

Report TR-TAPS-79-14

To: Chair Barfoot and Members of the Transportation and Public Safety Committee
From: M.J. Kelly, Director of Transportation Services
Meeting Date: November 6, 2014
Subject: Transportation Services Financial Update and Year-End Projection as of September 30, 2014
Status: Recommendation adopted by Committee as presented per Resolution TAPS135-14; Endorsed by County Council November 25, 2014 per Resolution CC162-14;

Recommendation(s)

THAT Report TR-TAPS-79-14 regarding the Transportation Services Department Financial Update and Year-End Projection as of September 30, 2014 be received for information.

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 September 30, 2014.

Summary

The Transportation Services Department 2014 gross budget was approved with \$30,026,157 in expenditures. As indicated in the following chart, Transportation Services is projecting an overall net surplus of \$100,000. Although there is an anticipated winter maintenance deficit of \$724,225, an effort has been made to reduce other budgets to offset the winter maintenance projected deficit. There is a \$500,000 winter maintenance reserve that could be used to offset a large portion of the winter maintenance deficit; however, the Department does not wish to use the reserve unless required.

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

Departmental Budget	Projected Year-End Surplus/(Deficit)
Winter Maintenance	(\$724,225)
Summer Maintenance	\$499,225
Equipment Operations	\$0
Quarry	\$20,000
Construction/Resurfacing/Minor Capital	\$95,000
Asset Management/Studies	\$50,000
Housing and Depots	\$110,000
Supervision and Overhead	\$50,000
Total	\$100,000

Winter Maintenance

Grey County experienced a significant number of severe winter events (snowfalls, high winds and cold temperatures) from January 1, 2014 to April 15, 2014. As a result, the winter maintenance expenditures have exceeded the anticipated budget for this time period. To date \$3,823,085 of the 2014 winter net budget allocation of \$4,570,000 has been spent. The estimated remaining 2014 winter maintenance net expenditure is \$1,471,140 based on the historical spending for this time period. Therefore, the 2014 winter maintenance total expenditure is estimated to be \$5,294,225. This will result in an over expenditure of \$724,225. There is a \$500,000 winter maintenance reserve available to be used for winter maintenance deficits, if needed.

Summer Maintenance

Considering the anticipated Winter Maintenance deficit for 2014 an effort was made to reduce summer maintenance while ensuring safety and longevity of the assets. As a result, a surplus of \$499,225 is anticipated. The surplus is a result of savings in a variety of categories as summarized below:

\$180,000 surplus in Road Top Maintenance

\$139,225 surplus in Right-of-Way Maintenance

\$60,000 surplus in Traffic Safety Devices

\$20,000 surplus in Summer Supervision

\$100,000 surplus in Miscellaneous Revenue (Property Purchase Durham Patrol Yard and NextEra Agreements)

Equipment Operations

As a result of the severity of the 2014 winter season there was more usage of the equipment than anticipated. The revenue received from the equipment is greater than

anticipated; however, the fuel usage exceeded expectations and as a result it appears the expenditure will meet the budget.

As per Report TR-TAPS 52-14 the Department is currently selling surplus equipment and it is expected that approximately \$275,000 of revenue will be received and allocated to the equipment reserve. At this time this has not been finalized and no revenue has been shown in this projection.

Quarry

The Quarry review study has primarily been completed “in house” reducing the anticipated expenditure. The budget did not include selling material from the quarry. However some of the quarry material was used, providing some revenue in 2014. As a result there is an overall surplus of \$36,000. However, the Transportation Services Department wishes to transfer \$16,000 of this surplus to a reserve which would then be used in the 2015 budget to complete the Quarry review study. This will result in a 2014 surplus of \$20,000.

Construction, Resurfacing and Minor Capital

The majority of the projects have been completed; some of the contracts exceeded and others were under budget. In addition, the Bridge Crew expenditures exceeded the budget by \$140,000. This can be contributed to a larger quantity than usual of hot mix pavement on the rehabilitated structures and an additional staff member.

The Grey Road 15 construction project north of the Water Treatment Plant to East Bayshore Road, Owen Sound, and the Grey Road 31 construction project from Simcoe Road 91 to Singhampton have been deferred to 2015 for reasons beyond Grey County’s control. The taxation funding for the Grey Road 15 project was budgeted at \$525,090. Transportation Services is recommending transferring \$525,090 into reserve at the end of 2014 in order to use these funds on this project in 2015. (The Grey Road 31 project requires no taxation funding; therefore, it is not necessary to move funds to reserve to carry the project forward to 2015). The recommendation of this transfer will be part of the 2014 Transportation Services Treatment of Year End Budget Surplus/Deficit report.

As of September 30, 2014, it is projected that there will be an overall surplus of \$135,000. However, in 2014 only \$30,000 of the \$70,000 net budget allocated to the Grey Road 119 project was used. The Transportation Services Department wishes to transfer the remaining \$40,000 of this surplus to a reserve to be used in the 2015 budget for Grey Road 119. This will result in a 2014 surplus of \$95,000.

Asset Management Studies

The cost of several of the projects is less than anticipated. As a result, a surplus of \$100,000 is anticipated. However, in 2014 the Transportation Services Department did not have time to complete the geotechnical investigations that had a budget of \$50,000. The Transportation Services Department wishes to transfer \$50,000 of this surplus to a reserve to be used in the 2015 budget to complete the geotechnical investigations. This will result in a 2014 surplus of \$50,000.

Housing and Depots

It is anticipated there will be a surplus of approximately \$30,000 in the operating budget and \$150,000 for the capital budget for a total of \$180,000. This surplus is an accumulation of under spending on several projects as well as minimal spending for the miscellaneous Capital Depot Repairs. In 2014, the Chatsworth Salt Shed replacement, which was budgeted for \$30,000, was not completed because of structural issues, and approximately \$40,000 of the Durham Paint Shop Environmental Assessment budget was not used.

The Transportation Services Department wishes to transfer \$70,000 of the surplus to a reserve to be used in the 2015 budget; \$30,000 to complete the Chatsworth Salt Shed and \$40,000 for environmental work at the Durham Patrol yard. This will result in a 2014 surplus of \$110,000.

Supervision and Overhead

It is anticipated that there will be a surplus of approximately \$50,000. This is attributed to savings in a variety of budget lines.

Financial / Staffing / Legal / Information Technology

Considerations

As of September 30, 2014, a review of actuals to budget indicates that these budgets, under the direction of the Transportation Services Department, will end the year with a \$100,000 net budget surplus.

There is a winter maintenance reserve of \$500,000 that could be used to offset the winter if an above average winter is experienced during the remainder of 2014.

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.

Respectfully submitted by,

M.J. Kelly
Director of Transportation Services