



Report to: General Committee

Meeting Date: November 2, 2020

SUBJECT: 2020 August Year-To-Date Results of Operations
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RECOMMENDATION:

- 1) THAT the report titled “2020 August Year-To-Date Review of Operations and Year-end Projection” be received; and,
- 2) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Council approved the 2020 annual operating budget of \$410.52M on December 10, 2019 which includes the City’s primary operating budget, Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

This report provides an overview of the 2020 August year-to-date operating results comparing actual to budget including impacts related to the ongoing COVID-19 pandemic and a forecast of the year-end results.

Primary Operating Budget (Appendix 1)

(Includes winter maintenance, excludes Planning & Design, Engineering, Building Standards and Waterworks)

All figures (actual, budget and variance) reflect the year-to-date August results (January 1 to August 31).

<u>(\$ in millions)</u>	<u>2020</u>		Variance	% of
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	<u>Budget</u>
Revenues	\$193.16	\$209.68	(\$16.52)	92.1%
Expenses	<u>141.10</u>	<u>158.43</u>	<u>17.33</u>	89.1%
Surplus excluding winter maintenance	52.06	51.25	0.81	
Winter Maintenance	<u>\$6.19</u>	<u>\$7.61</u>	<u>\$1.42</u>	
Net surplus including winter maintenance	<u>\$45.87</u>	<u>\$43.64</u>	<u>\$2.23</u>	

City's Surplus excluding winter maintenance

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)	Expenditures	Fav. / (Unfav.)
Investment income	\$1.51 M	Salaries & benefits	\$8.58 M
Federal and Provincial grants	\$0.19 M	Utilities and Streetlight hydro	\$2.03 M
Recreation Services revenue	(\$11.94) M	Professional services/ office supplies/ training/ travel	\$1.63 M
Theatre, Art Centre and Museum revenue	(\$2.27) M	Maintenance & repairs	\$0.91 M
Property tax penalty and interest	(\$1.47) M	Operating materials & supplies	\$0.84 M
Fines	(\$0.75) M	Contract service agreements	\$0.90 M
License & Permits	(\$0.41) M	Corporate contingency	\$0.72 M
Financial administrative & Legal fees	(\$0.26) M	Promotion & advertising	\$0.48 M
Finance user fees	(\$0.23) M	Municipal Contracted Services	\$0.28 M
Other	(\$0.89) M	Communications	\$0.24 M
Total	(\$16.52) M	Property Tax adjustments	\$0.13 M
		Other	\$0.59 M
		Total	\$17.33 M

Winter Maintenance

The 2020 actual winter maintenance expenditures at the end of the August totaled \$6.19M against a budget of \$7.61M, resulting in a favourable variance of \$1.42M.

Year-End Projection including year-end accounting accruals and other adjustments

The year-end projection reflects COVID related impacts due to cancelled programs, closed facilities, foregone property tax late payment charges, reduced user fees, fines and licence collection (\$28.07M) and additional COVID related expenses (\$2.61M) totaling \$30.68M.

The impact of the strategic actions implemented by senior management and staff to reduce the COVID-19 related shortfall total \$24.12M. When combining the impact of COVID and the mitigating actions of senior management and staff, the net impact is forecasted to be \$6.56M. The City will receive Phase 1 safe-restart funding of \$6.56M by the end of October. This will be utilized to mitigate the remaining shortfall and balance out the impact of COVID in 2020. Based on current information, staff are confident that the tax funded impact has been mitigated.

Each year, there are non-COVID related items, which potentially generate a surplus at year-end. These items include corporate contingency, salary gapping and year-end accounting adjustments. In addition, investment income and the severity of winter storms may have an impact on the year-end results of operation. Winter maintenance operations is projected to be within a range of on budget by year-end to a favourable variance of \$0.77M using an assumption of 40% unfavourability for the last six weeks of the year based on historical trending. Should there be a surplus after Phase 1 funding, it will be transferred to reserves as per the Council approved policy.

Based on current information, staff are forecasting a surplus within a range of \$2.00M to \$5.87M including winter maintenance as shown in the chart below:

Projected Year-End Variance	Best	Worst
	Fav./ (Unfav.)	Fav./ (Unfav.)
Total Projected Year-End Variance	\$ 5.10 M	\$ 2.00 M
Winter maintenance favourable variance	\$ 0.77 M	\$ - M
Net Surplus	\$ 5.87 M	\$ 2.00 M

Planning & Design (Appendix 2)

Actual \$0.03M – Budget \$0.71M = Unfavourable variance (\$0.68M)

Year-End Projection:

Planning & Design is projecting a year-end surplus of \$0.61M which is equivalent to the 2020 budget.

Engineering (Appendix 3)

Actual (\$0.82M) – Budget (\$0.27M) = Unfavourable variance (\$0.55M)

Year-End Projection:

Engineering is projecting a year-end surplus of \$0.13M which is equivalent to the 2020 budget. Lower than expected Engineering revenues are offset by a projection of favourability in personnel, assuming the continuation of 7 net average vacancies through to year-end.

Based on the above year-end projections in Planning, Design and Engineering, the reserve is anticipated to be in a deficit position of (\$0.08M) at year-end (see Appendix 4).

Building Standards (Appendix 5)

Actual (\$2.15M) – Budget (\$0.76M) = Unfavourable variance (\$1.39M)

Year-End Projection:

Building is projecting a year-end deficit of (\$2.79M) compared to a budgeted deficit of (\$2.39M). This will result in an additional draw from reserve of \$0.40M. The variance is due to lower building permit fees than budgeted.

Based on the above year-end projection in Building Services, the balance of the reserve is anticipated to be \$7.25M at year-end (see Appendix 6).

Waterworks (Appendix 7)

Actual \$11.67M – Budget \$9.46M = Favourable variance \$2.21M

Year-End Projection:

Waterworks is projected to have a year-end surplus in the range of \$0.7M to \$1.3M, or \$1.0M on average. This will result in the transfer to reserve increasing from \$15.62M to \$16.62M, an increase of \$1.0M. The favourable variance is primarily due to higher water consumption.

This is independent of maintaining the 2020 water rate at 2019 levels. The Waterworks reserve balance is projected to be \$67.06M at year-end (see Appendix 8).

PURPOSE:

To report on the year-to-date actual 2020 operating budget results versus the budgeted 2020 operating budget as at August 31, 2020.

BACKGROUND:

Council approved the 2020 annual operating budget of \$410.52M on December 10, 2019 which includes the City's primary operating budget, Planning & Design operating budget, Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

The Planning & Design, Engineering, Building Standards and Waterworks operating budgets are primarily user fee funded, including planning and engineering fees, building permit fees and water billings. Separate reserves have been established to support the department's day-to-day operations and capital programs.

The year to date operating budget is calendarized based on available current year information, historical spending patterns and trends and future projections. The intent and focus of this report is to communicate actual performance against the annual plan and to highlight variances.

All budgets are monitored on a monthly basis and departments provide details of material variances (actual to budget). The variances are reviewed, substantiated and summarized by the Financial Planning department.

This report provides a variance analysis by:

1. City's primary operating budget by Commission/Department; and
2. City's primary operating budget by major accounts

OPTIONS/ DISCUSSION:**1. CITY'S PRIMARY OPERATING BUDGET BY COMMISSION/DEPARTMENT**

Net results (revenues – expenses) for the eight months ended August 31, 2020 by each Commission and Department, summarized by personnel expenditures, non-personnel expenditures and revenues, are provided in Appendices 9 to 14.

The following table is a summary of all commissions' year-to-date August results (\$ in millions):

<u>Commission</u>	<u>YTD Aug 2020</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	\$ 3.32	\$ 4.02	\$ 0.70
Community & Fire Services (excl. winter maintenance)	\$ 69.13	\$ 67.64	\$ (1.49)
Corporate Services	\$ 14.74	\$ 15.20	\$ 0.46
Development Services	\$ 5.06	\$ 5.06	\$ -
Mayor & Council	\$ 1.99	\$ 2.13	\$ 0.14
Corporate Items	\$ (146.32)	\$ (145.32)	\$ 1.00
Net Expense/ (Revenue)	\$ (52.08)	\$ (51.26)	\$ 0.81

Explanations for variances greater than \$0.05M by each Commission and Department are provided on the following pages.

CAO's Office, Human Resources and Legal Department (Appendix 9)

<u>Department</u>	<u>YTD Aug 2020</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.41	0.52	\$ 0.11
Human Resources	1.71	2.12	\$ 0.41
Legal	1.20	1.38	\$ 0.18
Net Expense	\$ 3.32	\$ 4.02	\$ 0.70

CAO's Office (Actual \$0.41M – Budget \$0.52M = Variance \$0.11M)

Favourable variance of \$0.11M is mainly due to a year-to-date average of one temporary net vacancy.

Human Resources (Actual \$1.71M – Budget \$2.12M = Variance \$0.41M)

Favourable variance of \$0.41M is mainly due to a year-to-date average of one temporary net vacancy \$0.09M and timing of expenses related to health and safety training and legal fees for union bargaining forecasted to be spent by the end of the year \$0.20M.

Legal (Actual \$1.20M – Budget \$1.38M = Variance \$0.18M)

Favourable variance of \$0.18M is mainly due to external legal services \$0.09M and a year-to-date average of one temporary net vacancy \$0.05M.

Community and Fire Services – excluding winter maintenance (Appendix 10)

<u>Department</u>	<u>YTD Aug 2020</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	16.13	17.44	\$ 1.31
Fire Services	27.85	27.17	\$ (0.68)
Library	7.54	9.08	\$ 1.54
Recreation Services	11.09	6.91	\$ (4.18)
Environmental Services	0.59	0.66	\$ 0.07
Waste	5.61	5.96	\$ 0.35
Commissioner's Office	0.32	0.42	\$ 0.10
Net Expense	\$ 69.13	\$ 67.64	\$ (1.49)

Operations (Actual \$16.13M – Budget \$17.44M = Variance \$1.31M)

Favourable variance mainly due part-time savings of \$0.76M, utility locates \$0.15M, vehicle fuel and parts \$0.15M, and streetlight maintenance \$0.06M. These variances are primarily driven by reduced activity from the COVID-19 pandemic and timing.

Fire Services (Actual \$27.85M – Budget \$27.17M = Variance (\$0.68M))

Unfavourable variance mainly due to YTD overcomplement of 4 net positions (\$0.39M) and overtime & shift premiums (\$0.30M) partially offset by operating materials & supplies (eg. programs expenses, uniforms, public education and training supplies) \$0.06M.

Library (Actual \$7.54M – Budget \$9.08M = Variance \$1.54M)

Favourable variance mainly due to part-time savings \$1.65M, program expenses and materials \$0.06M and building maintenance \$0.07M partially offset by lost revenue of (\$0.58M) related to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Recreation Services (Actual \$11.09M – Budget \$6.91M = Variance (\$4.18M))

Unfavourable variance mainly program registration fees and membership revenues (\$8.91M) and facility rentals (\$2.88M) partially offset by part-time savings \$4.42M, utilities \$1.35M, operating materials and supplies \$0.49M, contract service agreements \$0.38M and facility maintenance \$0.36M. These variances are due to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Environmental Services (Actual \$0.59M – Budget \$0.66M = Variance \$0.07M)

Favourable variance is mainly due to a year-to-date average of one temporary net vacancy.

Waste (Actual \$5.61M – Budget \$5.96M = Variance \$0.35M)

Favourable variance mainly due to waste collection charges \$0.28M.

Corporate Services (Appendix 11)

<u>Department</u>	<u>YTD Aug 2020</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	
Legislative Services & Corporate Communications	3.87	3.08	\$	(0.79)
Financial Services	2.72	2.88	\$	0.16
ITS	5.82	6.42	\$	0.60
Sustainability & Asset Management	2.07	2.53	\$	0.46
Commissioner's Office	0.26	0.29	\$	0.03
<u>Net Expense</u>	<u>\$ 14.74</u>	<u>\$ 15.20</u>	<u>\$</u>	<u>0.46</u>

Legislative Services & Corporate Communications (Actual \$3.87M – Budget \$3.08M = Variance (\$0.79M))

Unfavourable variance mainly due to lower volume of parking fines (\$0.75M) and business licenses (\$0.41M) as a result of school and business closures from the COVID-19 pandemic, partially offset by a year-to-date average of four temporary net vacancies \$0.28M

Financial Services (Actual \$2.72M – Budget \$2.88M = Variance \$0.16M)

Favourable variance mainly due to a year-to-date average of two net vacancies \$0.29M partially offset by property tax overdue notice fees (\$0.12M) based on Council decision to waive penalty and interest charges on property taxes in 2020 in response to the COVID-19 pandemic and full year salary gapping (\$0.03M).

ITS (Actual \$5.82M – Budget \$6.42M = Variance \$0.60M)

Favourable variance mainly due to a year-to-date average of four temporary net vacancies \$0.47M partially offset by full year salary gapping (\$0.03M).

Sustainability & Asset Management (Actual \$2.07M – Budget \$2.53M = Variance \$0.46M)

Favourable variance mainly due to building and facility maintenance contracts \$0.08M related to the closure of facilities from the COVID-19 pandemic, the timing of personnel recoveries \$0.34M and a year-to-date average of two temporary net vacancies \$0.08M.

Development Services (Appendix 12)

<u>Department</u>	<u>YTD Aug 2020</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	
Culture & Economic Development	3.21	2.78	\$	(0.43)
Traffic Operations	0.70	1.10	\$	0.40
Commissioner's Office	1.15	1.18	\$	0.03
<u>Net Expense</u>	<u>\$ 5.06</u>	<u>\$ 5.06</u>	<u>\$</u>	<u>-</u>

Culture & Economic Development (Actual \$3.21M – Budget \$2.78M = Variance (\$0.43M))

Unfavourable variance mainly due to Theatre ticket sales, charges and rentals (\$1.45M), Art Centre and Museum program fees (\$0.82M) partially offset by part time salaries \$0.58M professional services (eg. artist fees) \$0.30M, discretionary advertising \$0.19M, one-time Economic Development federal and provincial grants \$0.09M and program related expenditures \$0.04M. The primary reason for the variances is due to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Traffic Operations (Actual \$0.70M – Budget \$1.10M = Variance \$0.40M)

Favourable variance mainly due professional services (school crossing guards) \$0.24M related to the closure of schools from the COVID-19 pandemic.

Mayor & Council (Appendix 13)

<u>Department</u>	<u>YTD Aug 2020</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	
Mayor & Council	\$ 1.99	\$ 2.13	\$ 0.14
Net Expense	\$ 1.99	\$ 2.13	\$ 0.14

Mayor & Council includes personnel costs for all Members of Council and Councillor assistants, non-personnel and Councillor discretionary budgets. The YTD variance is due to Councillor discretionary budgets.

Corporate Items (Appendix 14)

<u>Department</u>	<u>YTD Aug 2020</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	
Corporate Items	\$(146.32)	\$(145.32)	\$ 1.00
Net Revenue	\$(146.32)	\$(145.32)	\$ 1.00

Favourable variance mainly due to higher investment income \$1.51M, lower than budgeted corporate contingency of \$0.72M, utilities and streetlight hydro budgeted savings \$0.56M and property tax adjustments \$0.13M. These are partially offset by property tax penalty and interest (\$1.47M) and financial administrative fees (\$0.26M).

2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS (excl. winter maintenance)

At the end of August the actual operating results, excluding winter maintenance, against budget netted a favourable variance of \$0.81M and the breakdown is as follows:

REVENUES

At the end of August, revenues totalled \$193.16M against a budget of \$209.68M resulting in an unfavourable variance of \$16.52M or 92.1% of the year-to-date budget.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Property Taxation Revenues	\$ 166.00 M	\$ 166.14 M	(\$ 0.14 M)
General Revenues	\$ 15.12 M	\$ 16.24 M	(\$ 1.12 M)
User Fees & Service Charges	\$ 7.07 M	\$ 22.38 M	(\$ 15.31M)
Grant & Subsidy Revenues	\$ 1.36 M	\$ 1.17 M	\$ 0.19 M
Other Income	\$ 3.61 M	\$ 3.75 M	(\$ 0.14 M)
Net Variance	\$ 193.16 M	\$ 209.68 M	(\$ 16.52 M)

Property Taxation Revenues (Actual \$166.00M – Budget \$166.14M= Variance (\$0.14M))

Property taxation revenue YTD budget includes property tax levy.

General Revenues (Actual \$15.12M – Budget \$16.24M = Variance (\$1.12M))

The general revenues YTD budget of \$16.24M includes investment income (budget \$9.16M), property tax penalty and interest (budget \$2.99M), parking fines (budget \$2.33M) and business, taxi, marriage and other licences (budget \$1.75M).

General revenues also include Alectra interest and dividends (YTD budget \$1.94M) with a corresponding transfer to the Life Cycle Replacement and Capital Reserve Fund. At year-end, a net \$1.00M is retained in the Operating Budget from Alectra interest and dividends.

YTD general revenues totaled \$15.12M at the end of August against a YTD budget of \$16.24M. The main drivers for the unfavourable variance of (\$1.12M) are property tax penalty and interest (\$1.47M), parking fines (\$0.75M) and tow truck, marriage and taxi licenses (\$0.41M) partially offset by investment income of \$1.51M resulting from a higher than budgeted rate of return. While investment income is favourable YTD, it is anticipated to be on budget at year-end due to lower interest rates related to the impact of the COVID-19 pandemic.

User Fees and Service Charges (Actual \$7.07M – Budget \$22.38M= Variance (\$15.31M))

The user fees and services charges YTD budget of \$22.38M includes revenues from programs offered by Recreation, Culture Services and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$15.61M), and facility rentals for arenas, pools, gym and halls (budget \$6.35M).

User fees and service charges were unfavourable by (\$15.31M), the main drivers of which were unfavourable Recreation user fees and rentals (\$11.94M) and Theatre,

Museum and Arts Centres user fees and rentals (\$2.27M) due to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Grants & Subsidy Revenues (Actual \$1.36M – Budget \$1.17M = Variance \$0.19M)

The YTD budget includes Provincial and Federal grants of \$1.17M. The favourable variance of \$0.19M resulted from the receipt of one-time federal and provincial grants.

Other Income (Actual \$3.61M – Budget \$3.75M = Variance (\$0.14M))

The unfavourable variance of (\$0.14M) is mainly due to unfavourability in financial administrative fees on development agreements (\$0.26M) partially offset by miscellaneous department recoveries \$0.10M.

PERSONNEL EXPENDITURES

At the end of August, personnel expenditures were favourable by \$8.58M or spending of 91.0% of the year-to-date budget.

<u>Personnel</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Full time net of vacancy backfills and part time salaries	\$ 85.01 M	\$ 95.07 M	\$ 10.06 M
Overtime and other personnel costs	\$ 2.04 M	\$ 0.56 M	(\$ 1.48 M)
Total	\$ 87.05 M	\$ 95.63 M	\$ 8.58 M

At the end of August, there were 51 net temporary vacancies resulting in a favourable variance of \$1.97M. There were also part-time savings of \$8.55M. This was partially offset by full year budgeted salary gapping of (\$0.45M) netting a favourable variance of \$10.06M.

Overtime and other personnel costs were unfavourable by (\$1.48M).

NON-PERSONNEL EXPENDITURES

At the end of August, non-personnel expenditures were favourable by \$8.75M or spending of 86.1% of the year-to-date budget.

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 2.60 M	\$ 3.92 M	\$ 1.32 M
Procured Services	\$ 21.88 M	\$ 28.47 M	\$ 6.59 M
Transfers to Reserves	\$ 28.31 M	\$ 28.06 M	(\$ 0.25 M)
Other Expenditures	\$ 1.26 M	\$ 2.35 M	\$ 1.09 M
Total	\$ 54.05 M	\$ 62.80 M	\$ 8.75 M

Materials & Supplies (Actual \$2.60M – Budget \$3.92M = Variance \$1.32M)

Materials & supplies YTD budget of \$3.92M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.41M), vehicle supplies such

as fuel and repair parts (budget \$1.18M), and printing and office supplies (budget \$0.33M).

The favourable variance of \$1.32M is primarily due to operating materials and supplies \$0.84M (eg. uniforms, equipment and program expenses), vehicle fuel (gas and diesel) and parts \$0.16M and printing and office supplies \$0.16M.

Procured Services (Actual \$21.88M – Budget \$28.47M = Variance \$6.59M)

Procured services YTD budget of \$28.47M includes utilities and streetlight hydro (budget \$7.36M), waste collection (budget \$6.22M), maintenance & repairs of City assets (budget \$3.70M), insurance (budget \$2.30M), and professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$1.89M).

Procured Services were favourable \$6.59M primarily due to:

- \$2.03M favourable in utilities and streetlight hydro primarily due to lower than budgeted usage related to the closure of facilities from the COVID-19 pandemic
- \$1.71M favourable in professional fees, communications, training, and travel (excl. office supplies of \$0.16M which is included under materials & supplies)
- \$0.91M favourable in maintenance and repairs (streetlight and facility maintenance)
- \$0.89M contract service agreements (facility maintenance contracts)
- \$0.48M promotion and advertising

Transfers to Reserves (Actual \$28.31M – Budget \$28.06M = Variance (\$0.25M))

The majority of funds are transferred to the Life Cycle and Capital Reserve Fund.

Other Expenditures (Actual \$1.26M – Budget \$2.35M = Variance \$1.09M)

Other expenditures YTD budget of \$2.35M includes contingency expense and non-personnel ramp-ups of \$1.18M and property tax adjustments \$0.56M. Year to date variance of \$1.09M is mainly due to lower corporate contingency expenditures of \$0.72M and lower property tax adjustments \$0.13M.

3. YEAR-END PROJECTION INCLUDING YEAR-END ACCOUNTING ACCRUALS AND OTHER ADJUSTMENTS

The year-end projection reflects COVID related impacts due to cancelled programs, closed facilities, foregone property tax late payment charges, reduced user fees, fines and licence collection (\$28.07M) and additional COVID related expenses (\$2.61M) totaling \$30.68M.

Major contributors to the projected COVID related impacts \$30.68M at year-end include \$21.54M in Recreation, Culture, and Library lost revenue due to closure of facilities, \$3.90M due to foregone Property Tax Penalty & Interest and foregone and reduced collection of Supplemental Tax revenue & Finance user fees, \$2.63M in Legislative services due to lower parking fines and taxi licenses and additional COVID related expenses such as additional cleaning requirements in facilities, IT related infrastructure and other items totaling \$2.61M.

Senior management and staff mobilized quickly to implement significant strategic actions to contain expenses in order to reduce the tax-funded shortfall from the COVID-19 pandemic.

The following strategic actions were implemented to mitigate the tax-funded shortfall from the COVID-19 pandemic:

- Rebalancing of the workforce to meet the needs of essential services
- Reduced discretionary expenditures & program-related costs
- Procurement efforts to contact vendors to maintain 2020 pricing on multi-year contracts continuing into 2021
- Mitigating strategies to reduce the forecasted deficit in Recreation and Culture to be as close as possible to the budgeted subsidy for the last 4 months of 2020. This included the strategic opening of select facilities and amenities with the goal of generating a positive net revenue impact.

The impact of the strategic actions implemented by senior management and staff to reduce the COVID-19 related shortfall total \$24.12M and include \$15.75M in savings in Recreation and Culture from mitigating actions including part-time, seasonal and contract staff layoffs, redeployment of staff to existing vacant positions, and non-personnel expenditure reductions, \$3.94M in savings from the closure of libraries, and savings from the reduction of discretionary expenses in other tax funded departments as well as the maintenance of vacant positions, lay-offs of part-time and seasonal staff, and early termination of employee contracts, along with savings associated with maintaining salary rates for all non-union staff and Members of Council until December 31st, 2020 totaling \$4.43M.

When combining the impact of COVID and the mitigating actions of senior management and staff, the net impact is forecasted to be \$6.56M. The City will receive Phase 1 safe-restart funding of \$6.56M by the end of October. This will be utilized to mitigate the remaining shortfall and balance out the impact of COVID in 2020. Based on current information, staff are confident that the tax funded impact has been mitigated.

Each year, there are non-COVID related items, which potentially generate a surplus at year-end.

Based on current information, staff are forecasting a surplus within a range of \$2.00M to \$5.87M including winter maintenance.

Projected Year-End Variance	Best	Worst
	Fav./(Unfav.)	Fav./(Unfav.)
Total Projected Year-End Variance	\$ 5.10 M	\$ 2.00 M
Winter maintenance favourable variance	\$ 0.77 M	\$ - M
Net Surplus	\$ 5.87 M	\$ 2.00 M

Should there be a surplus after Phase 1 funding, it will be transferred to reserves as per the Council approved policy:

- a. Corporate Rate Stabilization Reserve to top up to a level equivalent to 15% of local tax levies
- b. Remaining, if any, to the Life Cycle Replacement and Capital Reserve Fund

Planning & Design (Appendix 2)

Actual \$0.03M – Budget \$0.71M = Unfavourable variance (\$0.68M)

At the end of August, the Planning department had a surplus of \$0.03M against a budgeted surplus of \$0.71M. The unfavourable variance of (\$0.68M) was mainly due to lower than budgeted planning and design fees of (\$1.49M) from the impact of the COVID-19 pandemic partially offset by Full Time salaries favourability of \$0.74M due to a year-to-date average of five temporary net vacancies.

Actual (\$0.82M) – Budget (\$0.27M) = Unfavourable variance (\$0.55M)

Engineering (Appendix 3)

At the end of August, the Engineering Department had a deficit of (\$0.82M) against a budgeted deficit of (\$0.27M). The unfavourable variance of (\$0.55M) was due to lower than budgeted Engineering fees from the impact of the COVID-19 pandemic.

Building Standards (Appendix 5)

Actual (\$2.15M) – Budget (\$0.76M) = Unfavourable variance (\$1.39M)

At the end of August, the Building Standards department had a deficit of (\$2.15M) against a budgeted deficit of (\$0.76M). The unfavourable variance of (\$1.39M) was mainly due to lower building permit fees received from the impact of the COVID-19 pandemic.

Waterworks (Appendix 7)

Actual \$11.67M – Budget \$9.46M = Favourable variance \$2.21M

At the end of August, the Waterworks department had a surplus of \$11.67M against a budgeted surplus of \$9.46M. The main drivers for the favourable variance of \$2.21M were as follows:

- Higher than budgeted consumption and lower non-revenue water (10.8% actual consumption vs 11% budgeted) resulted in a net favourable variance of \$1.32M. The favourable variance was partially offset by (\$0.34M) from the decision by both the City and Region to not increase the sales and purchase price

as planned on April 1. The net water sales and purchase variance is \$0.98M favourable.

- Lower revenues resulting in an unfavourable variance of (\$0.37M) due primarily to lower water meter installation fees and developer fees for services
- Lower non-personnel costs resulting in a favourable variance of \$1.16M due to lower operating and water, sewer and roadwork materials and supplies cost

Lower personnel costs resulting in a favourable variance of \$0.44M due to temporary vacancies

FINANCIAL CONSIDERATIONS

Staff will continue to monitor the results of operations on a monthly basis and will provide further 2020 updates as required.

HUMAN RESOURCES CONSIDERATIONS

Not Applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not Applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not Applicable

RECOMMENDED BY:

Joel Lustig, Treasurer

Trinela Cane, Commissioner,
Corporate Services

ATTACHMENTS:

[Appendices 1 to 14:](#)

