

Date: April 8, 2021

To: Chair and Members of Budget Committee

From: Gary Kent, CPA, CGA, ICD.D, Commissioner of
Corporate Services and Chief Financial Officer

Originator's files:

Meeting date:
April 28, 2021

Subject

Financial Report as at December 31, 2020

Recommendation

1. That the "Financial Report as at December 31, 2020" report dated April 8, 2021, from the Commissioner of Corporate Services and Chief Financial Officer, including appendices 1 to 4, be approved;
2. That the Treasurer be authorized to fund and close the capital projects as identified in this report;
3. That \$2,725,836.84 be transferred from the Mississauga Bus Rapid Transit (BRT) Reserve Fund (Account #35184) to the Capital Reserve Fund (Account #33121) and the Mississauga Bus Rapid Transit (BRT) Reserve Fund (Account #35184) be closed;
4. That \$10,172,529.99 be transferred from the MoveOntario 2020 Higher Order Transit Reserve Fund (Account #35187) to the Capital Reserve Fund (Account #33121);
5. That \$840,358.46 be transferred to Stormwater Pipe Reserve Fund (#35993) from the operating program surplus;
6. That the necessary by-laws be enacted.

Executive Summary

Operating Summary, excluding Stormwater

Due to COVID-19 financial pressures, the City faced a deficit of over \$100m, which was reduced by a number of decisions and efficiencies including a hiring freeze, temporary layoffs, a review of our capital expenditure program and a discretionary spending review.

Prior to the application of Safe Restart funding, the City was in a deficit position of \$55.5 million. Funding received through the Safe Restart Agreement has enabled the City to reduce the deficit to zero.

Capital Summary, excluding Stormwater

Recommended adjustments to the capital program will result in a revised net capital program of \$1,306.4 million to 873 active projects.

- 137 projects are recommended for closure
- \$6.9 million is being returned to various reserve funds

Stormwater Financial Summary**Operating Summary**

As of December 31, 2020, the Stormwater program reported an on budget net zero variance operating program.

Capital Summary

Recommended adjustments to the capital program will result in a revised net capital program of \$134.9 million with 95 active projects. 8 projects are recommended for closure. \$0.6 million is being requested from the Reserve Funds.

Background

In accordance with the Budget Control By-law, the Finance Division provides Council with a review of the City's financial position a minimum of two times a year. This report covers information related to Year-End Operating Program variances, and the status of Capital Works-In-Progress, the status of Infrastructure Funding Programs including Ward-Specific projects established since 2019, and Year-End Reserves & Reserve Fund transfers. On May 13th, 2020, Council approved a revised net operating budget of \$537.5 million for 2020

Comments

This report summarizes:

Part 1 – Operating Results as at December 31, 2020

Part 2 – Capital Status

Part 3 – Stormwater Financial Summary

Part 4 – Infrastructure Funding Programs Projects

Part 5 – Ward-Specific Projects

Part 6 – Reserves and Reserve Fund Transfers

Part 7 – Uncollectible Write-offs

Engagement and Consultation

Finance acknowledges the contribution of all Service Areas for providing detailed operating variance explanations, Revenue and Taxation group for providing the information on uncollectible write-offs, Legal services for By-law review and enactments and the various Capital Project managers to assist with the capital highlights.

Financial Impact

PART 1: OPERATING RESULTS AS AT DECEMBER 31, 2020

In mid-March 2020, the Province of Ontario, the Region of Peel and City of Mississauga declared states of emergency to control the spread of COVID-19. Council recognized the financial impact on residents and businesses due to physical distancing and took actions to reduce their severity, including rear-door only boarding on MiWay buses, closure of City facilities, work from home directive for nonessential City staff, cancellation of all events and spring programs, virtual Council meetings, deferral of courthouse hearings and enforcement of physical distancing in parks and at private establishments and residences.

This report forms part of a staff commitment to provide updated financial information to Council on a regular basis. These updates ensure Council and Public are aware of the financial challenges the City is facing as a result of COVID-19, and assist Council in making informed decisions.

To assist the public financially, Council deferred tax and Stormwater due dates, temporarily suspended parking enforcement, deferred rent payments from tenants in City facilities, deferred collection of the Municipal Accommodation Tax, and temporarily suspended fines, penalties and late fees.

These actions significantly reduced the City's revenues. Some actions were taken to mitigate this loss of revenue. Implemented a hiring freeze and temporary staff layoffs, discretionary spending was reduced wherever possible. Nevertheless, the City was forecasting a significant deficit in 2020. This remaining deficit has been managed through Federal and Provincial Safe Restart funding.

Table 1 summarizes the Year-End operating budget variances by Service Area, and identifies how these were managed using Safe Restart funding. The major areas of variance from the budget are highlighted below, with further details provided in Appendix 1-1 Operating Details by Service Area.

Table 1. City of Mississauga Operating Budget - Year-End Position

Service Area (\$ millions)	Net Budget	Year-End Position Before Safe Restart Funding	Surplus / (Deficit) - Before Safe Restart Funding	Safe Restart Funding	Surplus / (Deficit) - Before Safe Restart Funding
MiWay	91.5	126.6	(35.1)	35.1	(0.0)
Recreation	29.0	39.6	(10.6)	0.0	(10.6)
Regulatory Services	1.1	6.5	(5.3)	0.0	(5.3)
Financial Transactions	41.2	46.0	(4.9)	20.5	15.6
Legislative Services	(2.3)	1.7	(4.0)	0.0	(4.0)
Culture	7.2	10.4	(3.2)	0.0	(3.2)
Roads	66.1	66.9	(0.8)	0.0	(0.8)
Business Services	31.5	31.6	(0.1)	0.0	(0.1)
Fire & Emergency Services	119.4	119.4	0.0	0.0	0.0
Mayor & Members Of Council	5.0	4.9	0.1	0.0	0.1
Information Technology	31.7	31.5	0.2	0.0	0.2
Parks, Forestry & Environment	37.5	37.1	0.4	0.0	0.4
City Manager's Office	14.8	14.3	0.6	0.0	0.6
Facilities & Property Management	25.1	23.4	1.7	0.0	1.7
Land Development Services	9.6	7.7	1.9	0.0	1.9
Mississauga Library	28.9	25.6	3.3	0.0	3.3
Year-End Position	537.5	593.1	(55.5)	55.5	(0.0)

Year-End Operating Result Highlights by Service Area

MiWay

- MiWay Year-End variance of \$35.1 million deficit is fully offset by Safe Restart funding:
 - Unfavourable net revenues \$11.3 million are mainly due to a farebox revenue shortfall of \$46 million related to the COVID-19 operating impacts offset by \$35.1 million dollar Transit grant received from the Phase 1 and 2 Safe Restart program from the Federal and Provincial government.
 - Offset by a net favourable expense of \$11.3 million mostly attributed to the labour savings of \$8.3 million due to vacancies and deferral of the 2020 Transit growth program. Further offset by net savings in non-labour expenses of \$3.0 million mainly attributed to fuel savings from lower diesel prices and reduced consumption levels. In addition, lower PRESTO commission costs due to lower farebox revenues and savings from equipment repairs and advertising expenses supplemented the savings.

Recreation

- Recreation service realized a net deficit of \$10.6 million:
 - Unfavourable revenues of \$32.8 million are a direct result of facility closures and observation of social distancing protocols and public health restrictions due to COVID-19.
 - Offset by a favourable labour surplus of \$15.2 million mostly in temp labour driven by temporary staff lay-offs and hiring freezes realized due to minimal program offerings, unfilled positions and maternity leaves.
 - Further offset by favourable non-labour expenditures of \$7.1 million due to lower than expected utilities costs, materials and supplies, contractor and event settlements resulting from facility closures.

Regulatory Services

- Regulatory Services realized a net deficit of \$5.3 million:
 - Unfavourable revenues of \$6.9 million are mainly driven by decreases in parking revenues, TNC licensing fees and business / mobile licensing fees. This was as a direct result of business closures and observation of public health safety restriction regulations due to COVID-19.
 - Offset by a combined favourable surplus of \$1.6 million in expenses. The savings of \$0.8 million in labour and \$0.8 million in non-labour are a direct result of the COVID-19 impacts to operations.

Financial Transactions

- Financial Transactions is reporting a net surplus of \$15.6 million:
 - Favourable net revenues \$15.7 million is mainly driven by Safe Restart Agreement Funding received from the Province offset by lower than budgeted interest charges collected on tax penalties due to council imposed COVID-19 Tax deferrals for the 2020 cycle.

Legislative Services

- Legislative Services realized a net deficit of \$4.0 million:
 - Unfavourable revenues of \$5.5 million are mainly due to the Courthouse closure which were a direct result of facility shutdowns in combination with Provincial policy changes to hold ticket payments until 2021.
 - Offset by a combined favourable surplus of \$1.5 million in expenses. The savings of \$0.9 million in labour and \$0.6 million in non-labour are a direct result of the COVID-19 impacts on judiciary services.

Culture

- Culture realized a net deficit of \$3.2 million:
 - Unfavourable combined revenues of \$4.8 million are a direct result of the COVID-19 impacts. \$3.6 million pertains to the impact of cancelled or modified events and programs and \$1.2 million pertains to the impact on the Municipal Accommodation Tax reserve.
 - Offset by a combined favourable surplus of \$1.6 million in expenses. The savings of \$1.1 million in non-labour expenses are due to the reduction in supplies due to the cancellation/modification of events related to COVID-19 impacts on operations. The remaining \$0.5 million savings in non-labour pertains to the City assuming responsibility for the Living Arts Centre operations.

Roads

- Roads is reporting a net deficit of \$0.8 million:
 - Favourable combined revenues of \$2.5 million are mainly due to higher external recoveries including higher than budgeted fees & charges (road permits and encroachment fees) offset by unfavourable parking revenues due to the impact of COVID-19 on parking operations.
 - Offset by an unfavourable expense of \$4.5 million mostly pertaining to the non-labour costs for increased sidewalk maintenance and higher than budgeted contractor costs for bridges, watercourses and cleaning & litter pick-up.
 - Further offset by a Labour surplus of \$1.1 million as a result of a hiring freeze and related impacts on operations due to COVID-19.

Facilities & Property Management

- Facilities & Property Management is reporting a net favourable surplus of \$1.7 million:
 - Favourable labour surplus of \$2.2 million is a result of vacant positions and imposed hiring freezes due to COVID-19 offset by \$0.5 million unfavourable non-labour variances due to increased costs for cleaning, Personal Protective Equipment including impacts on security services due to COVID-19 and the impact on operations.

Land Development Services

- Land Development Services is reporting a net surplus of \$1.9 million:
 - Favourable labour surplus of \$1.9 million is a result of savings from vacant positions and imposed hiring freezes due to COVID-19 and the impacts on operations.

Mississauga Library

- Mississauga Library is reporting a net surplus of \$3.4 million:
 - Favourable labour surplus of \$3.1 million mainly attributed to full time vacancies in addition to savings realized during Library closures, lay-offs due to COVID-19 impacts on operations.
 - Offset by a net surplus of \$0.3 million. Non-labour expenses due to savings realized during Library closures of \$0.8 million were offset by unfavourable revenues shortfalls of \$0.5 million resulting from Library closures due COVID-19 impacts on operations.

Other Service Areas

- All other services are reporting a net favourable surplus totalling \$1.2 million.
 - The net favourable surplus is a result of a imposed hiring freeze for full time positions, delays in seasonal hiring's and the reduced spending of discretionary costs due to the impacts on operations related to COVID-19.

Reconciliation with 2020 Consolidated Financial Statements

Budget data presented in this report reflect values based on the cash basis of accounting. The City's financial statements are prepared in accordance with the Municipal Act and based on the reporting standards set by the Chartered Professional Accountants (CPA) Canada Public Sector Accounting Board. Adjustments to budgeted values are required to provide comparative values based on the full accrual basis of accounting. Details of the reconciliation of the approved budget, as presented in the consolidated financial statements, is provided in Appendix 4.

PART 2: CAPITAL STATUS

As required under the City's Budget Control Bylaw, a Capital works-in-progress review must be prepared at least twice a year for Council. Included in this review is the on-going monitoring, evaluation and identification of projects to be closed, funds being returned to reserves, and projects requiring additional funding.

As of December 31, 2020, the City has an approved capital program of \$1,313.3 million. Staff recommends returning \$6.9 million to various reserves and reserve funds from various projects. This results in a revised net capital program totalling \$1,306.4 million.

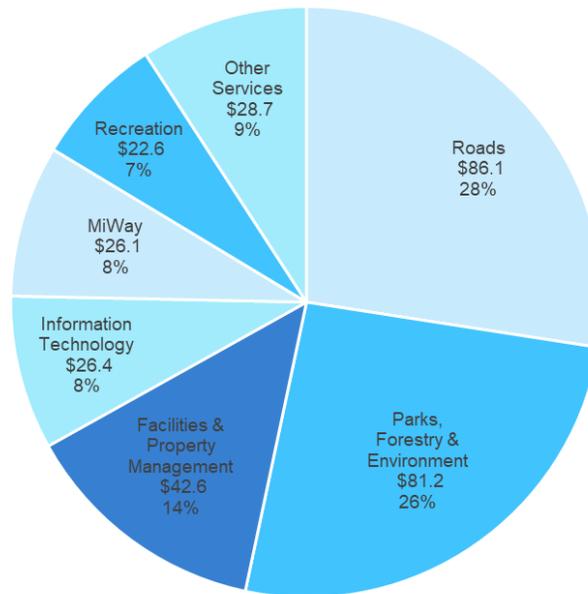
Of the \$1,306.4 million total:

- \$992.6 million or 76% has been spent
- \$313.8 million is to be incurred

The following chart shows the distribution of the City's capital expenditures to be incurred, by service. See Appendix 2-1 for more details.

Total Capital Works-in-Progress
Net Future Expenditures to be incurred by Service Area
\$313.8 Million

*Excludes Stormwater Program



Other Services includes: Mississauga Library, Land Development Services, Fire & Emergency Services, Business Services, Legislative Services, Culture, City Manager's Office

City staff continues to evaluate older projects and return unspent funds to reduce the amount of capital funds that are needed to be borrowed for future years' projects. The \$313.8 million of future expenditures earn interest revenue that is used to support both the capital and operating programs including contributions to the reserves and reserve funds. Of the \$313.8 million still to be incurred, over 35% is accounted for by the following projects:

- \$35.9 million for various land acquisitions
- \$21.5 million for various road property acquisitions
- \$16.4 million for roadway rehabilitation
- \$9.8 million for Goreway Drive Rail Grade Separation
- \$8.9 for Churchill Meadows Community Center and Pool construction
- \$6.7 million for Downtown Transitway Connection and Terminal – TPAP
- \$6.0 million for SAP S4 HANA Upgrade (part of the SAP Roadmap)
- \$5.5 million for cycling program

The Year-End review has resulted in \$6.9 million being returned as a result of all budget adjustments, transfers and project closures. The majority of the funds are being returned to the Federal Gas Tax Reserve Fund and Tax-Capital Reserve Fund.

The following are highlights for significant funding adjustment requests, or for significant accomplishments of completed projects:

Roads

- PN 17150 (TWBR00027) Bridge Repairs is in progress and returning \$1.8 million. Of the amount returned, \$1.5 million will be requested in PN 20150 (TWBR00034) Bridge & Structure Renewal for the construction of the Dundas Street retaining wall project, east of Mississauga Road which includes road widening necessary to accommodate the future bus transitway. The design, construction and contract administration tasks have grown in complexity and require this additional funding. The net impact is \$0.3 million to the reserves.
- PN 20104 (TWRI07770) Belbin Street from Preston Meadow to Nahani Way is returning \$1.0 million. Belbin Street construction is substantially complete with some street lighting work remaining.

MiWay

- PN 19249 (TWTR00346) Transit LRT Service Management is recommending to close and return funds in the amount of \$0.9 million. This initiative will be addressed in the Operating budget going forward.

Parks, Forestry & Environment

- PN 18339 (CMPF00882) Trail Reconstruction Program is in progress and returning \$0.5 million for the Helen Molasey Trail Project. This project is being coordinated with Transportation & Works (T&W). Storm Channel improvements are on hold until T&W completes the flood mitigation design. Future capital funding requirements will be re-budgeted once the design is completed.
- PN 18300 (CMPF006574) Parkland Acquisition Program is requesting \$0.5 million. The project is ongoing and will remain open for project appraisals, property investigations, property management fees, and demolitions. These additional funds are requested to support the ongoing demolition works.

Library

- PN 16270 (CMLS00059) Central Library Redevelopment is requesting \$0.3 million. This will be offset from future operating savings from Central Library. The Central Library Redevelopment is currently underway with the target completion in Q2 2023. The \$0.3 million requested is for Central Library Redevelopment Relocation and will be put towards the retrofit costs at Kings Mastings School.

Facilities and Property Management

- PN 17728 (CPFP005754) Roof Replacement - City hall is closing and returning \$0.4 million. The project was completed under budget due to competitive tender pricing. The project was implemented in 3 phases to minimize disruption to City Hall staff and building operations. The project scope involved lifecycle replacement of roofing elements at City Hall including the Council Chamber roofing and Great Hall skylight glazing replacement.
- PN 18731 (CPFP006464) Outdoor Lighting, Security and Parking Lot Renewal-Mavis is closing and returning \$0.3 million. The project was completed under budget due to competitive tender pricing. The scope of the project involved lifecycle replacement of asphalt, concrete curbs and installation of concrete paving in heavy traffic areas used by salt trucks. The project scope also included replacing existing lighting standards with LED fixtures and installation of additional lighting standards to provide adequate lighting for the safe operation of Mavis Yard.

Legislative Services

Electronic Document & Records Management System projects (EDRMS):

- PN15527 (CPLS004191) Electronic Document & Records Mgmt System (EDRMS) is closing and returning \$1.3 million. PN19527 (CPLS006767) EDRMS 2019 is in progress and returning \$1.1 million of the original \$1.4 million budget. The combined return of \$2.4 million is due to a change in project scope and cancellation of the original procurement process, the budget has not been spent yet. The project is now taking a different approach and exploring different products that may have the potential to fulfill the requirements of the Electronic Document Records Management plan System. The remaining budget of \$0.3 million has been retained to test the EDRMS solution project alternatives.

PART 3: STORMWATER FINANCIAL SUMMARY

Stormwater Operating and Revenue Charge Summary

As of December 31, 2020, the City is reporting that the Stormwater operating program resulted in a Year-End position of zero. Further details are provided in Appendix 1-2, Revenue Charge and Operating Details for Stormwater.

Stormwater Capital Summary

The approved Stormwater capital program is \$134.3 million, including legacy Stormwater projects originally part of the Roads service area. Staff recommends closing 8 projects and requesting approximately \$0.5 million to the appropriate reserve funds.

Recommended adjustments to the Stormwater capital program will result in a revised net budget of \$134.9 million for the active 95 projects.

The following is the highlight of major project funding adjustments:

- PN 20142 (TWSD007680) Etobicoke Creek Erosion Control - behind Ponytrail Drive to Bloor Street is being closed and \$1.8 million is being transferred to PN 18142 (TWSD00318) Etobicoke Creek Erosion Control - Behind Pony Trail Drive to Bloor Street for ease of project management.
- PN17015 (TWSD00372) Mary Fix Creek erosion control, downstream of Dundas Street West is requesting additional funds of \$0.5 million due to an increase in the engineering consultant's cost estimates for the work. This increase is due in part to the need for a specialized retaining wall that avoids encroachment onto the adjacent property, as well as the need for construction access agreements.
- PN 20023 (TWSD007685) Storm Sewer Improvements – Britannia Road E is requesting additional funds of \$0.3 million due to an increase in the engineering consultant's cost estimate for the work. The funds are required for additional work to stabilize the road embankment that has become unstable as a result of the failing storm sewer.

Capital Appendices

The following appendices detail project updates, changes, and funding adjustments for all capital projects, including Stormwater:

- **Appendix 2-2:** Projects Completed, Delayed or Cancelled and To Be Closed – 145 projects with an approved budget of \$133.5 million, including 8 Stormwater projects with approved budget of \$17.9 million, are to be closed. \$8.2 million or 6.1% of the approved budget amount being returned to the reserves and reserve funds.
- **Appendix 2-3:** Open Projects Requiring Funding Adjustments – Overall 53 projects with an approved budget of \$62.2 million, requesting \$1.6 million from reserves and reserve funds. Among them, 5 Stormwater projects are requesting \$1.0 million.
- **Appendix 2-4:** Project Adjustments with No Net Capital Impact lists 12 projects that are being adjusted with no net financial impact.

PART 4: INFRASTRUCTURE FUNDING PROGRAMS PROJECTS

The capital program includes funding from two senior government grant-funding programs.

PTIF & CWWF

The Public Transit Infrastructure Fund (PTIF) and the Clean Water and Wastewater Fund (CWWF) programs were introduced at General Committee on October 5, 2016. Formal approvals under these two programs were received on May 4, 2017 and May 23, 2017 respectively. On January 4, 2018 the Federal Government announced that both PTIF and CWWF programs will be extended to March 31, 2020. Due to COVID-19 certain projects have been extended to July 31, 2021 and September 30, 2023 respectively.

Total eligible funding for PTIF is \$116.6 million, of which \$58.3 million, or 50%, can be claimed for reimbursement. Claims for reimbursement are based on actual expenditures. Claims to the end of December 2020 totaled \$50.3 million, of which \$47.0 million was received by December 31, 2020.

Total eligible funding for CWWF is \$13.1 million, of which \$9.8 million, or 75%, can be claimed for reimbursement. Claims for reimbursement are based on actual expenditures. Claims to the end of December 2020 totaled \$9.6 million, of which \$9.4 million was received by December 31, 2020.

Future expenditure and claim information for these programs will be reported on in future WIP reports. All infrastructure funding program projects are listed in Appendix 3-1 to Appendix 3-3.

PART 5: WARD-SPECIFIC SPECIAL PROJECTS

On May 22nd, 2019 a motion was passed by Council to establish capital projects up to a total amount of \$2 million per ward, to be used at the discretion of each local Councillor.

New projects, to be established and funded from the Federal Gas Tax reserve fund are outlined in Appendix 2-7. A status update of active projects by Ward is presented in Appendix 2-8.

Housekeeping Items for Existing Ward-Specific Projects:

- Additional funding of \$45,000 is required Ward 11 PN B19353 Entrance Garden/Sign. In addition, the remaining \$35,000 in C19353 Comprehensive signage and way finding program for Streetsville Memorial will be transferred to B19353 to complete the project.

PART 6: RESERVES AND RESERVE FUNDS TRANSFERS

The conditions of the funding agreements for the Mississauga Bus Rapid Transit (BRT) Reserve Fund (35184) and MoveOntario 2020 Higher Order Transit Reserve Fund (35187) have been met. The interest accrued and remaining in both these reserve funds can now be transferred to Tax Capital Reserve Fund (33121) for future capital transit initiatives.

PART 7: UNCOLLECTIBLE WRITE-OFFS

Accounts Receivable Invoicing and Collection Policy 04-07-02 gives the Commissioner, Corporate Services and Chief Financial Officer the authority to write off uncollectible invoices under \$25,000 and requires the amount of invoices written off to be reported to Council annually. In 2020, a total of 3,394 invoices were issued totalling \$30.1 million. Write-offs completed in 2020 for prior years' uncollectible invoices totalled \$435,075.09. Invoices are only written off after all avenues for collection have been exhausted including adding invoices to the tax roll for collection where authorized under legislation and/or by-laws, assigning to collection agencies and/or taking legal action.

Conclusion

The City was faced with unprecedented challenges in 2020 as a result of the COVID-19 pandemic. Physical distancing requirements and various degrees of lockdown impacted many service areas. Transit ridership has decreased significantly, and for a portion of the year, no transit fares were collected. Non-essential services such as recreation centres and libraries have been closed for some of the year. Other revenues, used to offset the City's expenditures, have also been significantly reduced.

Although the City adopted many mitigating actions, such as a hiring freeze, layoffs of temporary staff, discretionary expenditure review and closures of facilities wherever possible, the City was nevertheless forecasting a deficit of \$55.5 million at year end. This remaining deficit has been managed thanks to Federal and Provincial Safe Restart funding.

Attachments

- Appendix 1-1 Operating Details by Service Area
- Appendix 1-2 Revenue Charge and Operating Details for Stormwater
- Appendix 2-1 Summary of Capital Works-in-Progress by Service Area
- Appendix 2-2 Projects Completed, Delayed or Cancelled and to Be Closed
- Appendix 2-3 Open Projects Requiring Funding Adjustments
- Appendix 2-4 Project Adjustments with No Net Capital Impact
- Appendix 2-5 Project Adjustments with Funding Swaps
- Appendix 2-6 Various Adjustments and New Projects
- Appendix 2-7 Requests for Establishment of New Ward-Specific Projects
- Appendix 2-8 Active Ward-Specific Projects
- Appendix 3-1 Canada 150 Intake 1 & 2 Projects Update
- Appendix 3-2 Clean Water Wastewater Fund (CWWF) Projects Update
- Appendix 3-3 Public Transit Infrastructure Fund (PTIF) Projects Update
- Appendix 4 Reconciliation with 2020 Consolidated Financial Statements

