

Report FR-TAPS-25-16

To: Chair Bell and Members of the Transportation and Public Safety Committee

From: Doug Johnstone, Financial Analyst

Meeting Date: July 21, 2016

Subject: Transportation Services Financial Update and Year-End Projection as of May 31, 2016

Status: Recommendation adopted by Committee as presented per Resolution TAPS81-16; Endorsed by County Council August 2, 2016 per Resolution CC100-16;

Recommendation(s)

THAT Report FR-TAPS-25-16 regarding the Transportation Services Department Financial Update and Year-End Projection as of May 31, 2016 be received.

Background

The purpose of this report is to provide members of the Transportation and Public Safety Committee with a financial update for the Transportation Services Department budget, based upon financial statements as of May 31, 2016.

Summary

As indicated in the following chart, Transportation Services is projecting an overall surplus of \$263,000. This projection could change significantly depending on the impact of construction contingencies and depending on the severity of the winter weather in the remainder of 2016.

Summary of Projected Transportation Services Department Year-End Surplus/(Deficit)

Departmental Budget	Projected Year-End Surplus/(Deficit)
Winter Maintenance	\$100,000
Summer Maintenance	\$38,000
Equipment Operations	\$150,000
Construction and Minor Capital	\$76,000

Departmental Budget	Projected Year-End Surplus/(Deficit)
Housing and Depots	\$4,000
Supervision and Overhead	(\$93,000)
Asset Management and Studies	\$0
Quarry	68,000
Total	\$263,000

Winter Maintenance

Considering winter maintenance expenditures to date and projecting an average winter (based on historical expenditures) for November and December 2016, it is anticipated that there will be an approximate \$100,000 surplus in this budget.

Summer Maintenance

Given that this report captures expenses only until May 31st, it is difficult to forecast the summer maintenance budget. However, it is anticipated that shoulder gravelling will provide a savings of \$38,000 as a result of a favourable tender.

Equipment Operations

Within the equipment operations budget, there have been savings of approximately \$150,000, which is attributed to the continued low prices for fuel.

Within the capital portion of the equipment budget, there have been net savings of \$162,000.

This is because there were pieces of equipment that were to have been sold in 2015, but these sales did not happen until 2016, which accounts for \$54,000 in additional revenue. The department has also received \$22,000 more than anticipated for 2016 budgeted disposals.

On the purchase side, there has been net savings of \$86,000 on the purchase of budgeted equipment.

The net savings in capital will not be shown as a surplus, but will reduce the amount required to be funded from the equipment replacement reserve.

Construction and Minor Capital

The Transportation Services Department has awarded all of its 2016 construction tenders. Based on the tender amounts, it was anticipated that in total these projects would come in at a deficit of \$38,000.

Two of the projects have now been completed (Grey Road 40 and Grey Road 3). Based on all known costs, it appears that these two projects will have savings of \$192,000 more than anticipated. This is because of a favourable decrease in the Asphalt Cement index, and because not all of the budgeted contingencies were required.

Therefore, the surplus for Construction jobs is expected to be \$154,000.

The Minor Capital budget was set at \$600,000. Unexpected projects have arisen - these include municipal drain work at Springmount, at a cost of \$83,000 and repairs to Grey Road 21 at a cost of \$30,000. Helping to offset these overexpenditures, there are anticipated savings of \$35,000 on planned expenditures such as the patching tender and the Harrison Park Hill project.

Therefore, the deficit for Minor Capital projects is expected to be \$78,000.

Earlier in 2016, County Council endorsed some changes to the planned projects in the Construction budget.

Resolution CC19-16 directed the Department to defer the reconstruction of Structures 10-590 and 10-900, for a budget savings of \$741,500. The intent was that this amount would fund an alternate solution in 2017.

Resolution CC37-16 directed the Department to defer the rehabilitation of Grey Road 119. The project had been budgeted at a cost of \$1,184,380 with reserve funding of \$1,000,000 and a net levy of \$184,380. Of this net levy of \$184,380, \$150,000 was earmarked to maintain Grey Road 119. This created budget savings of \$34,380. The intent was that any unspent funds would be used on the future rehabilitation of Grey Road 119.

Therefore, the deferred projects on Structures 10-590 and 10-900 and on Grey Road 119 will not impact the surplus or deficit of the Department.

In summary, after transferring amounts to reserve as intended by County Council, the Construction and Minor Capital budget is projected to have a surplus of \$76,000.

Housing and Depots

The operating budget for Housing and Depots appears to be close to budget. The capital budget is anticipated to show savings of \$4,000. The overhead doors at Chatsworth were \$11,000 under budget, and exterior work at Flesherton was paid for by the MTO, saving another \$14,000 in expense. Other small savings totaled \$2,000. Unbudgeted expenses are anticipated - \$13,000 at Meaford for fuel tank removal and monitoring, and \$10,000 at Dundalk for a structural engineer's report and related repairs.

Supervision and Overhead

The Supervision and Overhead budget is projecting a deficit of \$93,000. There is an expected overexpenditure of \$27,000 with the change to a new provider for dispatch for 2016 after the budget had been approved. Wage and benefit budget lines are higher than budget due to a number of staff retirements causing wage overlaps, vacation and overtime payouts. It is expected that there will be a savings of \$25,000 in group benefit expense because of a favourable renewal. This savings will be reflected in a decrease in the cost of operating activities, since the cost of operating activities includes staff wage and benefit expenses.

Asset Management, Studies and Engineering

It appears that the Asset Management, Studies and Engineering budget is on target at this time.

Quarry

The quarry budget is projecting an operating surplus of \$68,000. This is because there were approximately 8,600 tonnes of stone used on the Grey Road 119 project. This is recorded as quarry revenue, with the offsetting expense paid out of the Minor Capital budget line. The regular budgeted items are expected to come in close to budget.

Financial / Staffing / Legal / Information Technology

Considerations

As of May 31, 2016, a review of actuals to budget indicates that these budgets, under the direction of the Transportation Services Department, are projected to end the year with a surplus of \$263,000.

Link to Strategic Goals / Priorities

The analysis of current financial statements compared to the approved budget is a key mechanism to ensure Council's goals of ensuring financial sustainability and ongoing public accountability are maintained.

Attachments – None

Respectfully submitted by,

Doug Johnstone
Financial Analyst

Director Sign off: *Kim Wingrove, CAO*