



Report to: General Committee

Report Date: March 1, 2021

SUBJECT: 2020 Year-End Results of Operations
PREPARED BY: Lisa Chen, Senior Manager, Financial Planning and Reporting
Jay Pak, Senior Business Analyst

RECOMMENDATION:

- 1) THAT the report titled “2020 Year-End Review of Operations” be received;
- 2) THAT a COVID-19 Reserve be established from the Safe Restart Agreement funding to be used to offset COVID-19 operating impacts;
- 3) THAT the City’s 2020 COVID-19 net favourable variance of \$2.21M be allocated as follows:
 - a. \$1.30M COVID provision for future tax adjustments;
 - b. \$0.91M transfer to the COVID-19 Reserve;
- 4) THAT the City’s 2020 net operations favourable variance of \$7.60M be transferred as follows, as per the approved Financial Planning and Budgeting Policy:
 - a. \$3.60M one-time funding to replenish the Corporate Rate Stabilization Reserve;
 - b. \$0.79M to the Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy;
 - c. \$3.21M to the Life Cycle Capital Replacement and Capital Reserve Fund; and further,
- 5) 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, 2020 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 year-end operating results comparing actuals to the annual operating budget including impacts related to the ongoing COVID-19 pandemic.

a) Primary Operating Budget (Appendix 1)

(Excludes Planning & Design, Engineering, Building Standards and Waterworks)

The 2020 variance is summarized below:

(\$ in millions)	<u>2020</u>		Variance fav./ (unfav.)	% of Budget
	<u>Actual</u>	<u>Budget</u>		
Revenues	\$224.08	\$240.83	(\$16.75)	93.0%
Expenses	<u>201.64</u>	<u>228.56</u>	<u>26.92</u>	88.2%
Subtotal	\$22.43	\$12.27	\$10.17	
Year-End Accounting Accruals & Other Adjustments	<u>3.00</u>	<u>1.94</u>	<u>(1.06)</u>	
Surplus excluding winter maintenance	19.44	10.33	9.11	
Winter Maintenance	<u>\$9.63</u>	<u>\$10.33</u>	<u>\$0.70</u>	
Net surplus including winter maintenance	\$9.81	(\$0.00)	\$9.81	

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)	
Recreation Services revenue	(\$17.90)	M
Theatre, Art Centre and Museum revenue	(\$3.50)	M
Property Tax Penalty & Interest	(\$2.84)	M
Fines, licence and permits	(\$1.81)	M
Library Programs & Fines	(\$0.76)	M
Supplemental Taxes	(\$0.73)	M
Property taxes & Payments in Lieu (PILs)	\$0.62	M
Investment income	\$3.03	M
Safe Restart Funding - Phase 1	\$6.66	M
Other	\$0.48	M
Total	(\$16.75)	M

Expenditures	Fav. / (Unfav.)	
Salaries & benefits	\$16.07	M
Utilities and Streetlight hydro	\$3.78	M
Professional services/office supplies/training/travel	\$1.63	M
Maintenance, repairs, materials & supplies	\$1.98	M
Corporate contingency	\$2.66	M
Contract service agreements	\$1.40	M
Communications, promotion & advertising	\$0.83	M
Property Tax adjustments	\$0.57	M
COVID Expenses	(\$1.22)	M
Other	(\$0.78)	M
Total	\$26.92	M

Due to the impact of the COVID-19 pandemic, the results projected throughout the year were split into two categories: COVID-19 related impacts and Business as Usual (BAU).

The 2020 Primary Operating Budget surplus is comprised of the following components:

(\$ in millions)	Variance fav./ (unfav.)
COVID-19 Surplus Net of Safe Restart Phase 1 Funding	\$2.21
Business as usual	\$7.96
Year-end accounting accruals & other adjustments	(1.06)
Winter maintenance	<u>0.70</u>
Net Surplus from Operations	<u>\$7.60</u>
Net surplus - Primary Operating Budget	<u>\$9.81</u>

COVID-19 including Safe Restart Phase 1 funding = Favourable variance \$2.21M
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The year-end surplus includes COVID-19 related impacts due to cancelled programs, closed facilities, foregone property tax late payment charges, reduced user fees, fines and licence collection and additional COVID related expenses.

The impact of the strategic actions implemented by senior management and staff reduced the COVID-19 related shortfall. When combining the impact of COVID, the mitigating actions of senior management and staff, Phase 1 safe-restart funding of \$6.66M, the COVID-19 surplus is \$2.21M.

The COVID-19 pandemic has resulted in a slowdown of the Canadian economy and has created significant financial pressures to most business sectors. This unprecedented environment of economic uncertainty has directly and immediately impacted various business throughout the City of Markham. The current property assessment values of many non-residential properties may not represent the negative financial impact of COVID-19 and the substantial decrease in revenue or business closures, which could result in inaccurate property assessments and tax levies moving forward into the 2021 taxation year and beyond.

As a result, Staff anticipate a number of non-residential property owners will seek to reduce their tax burden through the assessment appeal process. In order to fund the potential future impact of reductions, staff recommend a provision amount be set in the amount of \$1.3M, which is equivalent to the 2020 tax adjustment annual budget. The remaining \$0.91M is recommended to be transferred to the new COVID-19 Reserve to mitigate future COVID-19 impacts. Together with the \$2.81M Phase 2 funding received in January 2021, the reserve balance will be \$3.72M.

Business as Usual = Favourable variance \$7.96M

In addition to COVID-19 related impacts, the year-end operations includes several recurring non-COVID related items, which potentially generate a surplus at year-end. These items included corporate contingency, salary gapping and investment income.

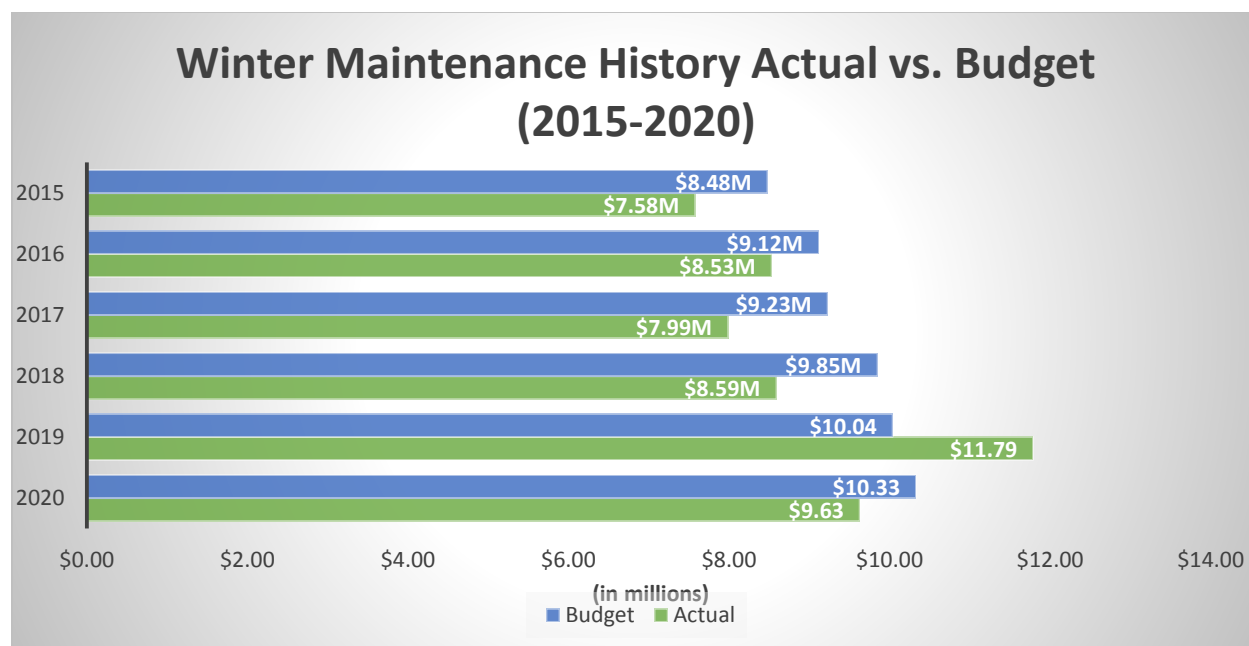
Year-end accounting accruals and other adjustments = Unfavourable variance (\$1.06M)

The 2020 year-end accounting accruals and other adjustments totaled \$3.00M against a budget of \$1.94M resulting in an unfavourable variance of (\$1.06M), (\$0.93M) of which is due to the vacation accrual, and other employee related accruals (\$0.13M). The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post-employment benefits and salary accruals.

Winter maintenance = Favourable variance \$0.70M

The 2020 actual winter maintenance expenditures totaled \$9.63M against a budget of \$10.33M, resulting in a favourable variance of \$0.70M.

The exhibit below compares the 6 year historical actuals vs. budget for winter maintenance expenses from 2015-2020.



As the exhibit above shows, the actuals compared to budget have fluctuated over the past 6 years. In 2020 the actual costs were \$9.63M compared to a budget of \$10.33M. Actual costs were higher than in the period 2015-2018 but lower than 2020 and is impacted by a range of

external factors including, but not limited to, the amount of snowfall and the number of snow events which require City roads to be cleared or salted.

The chart below shows the number of salting events per calendar year for the past 6 years. Note that these do not include plowing or sidewalk clearing events.

Year	Primary Roads	Local Roads	Total
2016	37	10	47
2017	49	9	58
2018	44	8	42
2019	51	17	52
2020	38	13	68
6 Year Average	43	10	53

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as five service contracts:

1. Supply and operation of tandem/single combination plow to sand and plow the City's primary road network;
2. Supply and operation of loaders to assist in the snow removal in cul-de-sacs, wide corners and rear lanes;
3. Grader rentals to remove snow on the City's local road networks;
4. Sidewalk snow removal; and
5. Windrow snow clearing services for eligible applicants

The following chart provides details of the \$0.70M favourable variance:

<u>Description</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav./(Unfav.)</u>	
			<u>Hours</u>	<u>\$M</u>
Sidewalk (per unit of equipment)	257 hrs	334 hrs	78 hrs	0.35
Tandem (per unit of equipment)	236 hrs	282 hrs	46 hrs	0.21
Graders and windrows (per unit of equipment)	140 hrs	108 hrs	(32) hrs	(0.26)
Loader (per unit of equipment)	105 hrs	154 hrs	49 hrs	0.26
Salt & Sand	23,823 tonnes	20,710 tonnes	(3,113) tonnes	0.12
Part-time & overtime costs				(0.08)
Other winter maintenance costs				0.10
Winter maintenance favourable variance				0.70

As costs continue to increase based on growth and contract escalations, Staff will continue to monitor the trends to determine whether future adjustments to the winter maintenance budget are necessary.

b) Planning & Design (Appendix 2)

Actual \$7.33M – Budget \$0.62M = Favourable variance \$6.71M

Planning & Design incurred a surplus of \$7.33M against a budgeted surplus of \$0.62M. The favourable variance of \$6.71M was mainly due to a higher volume of application volumes and favourable personnel variances from an average of seven temporary net vacancies.

c) Engineering (Appendix 3)

Actual \$2.54M – Budget \$0.14M = Favourable variance \$2.40M

Engineering incurred a surplus of \$2.54M against a budgeted surplus of \$0.14M. The favourable variance of \$2.40M was primarily due to higher engineering fees than budgeted.

d) Planning & Engineering Development Fee Reserve (Appendix 4)

The 2020 budget anticipated a surplus of \$0.62M for Planning and a surplus of \$0.14M for Engineering totaling \$0.76M.

The Planning & Design and Engineering departments ended the year with a favourable surplus of \$6.71M and a surplus of \$2.40M respectively. A transfer to the Reserve of \$9.87M will increase the balance from a negative \$0.52M to \$9.10M. The year-end balance includes in-year interest adjustments and capital project funding transfers.

e) Building Standards (Appendix 5)

Actual (\$3.67M) – Budget (\$2.39M) = Unfavourable variance (\$1.28M)

The Building Standards department incurred a deficit of (\$3.67M) against a budgeted deficit of (\$2.39M). The unfavourable variance of \$1.28M was mainly due to a delay in application volumes resulting in lower Building permit fees than budgeted.

A draw from the Reserve of \$3.67M will be made decreasing the balance from \$10.36M to \$6.37M (see Appendix 6). The year-end balance includes in-year interest adjustments and capital project funding transfers.

f) Waterworks (Appendix 7)

Actual \$20.19M – Budget \$15.62M = Favourable variance \$4.57M

The Waterworks department incurred a surplus of \$20.19M against a budgeted surplus of \$15.62M. The main drivers for the favourable variance of \$4.57M were as follows:

- Higher than budgeted consumption and lower non-revenue water (9.5% actual consumption vs 11% budgeted) resulted in a net favourable variance of \$3.43M. The City and Region also came to an agreement regarding additional rebates for water only accounts resulting in a favourable variance of \$0.73M (includes a rebate for prior years in the amount of \$0.33M). The favourable variance was partially offset by (\$0.90M) 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 \$3.26M favourable.

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- Lower revenues resulting in an unfavourable variance of (\$0.32M) due primarily to lower water meter installation fees and hydrant water sales
 - Lower non-personnel costs resulting in a favourable variance of \$1.37M due to lower operating and water, sewer and roadwork materials and supplies cost from few watermain breaks
 - Lower personnel costs resulting in a favourable variance of \$0.26M due to temporary vacancies

A transfer of \$20.19M will be made to the Reserve increasing the balance from \$61.85M to \$69.67M (see Appendix 8).

The 2020 draft consolidated financial statements will be presented to General Committee in April 2021. The year-end results presented in this report are subject to change based on the results of the external audit.

PURPOSE:

The purpose of this report is to provide the 2020 year-end actual results of operations versus the 2020 operating budget.

BACKGROUND:

Operating Budget Controls and Monitoring Process

On a monthly basis, Finance Staff distribute operating statements to all department Directors. As well, Finance Staff review the results of operations department by department. Based on pre-established variance thresholds, departments are contacted for explanations and to determine mitigating strategies, if required. As well, Finance Staff meet with Directors every quarter to review the department operating results. Finance Staff will advise the Executive Leadership Team (ELT) immediately should significant variances arise

Due to the impact of the COVID-19 pandemic, the results projected throughout the year were split into two distinctive categories: COVID-19 related impacts and Business as Usual (BAU).

The 2020 Primary Operating Budget surplus is comprised of the following components:

(\$ in millions)	Variance fav./unfav.)
COVID-19 Surplus Net of Safe Restart Phase 1 Funding	\$2.21
Business as usual	\$7.96
Year-end accounting accruals & other adjustments	(1.06)
Winter maintenance	<u>0.70</u>
Net Surplus from Operations	<u>\$7.60</u>
Net surplus - Primary Operating Budget	<u>\$9.81</u>

COVID-19 related impacts were to be mitigated by the Safe Restart Funding – Phase 1 for \$6.66M. Based on the year-end results from COVID related items including the closure of Recreation, Culture and Library facilities, late payment charges on Penalty & Interest, forgone supplemental taxes and reduced finance user fees, reduced collection of parking fines and licences & permits, and additional COVID related expenses, the impact of COVID-19 related impacts was \$4.45M resulting in a \$2.21M COVID impact surplus.

From the \$2.21 surplus, staff recommend \$1.30M be set aside as a provision to offset future tax adjustments, and the remaining \$0.91M be allocated to a new COVID-19 reserve to mitigate future pandemic related impacts.

In the BAU category, the net surplus from operations was favourable to budget by a total of \$7.60M mainly due to higher investment income \$3.03M, Corporate Contingency \$2.66M, higher than budgeted salary gapping \$1.75M, as well as other smaller one-time items totaling \$0.16M.

The combination of the COVID-19 surplus of \$2.11M and net operations surplus of \$7.60M, the year-end result of operations is a \$9.81M surplus.

The next section of the 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

DISCUSSION:

1. CITY'S PRIMARY OPERATING BUDGET BY COMMISSION/DEPARTMENT

Net results (revenues less expenses) for the twelve months ended December 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-end December results excluding year-end accounting accruals and other adjustments and winter maintenance:

<u>Commission</u>	<u>YTD Dec 2020</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office, Human Resources and Legal	\$ 4.93	\$ 6.02	\$ 1.09
Community & Fire Services (excl. winter maintenance)	\$ 99.98	\$ 100.70	\$ 0.72
Corporate Services	\$ 22.12	\$ 22.32	\$ 0.20
Development Services	\$ 7.23	\$ 7.18	\$ (0.05)
Mayor & Council	\$ 2.75	\$ 2.98	\$ 0.23
Corporate Items	\$(156.46)	\$(149.54)	\$ 6.92
Net Expense/ (Revenue)	\$ (19.44)	\$ (10.33)	\$ 9.11

Explanations for variances greater than \$0.10M by each Commission and Department are provided below.

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

<u>Department</u>	<u>YTD Dec 2020</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
CAO's Office	0.61	0.79	\$ 0.18
Human Resources	2.56	3.20	\$ 0.64
Legal	1.76	2.03	\$ 0.27
Net Expense	\$ 4.93	\$ 6.02	\$ 1.09

CAO's Office (Actual \$0.61M – Budget \$0.79M = Variance \$0.18M)

Favourable variance of \$0.18M is mainly due to a year-to-date average of one temporary net vacancy and lower professional fees incurred.

Human Resources (Actual \$2.56M – Budget \$3.20M = Variance \$0.64M)

Favourable variance of \$0.64M is mainly due to a year-to-date average of two temporary net vacancies \$0.24M and delay of expenses related to recruitment hiring including advertising and health and safety training and legal fees for union bargaining \$0.40M.

Legal (Actual \$1.76M – Budget \$2.03M = Variance \$0.27M)

Favourable variance of \$0.27M is mainly due to an increase in revenues from site plan and subdivision agreements.

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

<u>Department</u>	<u>YTD Dec 2020</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Operations	24.37	26.11	\$ 1.74
Fire Services	40.01	39.30	\$ (0.71)
Library	10.25	13.54	\$ 3.29
Recreation Services	15.38	10.91	\$ (4.47)
Environmental Services	0.87	0.95	\$ 0.08
Waste	8.68	9.22	\$ 0.54
Commissioner's Office	0.42	0.67	\$ 0.25
Net Expense	\$ 99.98	\$ 100.70	\$ 0.72

Operations (Actual \$24.37M – Budget \$26.11M = Variance \$1.74M)

Favourable variance mainly due to part-time savings of \$1.28M (partially offset by redeployments from Recreation of \$0.68M), contracted services in Parks \$0.23M, utility locates \$0.19M, vehicle fuel and parts \$0.16M, and sportsfield maintenance \$0.16M partially offset by streetlight hydro (\$0.20M) and tipping fees (\$0.10M). These variances are primarily driven by reduced activity from the COVID-19 pandemic.

Fire Services (Actual \$40.01M – Budget \$39.30M = Variance (\$0.71M))

Unfavourable variance mainly due to YTD overcomplement of 4 net positions (\$0.23M) and overtime & shift premiums (\$0.38M).

Library (Actual \$10.25M – Budget \$13.54M = Variance \$3.29M)

Favourable variance mainly due to part-time savings \$3.30M, year-to-date average of six temporary net vacancies, program expenses and materials \$0.08M, maintenance and cleaning costs \$0.08M, and courier/delivery \$0.06M, partially offset by lost revenue of (\$0.76M) related to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Recreation (Actual \$15.38M – Budget \$10.91M = Variance (\$4.47M))

Unfavourable variance due to cancellation of program registration fees and membership revenues (\$12.47M) and facility rentals (\$5.26M), partially offset by part-time savings \$7.06M, year-to-date average of five temporary net vacancies and savings from redeployments \$1.27M, utilities \$1.97M, operating materials and supplies \$0.82M, contract service agreements \$0.65M and facility maintenance \$0.67M. These variances are due to the closure of facilities and cancellation of programs from the COVID-19 pandemic. Of note, an additional \$0.68M of part time savings from redeployments were captured in the Operations results above.

Waste (Actual \$8.68M – Budget \$9.22M = Variance \$0.54M)

Favourable variance mainly due to lower municipal facility, garbage and recycling collection charges \$0.13M and lower blue box and green bins for resale \$0.11M due to the COVID-19 pandemic, and a high than budgeted recovery from York Region \$0.31M.

Commissioner's Office (Actual \$0.42M – Budget \$0.67M = Variance \$0.25M)

Favourable variance mainly due to vacant commissioner position starting in July 2020.

Corporate Services (Appendix 11)

<u>Department</u>	<u>YTD Dec 2020</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	
Legislative Services & Corporate				
Communications	5.95	4.67	\$	(1.28)
Financial Services	4.22	4.41	\$	0.19
ITS	8.07	8.99	\$	0.92
Sustainability & Asset Management	3.49	3.83	\$	0.34
Commissioner's Office	0.39	0.42	\$	0.03
<u>Net Expense</u>	\$ 22.12	\$ 22.32	\$	0.20

Legislative Services & Corporate Communications (Actual \$5.95M – Budget \$4.67M = Variance (\$1.28M))

Unfavourable variance mainly due to lower volume of parking fines (\$1.06M) and business licenses (\$0.60M) as a result of school and business closures from the COVID-19 pandemic,

partially offset by a year-to-date average of seven temporary net vacancies and savings from redeployments \$0.47M.

Financial Services (Actual \$4.22M – Budget \$4.41M = Variance \$0.19M)

Favourable variance mainly due to an average of three temporary net vacancies \$0.23M and savings in other contract services \$0.15M, partially offset by property tax overdue notice fees (\$0.25M) 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 \$8.07M – Budget \$8.99M = Variance \$0.92M)

Favourable variance mainly due to an average of six temporary net vacancies \$0.79M, and lower training seminar expenses \$0.06M.

Sustainability & Asset Management (Actual \$3.49M – Budget \$3.83M = Variance \$0.34M)

Favourable variance mainly due to a year-to-date average of three temporary net vacancies \$0.30M.

Development Services (Appendix 12)

<u>Department</u>	<u>YTD Dec 2020</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Culture & Economic Development	4.06	3.73	\$ (0.33)
Traffic Operations	1.37	1.70	\$ 0.33
Commissioner's Office	1.80	1.75	\$ (0.05)
Net Expense	\$ 7.23	\$ 7.18	\$ (0.05)

Culture & Economic Development (Actual \$4.06M – Budget \$3.73M = Variance (\$0.33M))

Unfavourable variance mainly due to Theatre ticket sales, charges and rentals (\$2.42M), and Art Centre and Museum program fees (\$1.08M), partially offset by part time salaries \$0.86M, an average of three temporary net vacancies and savings from redeployments \$0.62M, professional services (eg. artist fees) \$0.63M, discretionary advertising \$0.43M, operating materials and supplies \$0.16M, utilities \$0.13M, printing and office supplies \$0.08M and travel \$0.06M. 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 \$1.37M – Budget \$1.70M = Variance \$0.33M)

Favourable variance mainly due to professional services (school crossing guards) \$0.27M related to the closure of schools from the COVID-19 pandemic.

Mayor and Council (Appendix 13)

<u>Department</u>	<u>YTD Dec 2020</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>
Mayor & Council	\$ 2.75	\$ 2.98	\$ 0.23
Net Expense	\$ 2.75	\$ 2.98	\$ 0.23

Mayor and Council includes personnel costs for all Members of Council and Councillor assistants, non-personnel and Councillor discretionary budgets. The year end favourable variance is mainly driven by unspent discretionary budgets.

Corporate Items (Appendix 14)

<u>Department</u>	<u>YTD Dec 2020</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>
Corporate Items	\$ (156.46)	\$ (149.54)	\$ 6.92
Net Revenue	\$ (156.46)	\$ (149.54)	\$ 6.92

Favourable variance mainly due to Phase 1 Safe Restart Funding \$6.66M, higher investment income totaling \$3.03M from a higher interest rate \$1.67M and portfolio balance \$1.36M, lower than budgeted corporate contingency of \$2.66M, utilities and streetlight hydro budgeted savings \$0.84M and property tax adjustments \$0.57M. These are partially offset by property tax penalty and interest (\$2.84M), COVID related expenses (\$1.22M), year-end accounting adjustments (\$1.06M), insurance premiums (\$0.52M) and financial administrative fees (\$0.34M).

2. CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS

(excl. year-end accounting accruals and other adjustments and winter maintenance)

<u>(\$ in millions)</u>	<u>2020</u>		<u>Variance</u>	<u>% of Budget</u>
	<u>Actual</u>	<u>Budget</u>	<u>fav./ (unfav.)</u>	
Revenues	\$224.08	\$240.83	(\$16.75)	93.0%
Expenses	<u>201.64</u>	<u>228.56</u>	<u>26.92</u>	88.2%
Surplus excluding winter maintenance	\$22.43	\$12.27	\$10.16	

The 2020 actual operating results, excluding year-end accounting accruals and other adjustments and winter maintenance, against budget netted a favourable variance of \$10.16M (revenue of (\$16.75M) unfavourable + expenses favourable of \$26.92M) and the breakdown is as follows:

a) REVENUES

At the end of 2020, revenues totalled \$224.08M against a budget of \$240.83M resulting in an unfavourable variance of (\$16.75M) (93.0% of budget).

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./ (Unfav.)</u>
Property Taxation Revenues	\$ 166.56 M	\$ 166.67 M	(\$ 0.11 M)
General Revenues	\$ 33.57 M	\$ 34.56 M	(\$ 0.99 M)
User Fees & Service Charges	\$ 9.69 M	\$ 32.14 M	(\$ 22.45 M)
Grant & Subsidy Revenues	\$ 9.01 M	\$ 1.94 M	\$ 7.07 M
Other Income	\$ 5.25 M	\$ 5.52 M	(\$ 0.27 M)
Net Variance	\$ 224.08 M	\$ 240.83 M	(\$ 16.75 M)

Property Taxation Revenues (Actual \$166.56M – Budget \$166.67M= Variance (\$0.11M))
Property taxation revenues were unfavourable by \$0.11M mainly due to supplemental taxes (\$0.73M) partially offset by tax levies \$0.44M and payments-in-lieu \$0.18M.

For 2020, the total outstanding tax receivable for all years as of December 31st, 2020 was \$35.7 million or 5.0% of total taxes levied, meaning the City collected 95% of all taxes levied. For comparison, prior year collections were 2020: 96.4%, 2018: 96.4%, 2017: 96.1%, 2016: 95.7%.

General Revenues (Actual \$33.57M – Budget \$34.56M = Variance (\$0.99M))
The general revenues budget includes investment income (budget \$24.69M), interest and penalties on property taxes (budget \$4.28M), parking fines (budget \$3.40M), and business, taxi, marriage and other licenses (budget \$2.19M).

General revenues also include Alectra interest and dividends (budget of \$13.66M) with a corresponding transfer in expenditures 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.

General revenues totaled \$33.57M at the end of December against a budget of \$34.56M. The main drivers for the unfavourable variance of \$0.99M are interest and penalties on property taxes (\$2.84M), parking fines (\$1.00M), and tow truck, marriage and taxi licenses (\$0.81M) partially offset by investment income totaling \$3.03M from a higher interest rate \$1.67M and portfolio balance \$1.36M.

User Fees and Service Charges (Actual \$9.69M – Budget \$32.14M= Variance (\$22.45M))
The user fees and services charges budget of \$32.14M includes revenues from programs offered by Recreation, Culture and Library departments and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$21.33M), and facility rentals for arenas, pools, gym and halls (budget \$10.16M).

User fees and service charges were unfavourable by (\$22.45M), the main drivers of which were unfavourable Recreation user fees and rentals (\$17.90M), Theatre, Museum and Arts Centres user fees and rentals (\$3.50M) and Library programs and fines (\$0.76M) due to the closure of facilities and cancellation of programs from the COVID-19 pandemic.

Grants & Subsidy Revenues (Actual \$9.01M – Budget \$1.94M = Variance \$7.07M)
The budget includes provincial and federal grants of \$1.94M. The favourable variance of \$7.07M resulted primarily from Safe Restart Funding - Phase 1 of \$6.66M, and from the receipt of one-time federal and provincial grants offset by corresponding expenses.

Other Income (Actual \$5.25M – Budget \$5.52M = Variance (\$0.27M))
The unfavourable variance of (\$0.27M) is mainly due to miscellaneous department recoveries.

b) PERSONNEL EXPENDITURES

In 2020, personnel expenditures were favourable by \$16.07M or 88.5% of the year end budget.

<u>Personnel</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Full time net of vacancy backfills and part time salaries	\$ 121.64 M	\$ 138.69 M	\$ 16.33 M
Overtime and other personnel costs	\$ 2.29 M	\$ 2.03 M	(\$ 0.26 M)
Total	\$ 123.93 M	\$ 140.00 M	\$ 16.07 M

In 2020, there was an average of 53 net temporary vacancies resulting in a favourable variance of \$2.78M. There were also part-time savings of \$14.00M. This was partially offset by full year budgeted salary gapping of (\$0.45M) netting a favourable variance of \$16.33M.

Overtime and other personnel costs were unfavourable by (\$0.26M).

c) NON-PERSONNEL EXPENDITURES

In 2020, non-personnel expenditures were favourable by \$10.85M (95.16% of budget).

<u>Non Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 4.29 M	\$ 5.83 M	\$ 1.54 M
Procured Services	\$ 32.27 M	\$ 40.07 M	\$ 7.80 M
Transfers to Reserves	\$ 39.03 M	\$ 37.30 M	(\$ 1.73 M)
Other Expenditures	\$ 2.12 M	\$ 5.36 M	\$ 3.24 M
Total	\$ 77.71 M	\$ 88.56 M	\$ 10.85 M

Materials & Supplies (Actual \$4.29M – Budget \$5.83M = Variance \$1.54M)

Materials & supplies budget of \$5.83M includes facility maintenance supplies, uniforms, recreation and other program supplies (budget \$2.76M), vehicle supplies such as fuel and repair parts (budget \$1.78M), and printing and office supplies (budget \$0.44M).

The favourable variance of \$1.54M is primarily due to operating materials and supplies \$1.31M (eg. uniforms, equipment and program expenses), vehicle fuel (gas and diesel) and parts \$0.19M and printing and office supplies \$0.18M.

Purchased Services (Actual \$32.27M – Budget \$40.07M = Variance \$7.80M)

Purchased services budget of \$40.07M includes utilities and streetlight hydro (budget \$11.30M), waste collection (budget \$12.01M), maintenance & repairs (\$5.72M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (budget \$3.04M), insurance (\$2.71M), communications (\$1.45M) and promotion and advertising (budget \$1.37M).

Purchased Services were favourable \$7.80M mainly due to:

- \$2.91M favourable in utilities and streetlight hydro primarily due to lower than budgeted usage related to the closure of facilities from the COVID-19 pandemic
- \$2.20M favourable in professional fees, communications, training, and travel related expenses (excl. office supplies of \$0.44M which is included under materials & supplies)
- \$1.33M contract service agreements (facility maintenance contracts)
- \$0.91M favourable in maintenance and repairs (streetlight and facility maintenance)
- \$0.61M promotion and advertising

Transfers to Reserves (Actual \$39.03M – Budget \$37.30M = Variance (\$1.73M)

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

Other Expenditures (Actual \$2.12M – Budget \$5.36M = Variance \$3.24M)

Other expenditures budget of \$5.36M includes contingency expense and non-personnel ramp ups \$2.68M and property tax adjustments \$1.27M. Variance of \$3.24M is mainly due to lower corporate contingency expenditures of \$2.66M and property tax adjustments \$0.57M.

Year-End Accounting Accruals and Other Adjustments

Year-end accounting accruals and other adjustments = Unfavourable variance (\$1.06M)

The 2020 year-end accounting accruals and other adjustments totaled \$3.00M against a budget of \$1.94M resulting in an unfavourable variance of (\$1.06M), (\$0.93M) of which is due to the vacation accrual, and other employee related accruals (\$0.13M). The year-end accounting accruals and other adjustments include severance, salary continuance payments, firefighter sick leave payouts, post-employment benefits and salary accruals.

Winter Maintenance

The 2020 actual winter maintenance expenditures totaled \$9.63M against a budget of \$10.33M, resulting in a favourable variance of \$0.70M.

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as five service contracts:

1. Supply and operation of tandem/single combination plow to sand and plow the City's primary road network;
2. Supply and operation of loaders to assist in the snow removal in cul-de-sacs, wide corners and rear lanes;
3. Grader rentals to remove snow on the City's local road networks;
4. Sidewalk snow removal; and
5. Windrow snow clearing services for eligible applicants

FINANCIAL CONSIDERATIONS:

The Council approved Financial Planning and Budgeting Policy states any year-end operating surplus will first be transferred to the Corporate Rate Stabilization Reserve to achieve a level equivalent to 15% of local tax revenues, secondly to replenish the expenditures in the

Environmental Land Reserve Fund and finally transferred to the Life Cycle Replacement and Capital Reserve Fund. Due to the circumstances surrounding COVID-19 in 2020, there are several additional transfers to be considered.

The 2020 operating surplus is separated into two components:

1. The 2020 COVID-19 net favourable variance of \$2.21M be allocated as follows:
 - a. \$1.30M provision for future tax appeals;
 - b. \$0.91M transfer to the COVID Reserve
2. The City's 2020 business as usual operating net favourable variance of \$7.60M be transferred as follows:
 - a. \$3.60M one-time funding to replenish the Corporate Rate Stabilization Reserve;
 - b. \$0.79M to the Corporate Rate Stabilization Reserve to achieve a balance equal to 15% of the local tax levy;
 - c. \$3.21M to the Life Cycle Capital Replacement and Capital Reserve Fund; and further,

The audited 2020 draft consolidated financial statements will be presented to General Committee in April 2021. The year-end results presented in this report are subject to change based on the results of the external audit.

RECOMMENDED

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Appendices 1 to 14](#)

Appendix 1 – Primary Operating Budget - Financial Results for the Twelve Months Ended December 31, 2020

Appendix 2 – Planning & Design Operating Budget - Financial Results for the Twelve Months Ended December 31, 2020

Appendix 3 – Engineering Operating Budget - Financial Results for the Twelve Months Ended December 31, 2020

Appendix 4 – Planning and Engineering Development Fee Reserve Balance for the Twelve Months Ended December 31, 2020

Appendix 5 – Building Standards Operating Budget - Financial Results for the Twelve Months Ended December 31, 2020

Appendix 6 – Building Fee Reserve Balance for the Twelve Months Ended December 31, 2020

Appendix 7 – Waterworks Operating Budget - Financial Results for the Twelve Months Ended December 31, 2020

Appendix 8 – Waterworks Reserve Balance at December 31, 2020

Appendix 9 – Variances by Commission and Department for the Twelve Months Ended December 31, 2020 – CAO's Office, Human Resources and Legal

Appendix 10 – Variances by Commission and Department for the Twelve Months Ended December 31, 2020 – Community and Fire Services

Appendix 11 – Variances by Commission and Department for the Twelve Months Ended December 31, 2020 – Corporate Services

Appendix 12 – Variances by Commission and Department for the Twelve Months Ended December 31, 2020 – Development Services

Appendix 13 – Variances by Commission and Department for the Twelve Months Ended December 31, 2020 – Mayor and Council

Appendix 14 – Variances by Commission and Department for the Twelve Months Ended December 31, 2020 – Corporate Items