

1. 1999 AUDITED OPERATING RESULTS

COMMITTEE RECOMMENDATION AS AMENDED

That Council approve that the 1999 operating surplus be contributed to the various corporate reserve funds as identified in Table 1 to this report, subject to amendments made under item 6.

DOCUMENTATION

1. Finance Commissioner's report dated 30 May 00 is immediately attached.
2. Extract of Draft Corporate Services and Economic Development Committee Minute, 06 June 00 will be distributed prior to Council and will include a record of the vote.

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 30 May 2000

TO/DEST. Co-ordinator
Corporate Services and Economic Development Committee

FROM/EXP. Acting Finance Commissioner

SUBJECT/OBJET **1999 AUDITED OPERATING RESULTS**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee and Council approve that the 1999 operating surplus be contributed to the various corporate reserve funds as identified in Table 1 to this report.

PURPOSE

The purpose of this report is to summarize the significant issues in the 1999 audited operating results and to provide recommendations with respect to the disposition of the operating surplus. Departmental staff is available to identify reasons for detailed 1999 budget to actual variances in the various program areas.

OVERVIEW

The Region's external auditors, Ernst and Young LLP have now completed the audit of the 1999 Consolidated Operations of the Region together with its Boards and Commissions. Table 1 summarizes the 1999 operating results of each operating fund as well as the proposed disposition of the operating surpluses.

A complete listing of the operating results by fund and department is attached to this report as Annexes A through H.

Table 1.

1999 Results of Operations
\$000

	Total	Region-Wide		Child Care	Transit	Solid Waste	Sewer	Water
		General	Police					
Total Expenditures	1,192,173	625,451	123,075	61,891	232,214	39,485	48,069	61,988
Total Revenues	1,209,592	630,557	123,717	63,950	238,809	40,018	50,111	62,430
Surplus (Deficit)	17,419	5,106	642	2,059	6,595	533	2,042	442
Disposition								
• Contingency Reserve Fund	2,059			2,059				
• Capital Reserve Funds	15,360	5,106	642		6,595	533	2,042	442
Total Disposition	17,419	5,106	642	2,059	6,595	533	2,042	442

The following section highlights the reasons for the significant budget to actual variances that give rise to the surplus for each fund. In addition, each of the disposition items noted in the above table is addressed below.

OPERATING RESULTS

Fiscal Services Accounts (Applicable to all Funds)

The following accounts appear in each fund.

- *Remissions* *\$3.3 million*
Based on discussions with the City of Ottawa, remissions in 1999 were lower due to the large backlog created by the workload volumes associated with the capping program for the multi-residential, commercial and industrial property classes. It is expected that the level of remission costs will increase in 2000 as the backlog is processed.
- *Supplementary Assessments* *\$3.4 million*
Supplementary assessment revenues were significantly higher than budgeted reflecting the continued strong growth in the residential housing market and in the construction of commercial and industrial space. In addition, delays in the 1998 supplementary roll were reflected in 1999 by the Ontario Provincial Assessment Office.

- *Financial Charges* *\$1.8 million*
Short-term borrowing costs were significantly lower in 1999 than budgeted, due mainly to continued low interest rates. In addition, the receipt of subsidies from the province was such that short term borrowing requirements were reduced, resulting in lower costs for all funds.

Region Wide General Fund

In addition to the taxation items discussed above, the major areas contributing to the surplus of \$5.1 million in the Region Wide General Fund were as follows:

- *Social Services* *\$6.6 million*
Lower than expected caseload during 1999 (42,762 actual cases per month as opposed to a budget of 45,900 cases per month) and lower expenditures in Homemaker Services resulted in a surplus of \$8.1 million.

The National Child Benefit Supplement (NCBS) program, approved in 1999, generated savings of \$1.5 million in social assistance payments resulting from reduced NCBS payments. The Ministry of Community and Social Services requires that the savings due to NCBS be reinvested in a manner that is consistent with NCBS objectives. In accordance with Council direction, a contribution of \$1.5 million has been made to the Child Care Capital Reserve Fund.

- *Planning and Development Approvals* *\$0.3 million*
Departmental expenditures in the purchase of service accounts were lower than budget.
- *Debt Charges* *\$1.7 million*
The 1999 planned debenture issue did not get placed into the market until the second half of 1999. The planned semi-annual interest payment will be made in 2000 instead of 1999.
- *Remissions* *\$1.4 million*
- *Supplementary Assessments* *\$2.0 million*
- *Financial Charges* *\$0.5 million*
- *Corporate Fleet Services*
Although not shown, Corporate Fleet Services ended the year with a \$296,000 surplus. In accordance with past practice, these funds have been contributed to the Vehicle and Equipment Replacement Reserve Fund.

Offsetting the above favourable variances are the following:

- *Transportation* *(\$1.5 million)*
Winter maintenance costs were higher in 1999 than budgeted, primarily due to an increase in contracted maintenance costs and also due to the need to replenish salt inventories, which had decreased over the past few years.

- *Corporate H.R. Provision* (\$2.2 million)
As a result of the early retirement incentives offered by OMERS, additional costs (\$1.0 million) related to employment termination benefits were incurred in 1999. A one-time cost (\$0.5 million) was also incurred to fund a retroactive pension contribution for part time employees for the period 1988 to 1992.

In addition, a contribution to operations from the Vested Employee Benefits Reserve in the amount of \$1.1 million to fund the cost of termination benefits had been provided in the 1999 budget. In accordance with past practice, this contribution was not made due to the overall year-end surplus position of the Region Wide Fund.

- *Payments-in-lieu of Taxes (PIL's)* (\$4.9 million)
In developing the 1999 budget, the distribution of PIL revenues by fund was based on the same percentage allocation as contained in the 1998 budget. Although the total 1999 taxation requirements did not change significantly from 1998, the taxation requirement for Region Wide purposes decreased by \$40 million while the Transit Fund increased by a similar amount. As a result, the actual PIL revenues for Region Wide Fund purposes were lower by approximately \$4.9 million, while the Transit Fund PIL revenues were \$4.7 million higher.

The surplus of \$5.1 million is recommended to be contributed to the Region Wide Capital Reserve Fund in accordance with Council policy

Region Wide Police Fund

The surplus in the Region Wide Police Fund for 1999 was \$0.6 million. This was due to lower remissions (\$0.7 million) and higher supplementary assessment revenues (\$0.5 million) than was budgeted for these accounts. This was offset by lower PIL revenues (\$0.4 million) resulting from the allocation basis as previously mentioned.

The surplus is recommended to be contributed to the Police Capital Reserve Fund in accordance with Council policy.

Child Care Fund

The Child Care surplus for 1999 was \$2.1 million, of which \$1.7 million was from operations and the remainder in the fiscal service accounts.

Revenues were up in the Service Area programs by \$1.1 million because of increased provincial subsidy and parental contributions. Savings from operations, amounting to \$0.6 million, were the result of lower purchase of service costs attributable to increased gapping in the enrolment of children at child care facilities.

In the fiscal service accounts, lower financial charges and remissions and increased supplementary assessment revenues provided another \$0.4 million.

The surplus is recommended to be contributed to the Child Care Contingency Reserve Fund in accordance with Council policy.

Transit Fund

The Transit Fund had a surplus of \$6.6 million. Although OC Transpo and Para Transpo operations were on budget, a surplus was produced as the result of favourable variances in the fiscal service accounts.

As was mentioned in the Region Wide section above, the actual distribution of PIL revenues for 1999 resulted in higher PIL revenues for the Transit Fund than had been budgeted (\$4.7 million). Also, as with other funds, lower financial and remission costs, along with increased supplementary assessment revenues, contributed \$1.5 million to the year end surplus position.

The surplus is recommended to be contributed to the Transit Capital Reserve Fund in accordance with Council policy.

Staff have recently performed an analysis of the current volatility in diesel fuel prices and are developing a detailed policy report to Council on the requirement for a Fuel Price Stabilization Reserve Fund for OC Transpo. The future policy report to Council on this topic may recommend that a portion of the surplus contribution to the Transit Capital Reserve Fund be redirected to the Fuel Price Stabilization Reserve Fund.

Solid Waste Fund

The surplus of \$533,000 in the Solid Waste Fund resulted from favourable variances in the fiscal service accounts – financial charges, remission costs and supplementary assessment revenues.

The surplus is recommended to be contributed to the Solid Waste Capital Reserve Fund in accordance with Council policy.

Sewer System

Additional Sewer Surcharge revenue provided \$1.5 million of the \$2.0 million surplus in the Sewer Fund. The remaining \$0.5 million was split between savings from operational costs and lower costs in the fiscal service accounts.

The surplus is recommended to be contributed to the Sewer Capital Reserve Fund in accordance with Council policy.

Water Fund

The Water Fund produced a surplus totaling \$442,000 in 1999, primarily from operations. Revenue from services was up due to increased construction activity in the private sector and compensation costs were down due to increased gapping.

The surplus is recommended to be contributed to the Water Capital Reserve Fund in accordance with Council policy.

PUBLIC CONSULTATION

Public consultation is not required.

FINANCIAL IMPLICATIONS

The 1999 surplus position of each fund as presented is recommended to be contributed to the respective reserve funds as indicated in this report.

*Approved by
Kent Kirkpatrick
Acting Finance Commissioner*

Attachments
Annexes A to H

Region Wide Fund - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>
	\$000	\$000	\$000	\$000	\$000	\$000
<u>Administration</u>						
Legislative	2,840	2,840	2,736	2,736	104	104
Regional Chair's Office	569	569	568	568	1	1
C.A.O.	11,479	11,409	11,529	11,370	(50)	39
Regional Clerk	5,479	5,447	5,548	5,527	(69)	(80)
Legal Services	2,322	2,322	2,312	2,312	10	10
Planning & Dvlpmnt. Apprvls.	10,184	7,837	9,832	7,528	352	309
Human Resources	5,379	5,348	5,372	5,338	7	10
Finance	15,393	15,393	15,400	15,400	(7)	(7)
Transportation	47,360	42,594	49,212	44,060	(1,852)	(1,466)
Emergency Services	1,812	1,812	1,785	1,777	27	35
Corporate Fleet Services	261	157	318	157	(57)	-
<u>Community Services</u>						
Public Health Programs	31,778	18,007	31,069	18,107	709	(100)
Social Services	372,869	127,539	343,581	120,960	29,288	6,579
Social Housing	60,615	60,615	60,604	60,604	11	11
Homes for the Aged	30,222	6,971	31,278	7,096	(1,056)	(125)
<u>External Agencies</u>						
Conservation Authorities	1,996	1,996	2,136	1,996	(140)	-
Economic Development	3,944	3,944	3,944	3,944	-	-
External Grants	1,161	1,161	1,213	1,171	(52)	(10)
<u>Other Non-Department</u>						
Corporate Common Costs	1,576	1,126	1,442	934	134	192
Financial Charges	2,613	2,613	2,088	2,088	525	525
Corporate H.R. Provisions	3,495	2,390	4,818	4,565	(1,323)	(2,175)
Capital P.A.Y.G.	16,325	16,325	16,325	16,325	-	-
Computer Replacement	1,215	1,215	1,215	1,215	-	-
Sundry	161	(2,247)	731	(2,902)	(570)	655
CRF Replacement Grant	6,862	6,862	6,862	6,862	-	-
Levy Stabilization Reserve	6,000	6,000	6,000	6,000	-	-
Debt Charges	40,082	40,082	38,357	38,357	1,725	1,725
Remissions	4,213	4,213	2,764	2,764	1,449	1,449
R.W. General Admin. Rcvr's	(33,639)	(33,639)	(33,588)	(33,588)	(51)	(51)
Supplementary Assessment		(3,065)		(5,079)	-	2,014
Public Institutions		(1,094)		(1,427)	-	333
Total Net Requirement	654,566	356,742	625,451	346,765	29,115	9,977
<u>Funding</u>						
Payments-in-lieu of Taxes		(41,806)		(36,935)	-	(4,871)
1-Time PIL		(11,769)		(11,769)	-	-
Total PIL's	-	(53,575)	-	(48,704)	-	(4,871)
Property Taxes		(303,167)		(303,167)	-	-
Grand Total	654,566	0	625,451	-5,106	29,115	5,106
Surplus/(Deficit)						5,106

Regional Police Fund - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>
	\$000	\$000	\$000	\$000	\$000	\$000
Police Operations	108,424	103,824	109,753	103,935	-1,329	-111
Fiscal						
General Admin. Allocation	1,305	1,305	1,305	1,305	-	-
Retirement Costs	2,845	2,845	2,848	2,848	(3)	(3)
Insurance	300	300	366	366	(66)	(66)
Financial Charges	24	24	8	8	16	16
Debenture Debt	3,648	3,279	3,648	3,279	-	-
Capital PAYG	2,000	2,000	2,000	2,000	-	-
Reserve Fund - Fleet	1,535	1,535	1,535	1,535	-	-
CRF Replacement Grant	784	784	784	784	-	-
Remissions	1,548	1,548	828	828	720	720
Supplementary Assessment	-	(1,101)		(1,598)	-	497
Public Institutions	-	(541)		(480)	-	(61)
Provincial Offense Notices	-	(3,523)		(3,523)	-	-
Sinking Fund Surplus	-	(96)		(156)	-	60
Total Fiscal	13,989	8,359	13,322	7,196	667	1,163
Total Net Requirement	122,413	112,183	123,075	111,131	(662)	1,052
Funding						
Payments-in-lieu of Taxes - Base	-	-12,650	-	-12,240	-	(410)
1-Time PIL's	-	-784	-	-784	-	-
Total PIL's	-	-13,434	-	-13,024	-	(410)
Property Taxes		-98,749		-98,749	-	-
Grand Total	122,413	0	123,075	-642	-662	642
Surplus/(Deficit)						642

Child Care Fund - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u> \$000	<u>Net</u> \$000	<u>Expend.</u> \$000	<u>Net</u> \$000	<u>Expend.</u> \$000	<u>Net</u> \$000
<u>Operations</u>						
Service Area	58,639	12,165	58,094	10,497	545	1,668
Non - Service Area	893	0	766	0	127	0
Total Operations	59,532	12,165	58,860	10,497	672	1,668
<u>Fiscal</u>						
General Admin. Allocation	2,554	2,554	2,554	2,554	0	0
Corporate HR Provision	80	80	43	43	37	37
Financial Charges	64	64	-64	-64	128	128
Community Reinvestment Prgm.	32	32	32	32	0	0
Reserve Funds	36	36	351	36	-315	0
Remissions	255	255	115	115	140	140
Supplementary Assessment	0	-123	-205	-205	0	82
Public Institutions	0	-75	-68	-68	0	-7
Total Fiscal	3,021	2,823	3,031	2,443	-10	380
Total Net Requirement	62,553	14,988	61,891	12,940	662	2,048
<u>Funding</u>						
Payments-in-lieu of Taxes		-1,663		-1,674	0	11
1-Time PIL's		-32		-32	0	0
Total PIL's	0	-1,695	0	-1,706	0	11
Property Taxes		-13,293		-13,293	0	0
Grand Total	62,553	0	61,891	-2,059	662	2,059
Surplus/(Deficit)						<u>2,059</u>

Transit Fund - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u> \$000	<u>Net</u> \$000	<u>Expend.</u> \$000	<u>Net</u> \$000	<u>Expend.</u> \$000	<u>Net</u> \$000
<u>Operations</u>						
OC Transpo	179,738	86,016	184,214	86,016	-4,476	0
Para Transpo	15,959	14,394	15,919	14,394	40	0
Total Operations	195,697	100,410	200,133	100,410	-4,436	0
<u>Transitway & Fiscal</u>						
General Admin. Allocation	4,368	4,368	4,368	4,368	0	0
Financial Charges	119	119	3	3	116	116
Capital - PAYG Transitway	24,325	24,325	24,325	24,325	0	0
Debt Charges - Transitway	1,246	1,246	1,246	1,246	0	0
Levy Stabilization Reserve	1,360	1,360	1,360	1,360	0	0
Remissions	1,510	1,510	779	779	731	731
Miscellaneous	0	0	0	-105	0	105
Supplementary Assessment	0	-978	0	-1,691	0	713
Public Institutions	0	-443	0	-630	0	187
Total Fiscal	32,928	31,507	32,081	29,655	847	1,852
Total Net Requirement	228,625	131,917	232,214	130,065	-3,589	1,852
<u>Funding</u>						
Payments-in-lieu of Taxes		-10,849		-15,592	0	4,743
1-Time PIL's		-1,360		-1,360	0	0
Total PIL's		-12,209		-16,952		4,743
Property Taxes		-119,708		-119,708	0	0
Grand Total	228,625	0	232,214	-6,595	-3,589	6,595
Surplus/(Deficit)						<u><u>6,595</u></u>

Solid Waste Fund - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>
	\$000	\$000	\$000	\$000	\$000	\$000
<u>Solid Waste Operations</u>						
Garbage Collection	21,048	15,933	22,525	15,750	(1,477)	183
Landfill Operations	3,313	3,313	3,251	3,251	62	62
Disposal Tipping Fees	2,660	2,660	2,701	2,701	(41)	(41)
Compensation Fee	2,726	2,726	2,916	2,916	(190)	(190)
Total Operations	29,747	24,632	31,393	24,618	(1,646)	14
<u>Fiscal</u>						
Administration & Overhead	2,524	2,524	2,524	2,524	-	-
Corporate HR Provision	5	5	145	145	(140)	(140)
Financial Charges	116	116	(53)	(53)	169	169
Payments in Lieu of Taxes	171	171	105	105	66	66
Capital P.A.Y.G.	1,200	1,200	1,200	1,200	-	-
Tipping Fee Rebate	65	65	11	11	54	54
Levy Stabilization Reserve	55	55	55	55	-	-
Remissions	404	404	199	199	205	205
Prior Year Deficit	176	-	176	-	-	-
Supplementary Assessment	-	(330)	-	(437)	-	107
Public Institutions	-	(131)	-	(122)	-	(9)
Total Net Requirement	34,463	28,711	35,755	28,245	(1,292)	466
<u>Funding</u>						
Payments-in-lieu of Taxes	-	(3,082)	-	(3,149)	-	67
1-Time PIL's	-	(55)	-	(55)	-	-
Total PIL's	-	(3,137)	-	(3,204)	-	67
Property Taxes	-	(25,574)	-	(25,574)	-	-
Total	34,463	-	35,755	(533)	(1,292)	533
Surplus/(Deficit)						533

Solid Waste Compensation Fund - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>
	\$000	\$000	\$000	\$000	\$000	\$000
Diversion Operations	943	943	766	766	177	177
Reserve Fund Contribution	5,217	5,217	5,929	5,929	(712)	(712)
Financial Charges	50	50	(34)	(34)	84	84
R.M.O.C. Contribution	(2,750)	(2,750)	(2,931)	(2,931)	181	181
Other Site Tipping Fees	-	(3,060)	-	(3,330)	-	270
Private at RMOC	-	(400)	-	(400)	-	-
Total	3,460	-	3,730	-	(270)	-
Surplus/(Deficit)					<u><u>-</u></u>	

Sewer System - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>	<u>Expend.</u>	<u>Net</u>
	\$000	\$000	\$000	\$000	\$000	\$000
<u>Operations</u>	15,215	14,726	15,041	14,463	174	263
<u>Fiscal</u>						
Administration & Overhead	7,806	7,806	7,937	7,937	(131)	(131)
Corporate HR Provision	400	400	172	172	228	228
Storm Water Maintenance	100	100	100	100	-	-
Payments In Lieu of Taxes	1,796	1,796	1,896	1,896	(100)	(100)
Financial Charges	211	211	(86)	(86)	297	297
Debt Charges	16,395	16,395	16,395	16,395	-	-
Depreciation	6,614	6,614	6,614	6,614	-	-
Misc. Revenue	-	(48)	-	(67)	-	19
Total Fiscal	33,322	33,274	33,028	32,961	294	313
Net Requirement	48,537	48,000	48,069	47,424	468	576
Sewer Surcharge Revenue	-	(48,000)	-	(49,466)	-	1,466
Total	48,537	-	48,069	(2,042)	468	2,042
(Surplus) / Deficit						<u><u>2,042</u></u>

Water Fund - 1999 Operations

	1999 Budget		1999 Actual		Surplus (Deficit)	
	<u>Expend.</u> \$000	<u>Net</u> \$000	<u>Expend.</u> \$000	<u>Net</u> \$000	<u>Expend.</u> \$000	<u>Net</u> \$000
<u>Operations</u>	27,041	25,716	26,751	25,171	290	545
<u>Fiscal</u>						
Administration & Overhead	9,766	9,766	9,766	9,766	-	-
Corporate HR Provision	400	400	1,034	1,034	(634)	(634)
Insurance Reserve	104	104	104	104	-	-
Financial Charges	425	425	(137)	(137)	562	562
Debt Charges	550	550	550	550	-	-
Capital P.A.Y.G.	20,728	20,728	20,728	20,728	-	-
Payments in Lieu of Taxes	3,016	3,016	3,098	3,098	(82)	(82)
Remissions	146	146	94	94	52	52
Supplementary Assessment	-	(173)	-	(184)	-	11
Miscellaneous	-	(1,056)	-	(1,102)	-	46
Total Fiscal	35,135	33,906	35,237	33,951	(102)	(45)
Net Requirement	62,176	59,622	61,988	59,122	188	500
Sale of Water	-	(49,000)	-	(50,244)	-	1,244
Fire Supply	-	(10,622)	-	(9,320)	-	(1,302)
Grand Total	62,176	-	61,988	(442)	188	442
(Surplus) / Deficit						<u><u>442</u></u>