>(\$207,800)</td></tr><tr><td>3) Ontario Works Financial Assistance – increased caseload</td><td>(\$586,800)</td></tr><tr><td>Net Surplus</td><td><u>\$183,400</u></td></tr></table>	1) Ontario Works Administration & Employment surplus	\$978,000	2) Ontario Disabilities Support Program - increased caseload	(\$207,800)	3) Ontario Works Financial Assistance – increased caseload	(\$586,800)	Net Surplus	<u>\$183,400</u>
1) Ontario Works Administration & Employment surplus	\$978,000													
2) Ontario Disabilities Support Program - increased caseload	(\$207,800)													
3) Ontario Works Financial Assistance – increased caseload	(\$586,800)													
Net Surplus	<u>\$183,400</u>													
Housing & Children Services	\$19,871,793	\$19,048,784	\$823,009	1.1%	96%	Housing & Children's Services had a total year end surplus of approximately \$823,000. Housing Support Services experienced a year-end surplus of \$176,000 due primarily to realizing higher than budgeted revenue from external funding partners, lower housing provider expenditures than budgeted, along with additional savings in the administrative area. A \$232,000 surplus in the Residential Support program was due in large part to a 3% decline in the Lodging Home caseload over the same period last year. An over-projected reinvestment requirement for the National Child Benefit program resulted in a \$256,000 surplus. A year-end surplus of \$159,000 was realized in the Children's Services and Ontario Early Years Programs as a result of cost containment strategies and on-going program review to ensure efficient service delivery.								
Huron Lodge	\$8,177,541	\$8,008,316	\$169,225	0.9%	98%	The Huron Lodge year-end surplus position is at \$169,225 versus the \$400,000 that was communicated in the third quarter. However, a comment was made in the third quarter that challenges ahead could significantly erode the projected surplus. The \$230,800 difference is summarized as follows: \$67,200 in necessary equipment and building repairs for the old facility along with training for the new facility, a Ministry of Health overpayment \$133,600 due to optimization of resident accommodations, and \$30,000 in pre-committed equipment for the new Huron Lodge.								
Total Social & Health Services	\$58,248,265	\$57,072,652	\$1,175,613	0.6%	98%									
Total City Departments	\$162,409,613	\$164,744,914	(\$2,335,301)	(0.6%)	101%									

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps
Corporate Accounts						
Office of the City Auditor	\$450,800	\$432,785	\$18,015	4.0%	96%	The Office of the City Auditor ended the year with a surplus of approximately \$18,000 resulting primarily from the gapping of an Internal Auditor position. This surplus was partially offset by a deficit in utility costs and internal rent and insurance charges resulting from the department's relocation.
Agency Grants	\$6,279,264	\$6,279,264	\$0	0.0%	100%	All Agency grants were paid in accordance with the approved budget.
Corporate Expense & Revenue Accounts	\$55,957,922	\$50,489,738	\$5,468,184	3.9%	90%	<p>OMERS: This account ended the year in a deficit position of approximately (\$1,100,000) based largely on more people than expected paying the higher rate applicable to earnings over the yearly maximum pensionable earnings.</p> <p>Employment Insurance: This account ended the year in surplus position of approximately \$310,000 largely due to phase-two of the Seasonal Pay Equity not being paid out until 2007 and the large number of employees that reached their maximum annual contribution.</p> <p>Long Term Disability: This account ended the year in a deficit position of approximately (\$230,000) based on the increased number of employees on Long Term Disability. This account continues to be monitored as it is dependent upon the success of corporate health and safety initiatives.</p> <p>Sick Leave Gratuity: This account ended the year in a deficit position of approximately (\$500,000) and is extremely difficult to project as it involves estimating the percentage of eligible employees that will actually retire in a given year. The variance is largely attributable only to Police and Fire employees.</p>
						<p>Medical Benefits (Green Shield): The Green Shield account ended the year in a deficit position of approximately (\$475,000) due to increased benefit costs and employee usage.</p> <p>Capital Project Financing Charges: This account ended the year in a surplus position of approximately \$1,920,000 due to the timing of major expenditures and related recoveries on large projects, as well as higher short term interest rates.</p> <p>Net Interest Revenues: This account ended the year in a surplus position of approximately \$1,535,000 due to higher interest rates and better cash flows.</p> <p>Allowance for Doubtful Accounts: This account ended the year in deficit position of approximately (\$676,600) related to an increase in the allowance for doubtful accounts covering many years. Newly added resources have been able to finalize review of old accounts receivables and provide an allowance for doubtful accounts. A full report on accounts receivable is being finalized and will be going to Council shortly.</p> <p>Land Ambulance: This account ended the year in a surplus position of approximately \$1,390,000 largely due to increased grants received from the Province.</p>

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps
						<p>Property Tax Interest, Vacancies and Appeals: This account ended the year in a slight deficit of approximately (\$234,300) due to higher than anticipated tax reductions.</p> <p>Salary & Wage Provision: This account ended the year in a surplus position of approximately \$358,000 resulting from a lower than anticipated salary adjustment required for the non-union compensation review.</p> <p>Corporate Utilities Provision: This account ended the year in a surplus position of approximately \$300,000 based on the difference between what was estimated for departmental increases in the Hydro, Water and Gas accounts and what was allocated to the departments. The surplus in this account has assisted in offsetting deficits experienced within departmental accounts.</p> <p>Corporate Contingency: This account is in a deficit position of approximately (\$152,000) primarily related to Physician Recruitment payments made to the County of Essex based on a cost sharing agreement. This issue has been addressed within the 2007 budget.</p>
						<p>Ontario Municipal Partnership Fund: The Provincial government's spring budget changed the rules related to calculations of the OMPF entitlement. These rule changes resulted in an increased funding stream to the City for 2006. Since the 2006 operating budget had already been approved by Council, prior to the above noted announcement, a surplus of \$2,600,000 was realized in this line item.</p> <p>Net Balance of Corporate Account Variances: The net variance for all remaining corporate accounts not individually listed, represents minor surpluses and deficits that are offsetting and result in a net surplus of \$423,184.</p>
Corporate Tax Accounts	(\$301,163,448)	(\$300,923,289)	(\$240,159)	(0.3%)	100%	Corporate Taxation Accounts: No materially significant variances were realized in the corporate taxation accounts.
Total Corporate Accounts	(\$238,475,462)	(\$243,721,502)	\$5,246,040	2.2%	102%	
Total City Departments & Corporate Accounts	(\$76,065,849)	(\$78,976,588)	\$2,910,739	0.5%	104%	

Appendix A
Components of the 2006 Year End Variance

Department	2006 Annual Net Budget	2006 Year-end Actual	2006 Year-end Surplus / (Deficit)	% of 2006 Gross Department Expenditure Budget	YTD % Committed (100%)	Description & Mitigating Steps
Agencies & Boards						
Police Services	\$56,257,176	\$59,062,383	(\$2,805,207)	(4.5%)	105%	Windsor Police Services ended the year with a deficit of (\$2,805,207). As the Finance Department does not provide financial support to this department, a detailed analysis of the year-end variance provided by Windsor Police Services can be found in Appendix D.
Transit Windsor	\$10,486,888	\$10,399,102	\$87,786	0.3%	99%	The final year-end variance for Transit Windsor was a surplus of \$87,786. The projected deficit at third quarter was \$80,000 as a result of the additional costs at the tunnel as well as vehicle maintenance materials, fuel costs and additional legal costs. To offset the projected third quarter deficit, all discretionary accounts were monitored and training, advertising and promotion expenditures were deferred to ensure that Transit could maintain expenditures within budget. In addition to monitoring and deferring expenditures, Transit experienced additional revenue from the bus advertisement contract and increased ridership. Advertisement revenue, for the first time in six years, exceeded the guaranteed amount. The advertising contractor was able to leverage the exposure from the Super Bowl in Detroit to increase bus advertising. Ridership increased by 3.2% for the year. A portion of the ridership increase was due to the SuperBowl activities and free service during this period. The other increase can be attributed to the annualization of the South Windsor 7 route and a slight improvement in general ridership.
Grant to Windsor Public Library	\$7,821,785	\$7,821,785	\$0	0.0%	100%	The City's grant to the Windsor Public Library was paid in accordance with the approved budget.
Total Agencies & Boards	\$74,565,849	\$77,283,270	(\$2,717,421)	(2.8%)	104%	
Total	(\$1,500,000)	(\$1,693,318)	\$193,318	0.0%	113%	
Budget Stabilization Contingency Account	\$1,500,000	\$1,500,000	\$0	0.0%	100%	The budget stabilization contingency account is available to offset any corporate variances at year-end. This contingency was not required at year-end, largely due to the unexpected \$2.6 million received from the Province on the OMPF grant, and was transferred to the Budget Stabilization Reserve as per normal Council approved practice.
Grand Total	\$0	(\$193,318)	\$193,318	0.0%		

APPENDIX B
2006 Budget Carry-Forwards

Control Number	Department	Description	Amount	Dept. subtotal
	Office of the CAO	Employee Recognition / Simply Brilliant Programs	\$2,198.00	
	Office of the CAO	Corporate Branding Initiative	\$46,983.00	\$49,181.00
	Fire & Rescue	Community Emergency Response Volunteers program	\$11,242.62	
	Fire & Rescue	Program for First Aid, CPR Defibrillator Replacement & CPR & Defib Recertifications	\$75,451.50	
	Fire & Rescue	Order of Fire Hose	\$8,750.00	\$95,444.12
	Finance / IT	HRMS/Payroll Upgrade Project	\$75,000.00	\$75,000.00
	Licensing & Enforcement	Renovation of the Licensing File Storage Room	\$13,117.00	\$13,117.00
	Council Services	Committee of Council - Windsor-Essex County Environmental Committee	\$24,938.00	
	Council Services	Committee of Council - Windsor Bicycling Committee	\$765.00	
	Council Services	Committee of Council - Windsor Heritage Committee	\$973.00	
	Council Services	Committee of Council - Windsor Citizen's Crime Prevention Committee	\$16,201.00	
	Council Services	Committee of Council - Windsor Citizen's Crime Prevention Committee (Graffiti Eradication)	\$29,461.00	
	Council Services	Committee of Council - Race & Ethnocultural Relations Committee	\$37,332.00	
	Council Services	City of Windsor Roots Promotional Wear	\$2,040.00	\$111,710.00
	Parks & Facility	Huron Line Underpass Repairs	\$13,000.00	\$13,000.00
	Hospitality	Destination Development to Improve Tourism Traffic in Windsor, Essex County & Pelee Island	\$40,000.00	\$40,000.00
	Environmental	Provincial Grant for Recycling of Spent Fluorescent Lamps Project	\$10,000.00	\$10,000.00
	Building & Dev.	Auto-CAD Software	\$20,000.00	\$20,000.00
	Housing & Children	Unspent Pandemic Planning Funding Transferred From Reserves re: CR349-2006	\$399,790.95	
	Housing & Children	Subsidy Funding for Two Non-Profit Providers	\$221,900.00	\$621,690.95
	Huron Lodge	Resident's Life Enhancement Fund	\$20,604.83	\$20,604.83
	Mayor's Office	Mayor's Office	\$90,733.00	
	Mayor's Office	Community Relations (Mayor's Office)	\$108,434.00	\$199,167.00
	Corporate Accounts	Salary & Wage Provision	\$700,000.00	
	Corporate Accounts	Salary & Wage Provision	\$50,000.00	
	Corporate Accounts	Neighbourhood Improvement Fund (Ward Fund)	\$245,464.00	
	Corporate Accounts	Economic Development Initiative	\$95,847.00	
	Corporate Accounts	Productivity Improvement Fund	\$138,610.00	\$1,229,921.00
	Total		\$2,498,835.90	\$2,498,835.90

Appendix C
Summary of Reserve Accounts and Funds to be Closed (for 2006)

Item #	General Ledger Reference	Reserve Account/Fund Name	Current Surplus/(Deficit) (As at Dec. 31, 2006)	Comments
1	Reserve Account - 1751	Police Capital Expenditure Reserve	\$569.11	Established several years ago during the Social Contract days to offset capital expenditure needs for the Windsor Police Service. No further activity is anticipated and the nominal balance should be transferred to the Capital Expenditure Reserve Fund and this reserve account set to inactive.
2	Reserve Account - 1753	Wheelchair Access Route	\$2,701.30	Established for wheelchair access project expenses. No further activity is anticipated and the nominal balance should be transferred to the Capital Expenditure Reserve Fund and this reserve account set to inactive. These needs are now being met through accessibility projects identified in the capital budget.
3	Reserve Account - 1758	Reserve for Welcome Signs	\$959.69	Established to offset welcome signs required at City limits on an as-needed basis. No further activity is anticipated and the nominal balance should be transferred to the Capital Expenditure Reserve Fund and this reserve account set to inactive.
4	Reserve Fund - 137	E. C. Row Expressway	(\$1,478.75)	Established for maintenance of the E.C. Row Expressway from a one-time funding transfer of approx. \$7 million from the province when services were downloaded to the municipality. No further activity is anticipated and the nominal deficit should be offset by a transfer from the Capital Expenditure Reserve Fund and this reserve fund set to inactive.
5	Reserve Fund - 146	Neighbourhood Endowment	(\$7,942.94)	Established to provide continuing funds for "hard" infrastructure originally funded from interim Casino revenues. No further activity is anticipated and the nominal deficit should be offset by a transfer from the Capital Expenditure Reserve Fund and this reserve fund set to inactive.
6	Reserve Fund - 150	Huron Lodge Redevelopment	(\$2,431.10)	Established to help finance capital expenditures related to Huron Lodge. No further activity is anticipated as funding is now coming from the Debt Reduction Levy and the nominal deficit should be offset by a transfer from the Capital Expenditure Reserve Fund and this reserve fund set to inactive.
7	Reserve Fund - 154	Brighton Beach Land Acquisitions	\$4.84	Established to help finance the acquisition of lands in the Brighton Beach industrial area. No further activity is anticipated and the nominal balance should be transferred to the Capital Expenditure Reserve Fund and this reserve fund set to inactive.
8	Reserve Fund - 161	Special Neighbourhood Improvements/Casino Parking	(\$2,797.02)	Established from revenues collected from the interim Casino for parking lot use at the Riverfront. No further activity is anticipated and the nominal deficit should be offset by a transfer from the Capital Expenditure Reserve Fund and this reserve fund set to inactive.
9	Reserve Fund - 168	CN Waterfront Development	\$4,833.47	Established with one-time funding to help finance the development of riverfront parkland. No further activity is anticipated and the nominal balance should be transferred to the Capital Expenditure Reserve Fund and this reserve fund set to inactive.
		Net Surplus/(Deficit) closed to Capital Expenditure Reserve Fund 160	<u>(\$5,581.40)</u>	
10	Reserve Fund - 130	Major Sewage Works	\$459,168.53	Established to receive sewer impost charges. As of Aug. 31/04, this fee has been incorporated into the development charges fee. Funds are also being used periodically to help finance improvements to sanitary sewers. No further activity is anticipated and the balance should be transferred to the Sewer Surcharge Reserve Fund and this reserve fund set to inactive.
		Net Surplus/(Deficit) closed to Sanitary Sewer Surcharge Reserve Fund 153	<u>\$459,168.53</u>	
11	Reserve Fund - 162	Parks & Recreation Facilities	\$3,907.67	Established to collect non-resident fees from children registered in aquatic clubs taking classes at city swimming pools, as per CR72/92. The intent of the fee was to maintain new aquatic facilities. The amount of fees collected is nominal and has been declining to the point where costs to administer the fund exceed the amount of revenue received. It is being recommended that the surplus be transferred to the City's Municipal Pools Refurbishment capital project 7069034 to defray future capital costs and this reserve fund set to inactive.
		Net Surplus/(Deficit) closed to Capital Project 7069034 Municipal Pool Refurbishment	<u>\$3,907.67</u>	
		Net Surplus/(Deficit)	<u>\$457,494.80</u>	

NOTE: The minimal deficits are due to slight variances between expenditures and projected revenues.

13/04/2007

Appendix C - Summary of Reserve Accounts-Funds to Close for 2006



WINDSOR POLICE SERVICE
EXECUTIVE OFFICES

GLENN STANNARD
CHIEF OF POLICE
ROGER MORTIMORE
DEPUTY CHIEF, OPERATIONS
GARY SMITH
DEPUTY CHIEF, ADMINISTRATION

21 February 2007

Chair and Members
Windsor Police Services Board

Mr. Onorio Colucci
Director – Financial Services
Corporation of the City of Windsor
P.O. 1607
Windsor, Ontario

Dear Chair and Members and Mr. Colucci:

RE: 2006 YEAR-END VARIANCE REPORT
WINDSOR POLICE SERVICE

The latest 2006 year-end variance report indicates the Windsor Police Service budget for accounting purposes indicates an over expenditure of \$2.7 million dollars. There are two issues that require some explanation to address the actual cash expenditures related to the budget.

It is believed accounting transfers are required in the approximate amount of \$200,000 for the area of maintenance. This account is currently shown on the variance report as being overspent by \$200,000 when in fact we believe the account is under spent by \$65,000.

Therefore, for analyzing purposes I believe we should use the budget-overspent figure of \$2.5 million dollars. This amount does not include any savings or overages in the fringe benefit accounts.

However, further recognition should be made that the \$2.5 million dollars includes an encumbered amount of accrued banked overtime yet to be paid out in cash. This amount is included as an expenditure for 2006 accounting purposes and will be carried forward to 2007 as a credit. Therefore, the actual cash expenditures place the 2006 budget overage at \$1,988,000.

The following is an explanation of the specific accounts, which have realized a significant variance.

Salaries

Savings of \$571,000 due to gapping resulting from delayed promotions and delayed hiring, maternity/ parental leaves of absences, WSIB, LTD absences, etc.

P.O. BOX 60, WINDSOR, ON. N9A 6J5 • PH. (519) 255-6700 • FAX: (519) 255-6191
E-Mail: executive@police.windsor.on.ca Website: www.police.windsor.on.ca

Fleet

Savings of \$130,000 due to fuel costs being lower than what was estimated they would be during the budget development process. Also, the life of some vehicles were able to be extended due to good quality maintenance, low mileage, etc.

Lease / Rental (Accounts #3110 / #3120)

There has been a savings of \$65,000. One reason is that we did not replace the fax machines that were due for replacement and this was a savings to the budget. Other areas could have been over budgeted.

Other Pay (Acct #8190)

Overspent by \$350,000. This account includes charges such as severance pay (one officer affected this year), vacation payout upon retirements (difficult to predict since we are not required to be advised by the officer until prior to retirement), WSIB payroll adjustments, etc.

Constable J. Atkinson Funeral Costs

Unforeseen expenses of \$175,000. The funeral for Cst. Atkinson was a formal police funeral. All costs incurred by City of Windsor and Windsor Police were included within the Windsor Police Service budget expenditures.

WSIB

Overspent by \$347,000. Within the four accounts of WSIB, the majority of the expenses have occurred in the administration fee over budget by \$108,000 and \$158,000 in the WSIB Medical. In 2006, the percentage of admin fee was 24.19%. This is an uncontrollable cost and difficult to budget.

Temporary, Part-time Wages

Overspent by \$305,000. The Windsor Police Service has two areas within our organization where temporary part-time wages are utilized. These include the 911 Emergency Centre as well as the Detention Unit located within Windsor Police Headquarters.

The E911 Emergency Centre dispatches calls for all Windsor Police units and acts as the call taker for all 911 emergency calls for police, ambulance and fire as well as non-emergency calls to Windsor Police Service.

Due to the nature of the services provided, there are minimum staffing levels required to ensure there is prompt and timely service for 100% of all E911 calls and dispatch services for our police units. This requires call-ins for part-time personnel to cover unusual absences and normal absences caused by sick and furlough time.

A temporary person was required to replace a full-time employee that has been on LTD for a majority of 2006. This is currently being addressed with a request to replace the long-term absence by adding an additional to our actual strength. There is no cost to the budget, as members are not paid from budget while on LTD.

The other area for the over expense is in the Detention Unit where all prisoners are housed for the Windsor Police Service after arrest and held until their court appearances in the Ontario Court of Justice. The Detention Unit also receives prisoners each day, Monday to Friday from the County Jail for purposes of remand.

The Detention Unit is similar to the E911 Centre in that a minimum number of staff is required under adequacy to address regular handing, monitoring and transporting of prisoners in custody at Windsor Police headquarters. This requires call-ins for part-time personnel to cover unusual absences and normal absences caused by sick and furlough time.

Overtime

Overspent by \$2.2 million. In order to fully appreciate the meaning of the overtime expenditures, there needs to be an explanation as to the history of overtime budgeting within policing budgets. The adjusted overtime budget amount of \$1.7 million is an unrealistic budget figure. The budgeted amount includes an overtime expenditure budget of \$250,000. that is used each year in order that the Windsor Police Service can fund officers to walk downtown during our busy periods. This expenditure has been annually approved by the Board and Council as an effective and efficient way of having police officers only work specific hours required to address downtown issues. Otherwise it would require additions to strength, which would not be the best use of financial resources. Therefore, our true overtime annual budget line is \$1,450,000.

It should be noted our 1993 budgeted overtime amount was \$1.16 million dollars. Compare this to our 2006 budget amount of \$1.45 million dollars and consider the Windsor Police Service has increased by 50 sworn members and 15 civilian members during that period of time. The difference of \$290,000 does not cover inflationary increases in wages on overtime. Our increases due to contractual demands, technological and legislative impacts are all factors driving our overtime accounts.

Historically, past Boards and Councils have been reluctant to increase the overtime budget lines. Attempts have been made each year to find overages in overtime through gapping of salary dollars.

In the past ten years it is my belief that once or twice the Windsor Police Service has been under budget, and in fact our budgets have been up to over \$800,000. In each year overtime will have been found to be the major contributing factor.

The year-by-year reductions and attempts to find efficiencies have reduced the wage gapping opportunities and we are unable to recover for the years when operational demands impact overtime.

The year 2006 was such a year. Included were the high profile murder investigations involving Senior Police Constable John Atkinson and four other murder victims. This year also resulted in the solving of a cold case murder investigation involving Judy

Sawchuk. It should be noted that 2006 resulted in our investigative units investigating 10 attempt murders. Several high profile criminal court cases also had impacts on our overtime accounts.

Below are areas where overtime has occurred. Please note the following figures are the total overtime incurred in these areas.

1. Super bowl - \$194,200 - No extra funding was provided for this event by the City of Windsor when the Windsor Police Service was developing their 2006 budget.
2. Murder and Attempt Murder Investigations - \$850,000. In 2006 the City of Windsor had 5 murders and 10 attempted murders. Three of the murder investigations were high profile and required extensive resources. Senior Constable John Atkinson's murder along with other gang and drug related murders required extensive resources beyond the normal deployment. The murder investigations were conducted at a cost of \$661,000. This is the minimum overtime cost in relation to these murders. There were other overtime expenditures incurred through the extension of working shifts and is included as part of workload expenditures detailed below.

In regards to attempt murder investigations, in 2005 the Criminal Investigation Division investigated 3 attempt murders where as in 2006 they investigated 10. One of the attempt murder investigations required extensive overtime in the amount of \$77,000. The attempt murders together with the murder investigations totaled the \$850,000 as mentioned above.

3. Extension of Shift at time and one-half due to workload incurred overtime at \$870,000. Included in this total is the amount of \$345,000 worked by uniform members for extension of shift purposes. The reasons for this overtime expenditure are numerous. They include increased time worked to address Huron Church Road traffic issues, Wyandotte Street traffic issues, tunnel entrance traffic issues, downtown bar related issues and any other calls relative to requiring police officers to complete their duties and documentation beyond their normal shifts.
4. Hell's Angels Conference held in Windsor (unforeseen) - incurred \$53,000 in overtime.
5. Acting Rank \$103,000 - Acting Rank is required for a variety of reasons in a policing environment. Legislated Adequacy Regulations require a level of supervision be maintained at all times in order to comply with the regulations. Acting Ranks are required to be made to address promotions, days off, sick time, furlough and bereavement, secondments and many other reasons throughout the year.

6. Court Overtime \$1,074,000 - increases have occurred in Ontario Court of Justice (\$593,000) and Provincial Offences (POA \$318,000). The issues of court overtime have been problematic for policing for many years, locally and provincially. On a regular basis the police work together with Crown Attorneys to make every attempt to reduce unnecessary witness lists, thereby reducing costs relating to court overtime. However, in many cases it is impossible to achieve reduced requirements for court attendance due to the fact Crown Attorney's require witnesses and have the ultimate say as to which police witnesses will attend Court. This matter is further complicated in that many cases, defense attorneys will not address the resolution of cases until trial date and only when they see witnesses present and they feel the Crown can in fact prove their case.

There are continuing conversations between the Regional Crown and the police for purposes of streamlining the judicial appearance processes involving witnesses.

In regards to provincial offences, once again, attempts are made to reduce witness requirements; however, accused persons maintain the right to require the ticketing officers for purposes of attending court.

S/Sgt. Mike Kelly, officer-in-charge of Court Services, has raised an example of unnecessary overtime from the perspective of the police. His preliminary review of court overtime expenditures for police officers attending court between January and June 2006 revealed numerous cases with a value of \$125,000. where police officers attended court and immediately signed out, as they were not required. This is an example of the problem we continue to face regarding officer scheduling at Courts and the resulting court overtime. Should you expand of S/Sgt. Kelly's review, potentially we are looking at \$250,000 expended in overtime for officers not being required beyond signing in for Court.

7. The overtime budget for the special downtown enforcement is \$250,000. Reference to the downtown special enforcement overtime account was made earlier within this report.

Revenue

Bingo & Lottery investigation recovery from the City of Windsor has been reduced from \$200,000 to \$123,000, a reduction of \$77,000. There has been a reduction of \$126,000 in the recovery of Contract Duty administration fee. This may partially have been an over estimation during the budget development along with a reduction in request for contract duty services.

SUMMARY

As previously detailed within this report there is a difference between the accounting entries and the actual cash expenditures as they relate to the Windsor Police Service budget shortfall. The actual cash expenditure indicates our budget is overspent by approximately \$2 million dollars. With the inclusion of approximately \$500,000 in encumbered banked overtime dollars, our budget will then show an over expenditure of \$2.5 million dollars.

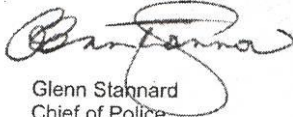
The Windsor Police Service Executive Management Team acknowledges the budget shortfall is a significant issue for both the Police Services Board and the City of Windsor. Throughout this report I have attempted to highlight some of the historical difficulties for overtime budgeting as well as difficulties encountered within the 2006 budget year.

It is my opinion our overtime expenditures were justified and required for the efficient and effective operation of the Windsor Police Service. However, I recognize we need to ensure there are management systems in place to monitor, track and predict our overtime expenditures. On February 22nd I have tabled a report to the Board with Appendixes that address overtime restrictions, review of overtime causation factors and reporting issues regarding overtime.

I believe the restrictions and reporting issues as well as a review of the causation factors will place the necessary management tools into effect to address the 2007 and future overtime budgets.

Should you have any questions regarding the contents of this report, please feel free to contact me at 519-255-6700 ext. 4487.

Yours truly,



Glenn Stannard
Chief of Police

GS/em

c.c. Deputy Chief Gary Smith
Director – Mary Solan