City of Mississauga
Corporate Report

Date: November 2, 2021	Originator's files:
To: Chair and Members of General Committee	
From: Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: December 1, 2021

Subject
Financial Report as at September 30, 2021

Recommendation
1. That the report entitled "Financial Report as at September 30, 2021" dated November 2, 2021, from the Commissioner of Corporate Services and Chief Financial Officer, including appendices, be approved.
2. That up to $396,000 of the Operating Budget Reserve Requests be approved for transfer to the Fiscal Stability Reserve (#30125) as listed in Appendix 2.
3. That any 2021 year-end Stormwater operating program surplus be transferred to the Stormwater Pipe Reserve Fund (#35993).
4. That the Treasurer be authorized to fund the capital projects as identified in Appendix 3-1, Ward Specific Projects from the Federal Gas Tax Reserve Fund (#35182).
5. That $1,000,000 in funding for Project TWOE00158 (PN#21195) LED City Wide Traffic Signal Lens Replacement be changed from Tax Debt (#37778) to Capital Reserve Fund (#33121).
6. That the necessary by-laws be enacted.

Executive Summary

Operating Summary, excluding Stormwater

As of September 30, 2021, the City is forecasting an operating shortfall of $58.5 million or 6.1 per cent of the gross operating budget. Funding from the Safe Restart and COVID-19 Recovery Funding for Municipalities funding programs is anticipated to be sufficient to offset this shortfall, resulting in a forecast zero variance for 2021.

Stormwater Financial Summary

Operating Summary

As of September 30, 2021, the Stormwater operating program is forecasting a year-end favourable variance in the amount of $1.2 million due to lower exemption/credit applications including declines in subsidy applications for the sump pump program. Any surplus at year-end will be transferred to the Stormwater Pipe Reserve Fund.

Further details are provided in Appendix 1-2, Revenue Charge and Operating Details for Stormwater.

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 Operating Program variances including Ward-Specific projects established since 2019.

Comments

This report summarizes:

Part 1 – Operating Forecast

Part 1.2 – Stormwater Financial Summary

Part 2 – Operating Budget Reserve

Part 3 – Municipal Accommodation Tax

Part 4 – Ward-Specific Projects

Part 5 – Housekeeping

Engagement and Consultation

Finance acknowledges the contribution of all Service Areas for providing detailed operating variance explanations, and Legal Services for By-law review and enactments.

Financial Impact

PART 1: OPERATING RESULTS AS AT SEPTEMBER 30, 2021

City of Mississauga remains focused on its Recovery Plan and continues to work towards reducing the impact of the fourth wave this fall. Recent stabilization of COVID cases in the Region including current announcements by Ontario Premier Ford will see a gradual approach to lifting the remaining restrictions which will help guide us safely through the winter and hopefully out of this pandemic. This encouraging news will help with impacts on City services and avoid further shutdowns. The City has maintained sound business practices while continuing to look at streamlining opportunities and prioritizing resources where they are needed.

Based on actual results as at September 30, 2021, staff forecast the City will end the year with an anticipated shortfall of $58.5 million or 6.1 per cent of the gross budget. Thanks to the Federal and Provincial support in the form of Safe Restart and COVID-19 Recovery Funding for Municipalities, which is expected to offset this anticipated shortfall. Table 1 summarizes the forecasted Year-End operating budget variances by Service Area, and identifies how these are anticipated to be 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 ($Ms)

Service Area ($ Millions)	Net Budget	Year End position Before Safe Restart Funding	$ Surplus/ (Deficit) - Before Safe Restart Funding	Safe Restart Funding	$ Surplus/ (Deficit) - After Safe Restart Funding
MiWay	84.8	125.7	(41.0)	41.0	0.0
Recreation	29.9	38.4	(8.5)	0.0	(8.5)
Regulatory Services	0.8	7.4	(6.6)	0.0	(6.6)
Legislative Services	(1.8)	2.2	(4.0)	0.0	(4.0)
Parks Forestry & Environment	38.5	40.3	(1.8)	0.0	(1.8)
Culture	6.1	7.8	(1.7)	0.0	(1.7)
Business Services	32.9	34.6	(1.7)	0.0	(1.7)
Information Technology	31.7	32.4	(0.6)	0.0	(0.6)
City Manager's Office	12.7	13.0	(0.3)	0.0	(0.3)
Fire & Emergency Services	121.3	121.4	(0.1)	0.0	(0.1)
Mayor & Council	5.0	5.0	0.0	0.0	0.0
Financial Transactions	58.8	58.5	0.3	17.5	17.8
Land Development Services	11.9	10.7	1.2	0.0	1.2
Mississauga Library	29.7	27.8	1.8	0.0	1.8
Facilities & Property Management	25.9	23.9	2.0	0.0	2.0
Roads	66.8	64.4	2.5	0.0	2.5
City	**555.1**	**613.6**	**(58.5)**	**58.5**	**(0.0)**

Note: Numbers may not add due to rounding.

Year-End Operating Result Highlights by Service:

MiWay

- MiWay service is forecasting a year-end net deficit of $41.0 million.
  - An unfavourable forecast of approx. $40.5 million is mainly due to lower ridership as a direct result of COVID-19 operating impacts. This forecast assumes that by December 31st MiWay would regain approximately 53% of transit revenue.

- Offset by a net unfavourable forecast of $0.5 million attributed to $3.7 million in forecasted labour savings related to vacancies offset by $4.2 million in higher non-labour expenses mainly due to higher-than-budgeted fuel costs.

Recreation

- Recreation service is forecasting a year-end net deficit of $8.5 million:
  - Unfavourable revenue forecast of $38.2 million is 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 forecast of $19.8 million mostly in temporary labour driven by savings due to minimal program offerings, unfilled positions.
  - Further offset by favourable non-labour forecast of $9.8 million due to lower-than-expected utilities costs, contractor costs, and materials/supplies costs resulting from facility closures as a result of COVID-19 impacts on operations.

Regulatory Services

- Regulatory Services is forecasting a year-end net deficit of $6.6 million:
  - Unfavourable revenue forecast of $7.5 million is mainly driven by decreases in parking revenues, Transportation Network Company (TNC) licensing fees and business/mobile licensing fees. This was a direct result of business closures and maintenance of public health safety regulations due to COVID-19.
  - Offset by a combined favourable forecast of $0.9 million in expenses. The savings in labour of $0.4 million and $0.5 million in non-labour are directly related to COVID-19 impacts to operations.

Legislative Services

- Legislative Services is forecasting a year-end net deficit of $4 million:
  - Unfavourable revenue forecast of $4.9 million is mainly due to the limited trials and closure of the Courthouse resulting from COVID-19 Provincial shutdowns.
  - Offset by a combined favourable forecast of $1.0 million in expenses. The savings of $0.7 million in labour and $0.3 million in non-labour are a direct result of the COVID-19 impacts on judiciary services.

Parks Forestry & Environment

- Parks Forestry & Environment is forecasting a year-end net deficit of $1.8 million:
  - Unfavourable revenue forecast of $0.6 million primarily as a result of reduced revenues from utilization of sports field amenities and parks permits due to COVID-19 restrictions and impacts on operations.

- Unfavourable non-labour forecast of $1.7 million primarily driven by additional occupancy and vehicle requirements for social distancing, PPE, additional comfort stations and cleaning requirements as a result of COVID-19 impacts on operations.
- Offset by a favourable labour forecast of $0.5 million due to retirements, vacant positions and delays in hiring as a result of COVID-19 impacts on operations.

Culture

- Culture is forecasting a year-end net deficit of $1.7 million:
  - Unfavourable revenue forecast of $7.6 million are a direct result of programs and events being cancelled or modified due to COVID-19 impacts.
  - Offset by a combined favourable forecast of $5.8 million in expenses. The savings of $4.0 million in non-labour expenses are due to the reduction in cleaning services, logistics and security due to the cancellation/modification of events related to COVID-19 impacts on operations. The remaining $1.8 million savings are primarily driven by temporary labour and full-time vacancies.

Roads

- Roads is forecasting a year-end net surplus of $2.5 million
  - Favourable net revenue forecast of $2.4 million is mainly due to favourable recoveries of $1.8 million in sidewalk, streetlighting and winter maintenance, $1.2 million in engineering subdivision revenues, $0.6 million in leaf collection and $0.7 million in other services partially offset by unfavourable revenues of $1.9 million due to impact of COVID-19 that resulted in paid parking experiencing low utilization during the closure of businesses and delay in launch of the Automated Speed Enforcement (ASE) program.
  - Offset by a favourable combined non-labour forecast of $0.8 million due to delay in launch of the ASE program and utility savings.
  - Further offset by a net unfavourable labour forecast of $0.4 million mainly due to labour recovery shortfalls of $2.4 million offset by $2 million in savings for various vacant positions and layoffs due to the operating impacts of COVID-19

Land Development Services

- Land Development Services is forecasting a year-end net surplus of $1.2 million:
  - Favourable revenue forecast of $7 million is mainly due to an increase in volume of applications for building permit, development and rezoning fees driven by a strong housing market. In accordance with the City's reserve policy, these revenue surpluses will be recommended for transfer to the Reserves at year end to offset any future revenue shortfalls. As such, the surplus of $7 million will not contribute to the overall City bottom line.

- A combined unfavourable forecast of $5.8 million is a result of transfer of building permit revenue to the Building Permit Revenue Stabilization Reserve, labour vacancies and higher-than-expected labour recoveries.

Other Service Areas

- All remaining services are forecasting a year-end net surplus of $1.4 million.
  - The net favourable forecast is primarily a result of savings from vacant full-time positions and delays in seasonal hiring due to COVID-19 impacts on operations. Also the City was able to reduce its discretionary spending on utilities and supplies as operations were scaled back.

Year-End Analysis from a COVID Perspective

As a result of the COVID pandemic, the use of City services continues to fluctuate. Staff continue to model best-case, worst-case and anticipated scenarios when analyzing possible deficits. The 2021 projected year-end deficit of $58.5 million reflects the anticipated scenario. The deficit is primarily due to reduced revenues, particularly in the MiWay, Recreation and Regulatory Services service areas. City staff have continued measures to mitigate the financial impact of COVID-19 where possible, including continued hiring delays, temporary staff layoffs where facilities have been closed, and aggressively managing costs.

Table 2 provides a summary of the City's projected financial position, and identifies the best-case, worst-case and anticipated scenarios. The information in this table is summarized in three categories: the direct impact of COVID-19, such as the loss of revenues due to closing of recreation facilities and reduced use of transit; the mitigating actions taken by City staff to reduce the impacts of COVID-19; and, business-as-usual surpluses and deficits that further affect the City's bottom line. Funding from the Safe Restart and COVID-19 Recovery Funding for Municipalities funding programs is sufficient to offset the projected shortfall in each scenario.

Table 2. Variance by Driver ($000s)

Driver ($000s)	Best Case	Anticipated	Worse Case
DIRECT COVID IMPACT			
MiWay - revenue shortfall, non-salary savings	(36,307.1)	(41,020.7)	(45,873.8)
Recreation - revenue loss	(36,756.3)	(38,156.3)	(39,556.3)
Culture - revenue loss	(3,370.2)	(3,875.0)	(4,379.7)
Administration Penalty (APS) Fees	(3,735.0)	(4,150.0)	(4,565.0)
POA-related revenues	(4,620.0)	(4,860.0)	(5,100.0)
LAC revenues	(3,878.1)	(3,693.5)	(3,508.8)
PPE, Cleaning, Social Distancing costs	(1,325.2)	(1,350.2)	(1,650.2)
MAT - loss of revenues	(463.1)	(1,463.1)	(2,463.1)
Enforcement - licensing revenue shortfalls	(1,163.7)	(1,293.0)	(1,422.3)
Parks - reduced parks & marina rental	(1,039.6)	(1,045.3)	(1,050.4)
Reduced parking revenues / bylaw fines	(1,187.2)	(1,319.1)	(1,451.0)
TNC licensing fees	(1,080.0)	(1,200.0)	(1,320.0)
Library - revenues	(648.5)	(648.5)	(648.5)
Other various impacts	(642.5)	(659.2)	(837.7)
Licensing fee refunds	(270.0)	(300.0)	(360.0)
DIRECT COVID IMPACT	(96,486.5)	(105,033.7)	(114,186.8)
MITIGATING ACTIONS TAKEN BY CITY			
Temporary staffing savings	18,034.6	17,891.1	17,653.0
Utility savings (closed facilities)	3,569.1	3,453.5	3,417.8
Recreation - reduced operations	5,030.5	5,200.5	5,370.5
MAT - reduced contribution to RF	463.1	1,463.1	2,463.1
LAC expenses	2,515.3	2,525.3	2,535.3
Other non-salary expenditure impacts (COVID)	1,784.6	1,597.0	1,349.9
Culture - reduced operations	2,218.3	1,883.2	1,548.2
Permanent staffing savings	2,177.6	1,350.3	(2,477.0)
Discretionary savings to help mitigate costs	469.6	465.5	459.4
	36,262.8	35,829.6	32,320.2
BUSINESS AS USUAL VARIANCES			
Base gapping (BAU)	7,655.4	7,655.4	7,655.4
Building permit / Planning application revenues	7,350.0	7,000.0	6,650.0
Insurance costs	(140.0)	(140.0)	(140.0)
Minor salary variances	(848.3)	(748.3)	(548.3)
Reserve entries (offsetting actuals)	(4,342.8)	(4,067.5)	(3,792.3)
Various expenditure / revenue impacts	(370.7)	958.0	(5,577.1)
	9,303.6	10,657.5	4,247.6
NET SURPLUS / (DEFICIT)	**(50,920.1)**	**(58,546.6)**	**(77,619.0)**

PART 1.2: STORMWATER FINANCIAL SUMMARY

Stormwater Operating and Revenue Charge Summary

As of September 30, 2021, the Stormwater operating program will have a favourable variance in the amount of $1.2 million due to lower exemption/credit applications including declines in subsidy applications for the sump pump program. Any surplus at year-end will be transferred to the Stormwater Pipe Reserve Fund.

Further details are provided in Appendix 1-2, Revenue Charge and Operating Details for Stormwater.

PART 2: OPERATING BUDGET RESERVE REQUEST

The accounting principles used by the City require that expenditures for goods and services be recorded when received. At year-end, there are some legally binding obligations for goods and services ordered prior to year-end and that are not received. Appendix 2 of this report details Operating Budget Reserve Requests totalling $396,000. This amount will be added to the next year’s budget.

PART 3: MUNICIPAL ACCOMMODATION TAX

City of Mississauga introduced the Municipal Accommodation Tax (MAT) tax effective April 2018. This tax is collected by accommodation providers (facilities) offering short-term accommodation. The total revenue budget for MAT is $9.8 million for 2021.

In February 2020, a By-law was established to create Tourism Mississauga. 50% of the total net MAT revenue would be remitted to Tourism Mississauga.

As of September 30, 2021, the revenue collected is $3.3 million. The year-end projection for MAT revenue is around $3.5 million or 36% of total budget. Hoteliers have been impacted by the COVID-19 pandemic, monthly MAT revenue collection is increasing but remains below pre-pandemic levels.

PART 4: 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. These funds need to be utilized within council term. As part of this report we are requesting approval for the projects listed in Appendix 3-1. A status update of approved projects by Ward is presented in Appendix 3-2. A status update of all projects requested to date is provided in appendix 3-3.

PART 5: HOUSEKEEPING ITEMS: The LED City Wide Traffic Signal Lens Replacement project (PN #21195), with a gross and net budget of $1.5 million, is currently funded by debt and tax-capital. In order to align with the amended 2021 Capital Debentures issuance schedule, $1 million previously funded by debt should now be funded through the Tax-Capital Reserve Fund.

Conclusion

The COVID-19 pandemic continues to significantly impact City operations in 2021 with a forecasted year-end operating deficit of $58.5 million. The deficit is primarily due to reduced revenues, particularly in the MiWay, Recreation and Regulatory Services service areas. City staff continue to take measures to mitigate the financial impact of COVID-19 where possible.

The projected budget deficit is anticipated to be offset by already announced Provincial and Federal funding through the Safe Restart Agreement and through 2021 COVID-19 Recovery Funding for Municipalities.

As a municipality we anticipate revenues will slowly return to normal; however, we are limited in the ways we can adjust our costs to remain in line with revenues. Many of our services are essential and must continue to be delivered. These projections will be updated as Provincial guidelines continue to respond to pandemic conditions.

Attachments

Appendix 1-1: Operating Forecast Details by Service Area
Appendix 1-2: Revenue Charge and Operating Details for Stormwater
Appendix 2: 2021 Operating Budget Reserve Requests
Appendix 3-1: Requests for Establishment of New Ward-Specific Projects
Appendix 3-2: Approved Ward-Specific Projects
Appendix 3-3: Total Ward-Specific Projects by Councillor

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