

2003 BUDGET YEAR AND 2004 OPERATING BUDGET ISSUES

Recommendation

The Commissioner of Finance & Corporate Services in consultation with the City Manager and the Director of Budgeting and Financial Planning recommends:

That the issues relating to the 2003 Operating Budget are provided for the Budget Committee's input; and

That the major non-controllable financial impacts identified to-date and relating to the 2004 Operating Budget are provided for the Budget Committee's input.

Purpose

The purpose of this report is to highlight to the Budget Committee issues relating to the 2003 Budget year and the 2004 Operating Budget.

Background - Analysis and Options

2003 Operating Budget Year

Council approved the 2003 Operating Budget on February 10, 2003. Subsequent to that approval, issues have arisen that were not provided for in the 2003 Operating Budget. Notwithstanding that staff will be reporting on the budget to actual results for the second quarter of 2003, staff feel it is important to identify for the Budget Committee potential impacts to the 2003 Budget year. The issues identified to date are summarized below:

Sidewalk Snow Clearing

As a result of the severe 2003 winter, sidewalk snow clearing is over the annual approved operating budget by approximately \$115k. Any costs incurred in the latter part of the year will only increase this deficit over the annual approved budget.

Roads Winterization Program

To date, the roads winterization program expenditure is not in excess of the annual budget, however, if the City experiences a mild winter at the end of 2003 similar to that of 2002, the roads winterization program is expected to be over budget by a minimum of \$300k.

SARS Impact

The impact of SARS is primarily restricted to the Recreation department. Residents withdrawing from aquatic and other programs have impacted revenues to date of approximately \$40k to \$60k.

Grass Clippings Collection

Council approved on May 12, 2003 the collection of residential grass clippings throughout the summer months with an estimated cost of \$575k. Staff will be reporting back to a future Budget Committee meeting on options for the 2004 Operating Budget.

2004 Operating Budget

An integral component for the allocation of pre-assigned departmental funding envelopes is the identification of non-controllable issues that will impact the overall operating budget. Although the pre-assigned funding envelopes will be allocated to departments later in the 2004 budget process, some of the non-controllable issues have already been identified. At this early stage of the operating budget process, the financial impacts of these non-controllable issues has yet to be quantified, however they are presented below for the benefit of the Budget Committee.

- OMERS pension plan full return effective January 1, 2004
- Rutherford Resource Library Staffing and operating costs
- New Fire Station #79, West Woodbridge, staffing and operating costs
- Fire Station #78, 407 and Dufferin, full year impact
- Firefighters collective agreement expiring December 31, 2003
- CUPE collective agreement expiring March 31, 2004
- Chancellor, Garnett and Maple Community Centres expansion impact
- Infrastructure Replacement Reserve Contribution
- Increased Maintenance costs of aging infrastructure
- Uncertain Economy, i.e. Building Permit Revenue Reduction
- Subsidies utilized in the 2003 Operating Budget process
- Windrow Snow Clearing Contract expiring in 2003

As evidenced from this list, there will be significant non-controllable financial impacts to the 2004 Operating Budget. Subsequent to discussions with departmental Directors a more comprehensive quantified list will be prepared and provided to the Budget Committee. Senior Management will have to be cognizant of these non-controllable issues when assigning departmental funding envelopes.

Staff will be providing the timetable for the 2004 Operating Budget process at the next Budget Committee to be scheduled for the end of June prior to the summer hiatus.

Conclusion

This report highlights issues identified to date relating to the 2003 Operating Budget and highlights some of the non-controllable issues that may have a significant financial impact to the 2004 Operating Budget.

Report prepared by:

John Hrajnik, ext. 8401
Director of Budgeting and Financial Planning

Respectfully submitted,

Clayton D. Harris, CA
Commissioner of Finance & Corporate Services