City of Mississauga
Corporate Report

MISSISSAUGA

Date: June 12, 2020 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: June 24, 2020

Subject
Update on the Financial Impacts of COVID-19

Recommendation
1. That the report of the Commissioner of Corporate Services and Chief Financial Officer dated June 12, 2020 entitled "Update on the Financial Impacts of COVID-19" be received for information.
2. That staff report at the October 7, 2020 Budget Committee meeting on additional steps the City can take to fund the 2020 deficit.
3. That the 2021 budget deliberations remain as scheduled to begin on November 23, 2020 with approval if appropriate at Council on December 9, 2020.
4. That the Province be requested to eliminate the legislated 5 per cent cap specific in O.Reg 282/98 section 45.1(9) on the GTAA Payment in lieu of taxes.

Report Highlights
- The City of Mississauga is facing significant financial impacts in 2020 as a result of COVID-19. Year end deficit projections currently range from $59 million to $63 million. This deficit is caused by the reduction of revenues, primarily in MiWay and Recreation as well as additional costs.
- Seven Financial Recovery Principles are in place to provide guidance in making financial decisions throughout this emergency: Public Health is the first priority; preserve the long-term strength of the property tax base; comply with legislation; allow other levels of government time to fulfill their mandates; use reserves appropriately to manage financial challenges; deviation from our financial plan should not be permanent; assess approved and future budgets and business plans to reconfirm priorities including service levels.

- City staff have implemented measures to mitigate the financial impact of COVID-19 where possible, including temporary staff layoffs, hiring freeze and cuts to discretionary spending.
- Proactive measures such as deferral of some 2020 capital projects, reduction of payroll costs, and deferral of payments to the Region and School Boards have ensured that the City continues to have positive cash balances.
- Action has been taken to reduce the 2021 projected budget increase from 6.4 per cent to 3.5 percent. Further COVID-19 impacts are expected in 2021 which may result in an additional 5.7 per cent budget increase. Staff are continuing to compile the budget over the summer to offset these cost pressures.
- Staff are using the seven financial principles to assess costs, both in 2020 and 2021 to ensure that appropriate recommendations are made to Council on eliminating the deficit in 2020 and minimizing the potential for tax increase in 2021.
- Council will need to consider limiting service growth in 2021, deferral of master plans and new facilities and infrastructure until the cost of COVID-19 is paid for and the economy improves.
- Staff will report to Budget Committee on October 7th with further efforts to balance the 2020 budget, as well as providing an update on the 2021 Budget. Budget deliberations are expected to commence on November 23, 2020.

Background

This report forms part of a staff commitment to provide updated financial information to Council on a regular basis. This will ensure Council and the Public are aware of the financial challenges the City is facing as a result of COVID-19, and will assist Council in making decisions that may have an impact upon the City's finances and its ongoing ability to maintain services and capital construction.

Financial Principles

On April 8, 2020, Council received a report "Managing the Financial Impact of COVID-19" from the Commissioner of Corporate Services and Chief Financial Officer dated April 6, 2020. The report established six financial planning principles to which an additional principle was added on May 13, 2020 through a report entitled "COVID-19 Recovery Framework" from the then-Commissioner of Community Services and dated May 5, 2020.

The seven financial recovery principles have been commented on in greater detail in a complementary report on this Budget Committee agenda entitled Financial Recovery Plan and won't be reiterated her. They are:

1. Public Health is the first priority
2. Preserve the long-term strength of the property tax base
3. Comply with legislation
4. Allow other levels of Government time to fulfill their mandates
5. Use reserves appropriately to manage financial challenges
6. Deviation from our financial plan should not be permanent
7. Assess approved and future budgets and business plans to reconfirm priorities including service levels

These principles provide guidance to staff in evaluating options for assistance to residents and businesses, make adjustments to 2020 operations to deal with the deficit and evaluate business plans and budget proposals for 2021 and beyond.

Deficit Projected

The April 8, 2020 report provided a financial analysis which projected a $51.9 million deficit at year end if isolation restrictions ended by June 30, 2020 and up to $100 million if the restrictions were to continue for significantly longer. The analysis identified revenue shortfalls in recreation (facility closures), MiWay (centre boarding with resulting inability to collect fares), parking revenues (limited places to drive to), Provincial Offences fines (closure of the courthouse), interest revenue (property tax deferrals, reduced interest rates) and new costs related to the emergency (enhanced cleaning and personal protective equipment (PPE), communication with the public, technology). The City took some initial steps to reduce costs including the layoff of part-time staff and a slowdown in the permanent hiring process. Subsequent to the April 8, 2020 report, the City deferred storm water billings, municipal accommodation tax remittances, final property tax payments, and suspended all fines, penalties and late fees for business licenses and pet licensing. In addition, all events, festivals, permits and bookings at City facilities through to September 7th and the spring session of programs have been cancelled. Grant recipients will retain their 2020 funding.

Strengthening our Liquidity

It was noted in the April 8, 2020 report that the City’s liquidity was strong and that sufficient cash balances were expected through to the end of the year. Action was taken to increase the City’s line of credit with the CIBC from $100 million to $250 million or alternatively to issue Banker’s Acceptances through the CIBC at a preferable rate as a result of a Federal program to add liquidity to the economy. The Province deferred the June 30 and September 30 education property tax due dates by 90 days. Although Regional Council approved the deferral of the Region levy through a new payment schedule, the July 1 payment to the Region was made on June 9 to assist the Region with its liquidity concerns. The City received payments from some taxpayers in April and May notwithstanding the property tax deferral and passed these on to the Region on June 9.

Comments

Forecast Difficulties

The City's financial impacts as a result of COVID-19 are due to the restrictions designed to reduce the transmission of this virus. These restrictions have resulted in closures of City facilities, reductions in transit usage and other revenue losses. As a municipality, we are limited in the ways we can adjust our costs in line with revenues. Most of our services are essential and must be maintained. Staff have been able to take some action including temporary hiring freezes to increase labour gapping, the cutting of discretionary expenses, the deferral of some 2020 capital projects and the resulting deferral of 2020 debt to 2021 issuance.

The economy is opening up and we have been permitted to open some services such as golf and marinas, with many more to come, such as libraries, outdoor splash pads and pools and small social gatherings such as weddings. It is difficult to predict the pace at which the City will be able to return to some degree of normalcy. Consequently, it is hard to project the City's operating position at year end. At date of writing of this report, there has been no announcement from either the Federal or Provincial governments as to assistance for municipalities although both levels of government have indicated they are considering such assistance. We appreciate the gesture by the Federal government to speed up the 2020/21 allocation of the Federal Gas Tax. This is not new money, but will help to maintain positive cash flow throughout the year.

Updated 2020 Financial Analysis

Modelling the impact of COVID-19 on City finances has matured since April 8, 2020. The April 8, 2020 report identified scenarios assuming physical distancing ended at the end of April, May, June, and so on until the end of the year. We now know there is no one date for the end of physical distancing. Ontario has announced its framework for reopening. At date of writing of this report, the Province has authorized Stage 1 reopening across the Province, with Stage 2 in some regions. The GTA region continues to be at Stage 1.

As a result, scenarios have now been developed based on assumptions of when Mississauga indoor facilities will open. In each scenario, it is assumed there would be a staggered return to full services. Table 1 provides estimates assuming Mississauga indoor facilities begin to open at the end of June, the end of September or the end of December. For clarity, the numbers reflect not just the impact to the month indicated, but the full-year impact.

Table 1 identifies the direct impact of COVID-19, such as loss of revenues due to closing of recreation facilities; 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. A discussion on each variance line item is provided below Table 1 (paragraph numbers align with the numbers in the table).

	Table 1. Year-End Projections for COVID-19 Crisis			
	Assume Mississauga indoor facilities open on:	June 30	Sept 30	Dec 31
	By Major Expenditure / Revenue Category	Surplus / (Shortfall)	Surplus / (Shortfall)	Surplus / (Shortfall)
1	MiWay (loss of revenue / reduced costs)	(44,841.4)	(44,220.0)	(43,598.5)
2	Recreation - loss of revenues	(20,731.1)	(28,537.9)	(38,279.3)
3	Various other COVID-related revenue reductions	(7,598.4)	(9,998.1)	(11,415.6)
4	Loss of tax penalty and interest	(5,790.0)	(5,790.0)	(5,790.0)
5	POA - loss of revenue due to reduced operations	(5,390.3)	(5,390.3)	(5,390.3)
6	Parking enforcement losses	(4,956.0)	(5,690.1)	(6,424.3)
7	Lower returns on investments (lower cash / lower interest)	(3,100.0)	(3,100.0)	(3,100.0)
8	Emergency management costs (communication, PPE, etc)	(1,400.0)	(1,850.0)	(2,300.0)
9	Various other COVID-related expenditures	(1,615.0)	(2,816.0)	(4,017.0)
	DIRECT COVID PRESSURES	**(95,422.2)**	**(107,392.3)**	**(120,315.0)**
10	Savings related to temporary staffing reductions	7,295.7	13,483.2	19,716.7
11	Hiring freeze	7,039.2	7,428.8	7,852.2
12	Discretionary expenditure review, including EAB	6,694.8	6,694.8	6,694.8
13	Recreation - program expenditure savings	3,747.0	5,902.4	8,012.6
14	Various other COVID-related expenditures	2,871.9	3,351.8	3,899.5
15	Utility savings (closed facilities)	1,250.3	2,192.2	3,134.1
	MITIGATING ACTIONS	**28,899.0**	**39,053.1**	**49,310.0**
	NET SURPLUS / (DEFICIT) RELATED TO COVID	**(66,523.2)**	**(68,339.2)**	**(71,005.1)**
16	Baseline gapping savings	8,251.1	8,251.1	8,251.1
17	Street-sweeping contract	400.0	400.0	400.0
18	Insurance Renewal (premium increase)	(1,013.7)	(1,013.7)	(1,013.7)
	NET SURPLUS / (DEFICIT) BAU	**7,637.4**	**7,637.4**	**7,637.4**
	NET SURPLUS / (DEFICIT) - 2020 BUDGET	**(58,885.8)**	**(60,701.8)**	**(63,367.6)**

Direct COVID Pressures:

COVID-19 and the Province's measures regarding staying home and physical distancing has had a direct impact on the City's bottom line, primarily through reduced revenues but also through additional costs. The total direct impact of COVID-19 on the City's bottom line ranges from $95.4 million (assuming a June scenario) to $120.3 million (assuming a December scenario). The specific pressures are outlined below.

1. The most significant impact of COVID-19 has been on our transit services. To protect the health of both transit operators and passengers and to implement physical distancing, rear-door only entrance was introduced on March 21, 2020, with the result that fares could not be collected. In addition, ridership has significantly decreased due to work places being closed and so many people working from home, laid off or unemployed. At its meeting on June 10, 2020, Council approved a return to fare collection and front-door boarding, thanks to the implementation of driver compartment bio-barriers. However, ridership is anticipated to be at approximately 25% of normal in July, increasing to about 50% of normal by the end of the year. A shortfall of $52 million in revenues is projected for the year, regardless of scenario, as ridership patterns will depend on many factors including but not limited to how comfortable people are to return to transit, and how quickly the economy and businesses

rebound. COVID-19 has also impacted diesel costs. Diesel savings and adjustments to service levels are anticipated to range from $4.5 million to $5.6 million, resulting in a COVID-19 impact of $45 million on MiWay alone.

2. The second most significant impact of COVID-19 has been on recreation services' loss of revenues. All recreation facilities were closed on March 17, 2020, resulting in significant lost revenues. These revenue losses are very sensitive to when indoor facilities will be allowed to open. Marinas and golf courses have already begun to open. Other facilities and services will follow when Mississauga moves into stage 2. Similar to transit, a full reopening with 100% normal attendance level is not anticipated for some time. Return-to-normal patterns have been analyzed based on each line of service, and it is anticipated that revenue losses will be in the range of $20.7 million (assuming we begin to reopen at the end of June) to $38.3 million (if we do not reopen until the end of December).
3. Various other revenue streams have been impacted in Parks, Culture (including the LAC), Libraries, and Fire, for an estimated impact of $7.6 million (June) to $11.4 million (December).
4. The three-month relief on property tax payments and the setting of penalty and interest charges to zero per cent from July 2 to December 31, 2020 is estimated to reduce property tax penalty revenue by $5.8 million. It is too early to estimate the level of delayed payments subsequent to year end.
5. Fewer Provincial Offences Act (POA) tickets have been issued and, with the closure of courts, some revenues have been deferred. Based on revenues received since the shutdown, the current estimate is that POA revenue will be reduced by $5.4 million. This figure is not impacted by scenario.
6. Parking enforcement has reduced and fewer cars are on the road. The overall reduction in revenue for Parking is estimated to be $5.0 million (June) to $6.4 million (December).
7. The City maintains sound reserve and reserve fund balances, and benefits from investment earnings on its assets. Given the current economic conditions, these investment earnings are projected to be $3.1 million less than budgeted, regardless of scenario.
8. The City's response to the COVID-19 has also placed pressure on the City's budget. These emergency management costs include the increased costs of communication, and costs of personal protective equipment and specialized cleaning that may not have been captured in specific service areas. This amount is estimated to be $1.4 million (June) to $2.3 million (December)
9. COVID-19 has also created pressure in various areas to a lesser degree – including additional cleaning and disinfecting costs and equipment rentals. These costs are anticipated to range from $1.6 million (June) to $4.0 million (December).

Mitigating Actions:

City staff have taken measures to reduce the direct impact of COVID-19 wherever possible. These measures have reduced the COVID-19 impact by $28.9 million (June scenario) to $49.3 million (December scenario), and are outlined below.

10. The decision to lay off temporary staff, and delays in hiring some temporary staff, have generated savings estimated at $7.3 million (June) to $19.7 million (December).
11. The decision to freeze hiring wherever possible, including the hiring of new staff related to 2020-approved new initiatives, has resulted in savings estimated at $7.0 million (June) to $7.8 million (December).
12. Specific budget adjustment decisions have been made where possible. This includes a $2 million reduction in contribution to the Emerald Ash Reserve Fund; $2.5 million in savings through the deferral of debt issuance to 2021; and $2.2 million in cuts in discretionary spending. These changes assist with cash flow and, in the case of the Emerald Ash Program, better aligns revenues with costs.
13. Due to the closure of recreation facilities, staff reviewed all non-salary expenditures and identified expenditure reductions. These savings range from $3.7 million (June) to $8.0 million (December).
14. All service areas have been reviewing potential non-salary savings as a result of closed facilities (e.g. libraries) and cancelled events (e.g., Culture). Total identified savings range from $2.9 million (June) to $3.9 million (December).
15. Utility savings have been realized both due to reduced consumption as a result of closed, or under-used facilities, as well as a deferral in costs provided by utility companies. Savings are estimated to be $1.3 million (June) to $3.1 million (December).

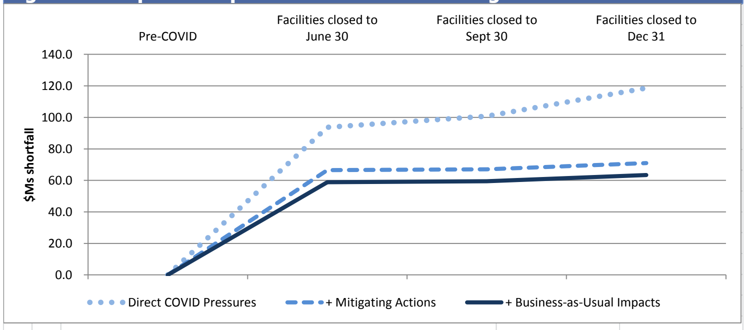
Business as Usual:

In addition to the specific pressures arising from COVID-19 and the mitigating actions taken by staff, the City also realizes variances as a result of regular business each year. These variances have reduced the COVID-19 impact by $7.6 million (regardless of scenario), and are outlined below.

16. At this time, savings arising from vacant positions, in addition to the savings already budgeted for, are estimated to be $8.3 million.
17. The City’s street-sweeping contract has been renewed with savings of $0.4 million.
18. The City has renewed its insurance policies, and a $1.0 million pressure has been identified in this area.

Figure 1 provides a graphical representation of the various impacts outlined above. The top line indicates the impact of direct COVID-19 pressures. Without any mitigating actions taken by the City, the impact would range from $95.4 million (June) to $120.3 million (December).

Figure 1. Graphical Representation of 2020 Budget Pressures



The mitigating actions taken by the City have reduced these pressures to $66.5M (June) to $71.0 million (December). This is depicted by the middle line in Figure 1.

Base budget variances have further reduced this pressure and the City is currently facing a potential deficit of $58.9 million (June) to $63.4 million (December), depicted as the solid bottom line in Figure 1.

Impact on 2021 and Future Years

The COVID-19 crisis is anticipated to impact the City's budget for several years to come. Table 2 outlines the anticipated impacts over the next 3 years.

Table 2. COVID-19 Impact on Future Years ($000s)

	2021 Pressures	2022 Pressures	2023 Pressures
By Major Expenditure / Revenue Category	**Surplus / (Shortfall)**	**Surplus / (Shortfall)**	**Surplus / (Shortfall)**
COVID-related residual gapping	3,519.6	0.0	0.0
Transit revenues - ramping back to normal	(29,186.5)	(14,593.3)	0.0
Recreation (revenue loss net of expenditure savings)	(1,232.1)	0.0	0.0
Utility impact	(1,400.0)	0.0	0.0
Investment income - potential loss	(2,000.0)	(1,000.0)	0.0
Impact on GTAA PILT revenue	0.0	(18,428.8)	(17,814.5)
Annualized impact	**(30,299.0)**	**(34,022.0)**	**(17,814.5)**
Incremental (year-over-year) increase		(3,723.0)	16,207.6

The total anticipated impact on the 2021 budget is a pressure of $30.3 million:

- The hiring freeze implemented in 2020 is anticipated to result in residual gapping in 2021, due to the time required to return to normal staffing levels.
- Transit revenues are anticipated to still be at approximately 75% of normal by December 2021, and 85% of normal in 2022. Full transit ridership is anticipated to return by 2023.
- It is also assumed recreation service utilization will not return to normal by January 2021. The residual impact on recreation services is estimated to be $1.2 million (anticipating lost revenues of $5.8 million offset by expenditure savings of $4.5 million).

- Some of the 2020 utility savings are deferred costs only, and will be a pressure of $1.4 million in 2021.
- Finally, it is anticipated the economy may not fully rebound until 2023, and this will continue to result in less interest on our investments in the face of lower interest rates.

Many of these costs will reduce in 2022 but a new budget pressure resulting from loss in payment in lieu of taxes (PILT) from the Greater Toronto Airport Authority (GTAA). The GTAA PILT is based on passenger count from two years earlier (e.g., 2022 PILT revenue is based on 2020 passenger count). It is unknown how much the 2020 passenger count will be reduced. Passenger count has decreased drastically due to the closure of the border and the restrictions placed on air travel. In April, global passenger capacity was down 90%. Assuming a drop of 60% passenger count for the year, an $18 million reduction in PILTs is projected for 2022. Provincial legislation caps increases at only 5 per cent. As a result, while the full decrease in air travel will be felt by the City in the 2022 PILT, the PILT can only increase by 5 per cent in future years. It will be many years before the PILT returns to 2021 levels, unless the Provincial legislation is changed. The recovery of transit and recreation revenues in 2022 will somewhat offset the PILT pressure, resulting in an incremental pressure on the budget in 2022 due to the COVID-19 crisis of $3.7 million.

By 2023 we anticipate business as usual in all areas. PILTs will still be lower than pre-COVID levels, but all other lines of business are anticipated to return to normal. As a result, budget pressures are anticipated to decrease by $16.2 million in 2023.

Update on Reserves and Reserve Funds

Since Council was provided with year-end balances and a summary of the purpose of Reserves and Reserve Funds (R&RFs) on April 8, 2020, no annual report was subsequently provided to Council, as is normally the case.

R&RFs are established by Council to assist with long-term financial stability and financial planning in the City. R&RFs assist the City in managing unexpected in-year fluctuations. While some Reserve Funds are earmarked for specific purposes, others are in place to assist in times of unexpected events. Staff are closely monitoring Council established reserves as one of the tools to mitigate the 2020 deficit and will report to Council in the future.

The following table summarizes the balances in the Reserve and Reserve Funds at May 31, 2020.

Table 3. City of Mississauga Reserves & Reserve Funds ($000s)

Category	Reserves & Reserve Funds	31-May-20	
Stabilization Reserves	Arts	1,769	
	Building Permit	18,182	*
	Elections	2,981	
	Fiscal Stability	53,091	*
	Winter Maintenance	11,257	*
	Stormwater (accrual management)	5,442	
Other Reserves Established by Council	Tax Reserve Funds	219,469	
	Operating Reserve Funds	83,823	
	Stormwater Reserve Funds	45,371	
Statutory Reserves	DC & Other Development-Related Funds	211,280	
	Gas Tax and Transit Reserve Funds	77,879	
	Stormwater Development Charge Reserve Funds	32,397	
	Other Reserve Funds	21,175	

** stabilization reserves assisting with in-year pressures*

Liquidity Update

The City continues to have positive cash balances through proactive measures taken such as deferral of some 2020 capital projects, deferral of payments to the Region and School Boards and a reduction in payroll costs. These have helped to offset cash flow restraints through the property tax and storm water charge deferrals, reduced municipal accommodation tax and reduction in other revenue receipts. Staff have deferred issue of the 2020 debenture to 2021 due to the deferral of some 2020 capital projects. If necessary the City will sell some financial investments or access the line of credit with CIBC. This will result in reduced interest costs and debt repayment. The earlier receipt of Federal Gas Tax will also improve liquidity.

Development Charges and Cash in Lieu Revenues

Planned development appears to be continuing across the City. It is expected that the budget will be met in 2020 for these revenue sources. However, a review of results after the 2008 recession show a lag of 18 months between the onset of the recession and the reduction in building projects. It is too early to gauge if this will occur again in late 2021 and 2022. Staff continue to monitor development trends.

2021 Budget

When staff reported during 2020 budget deliberations, the 2021 budget increase was projected to be 6.4 per cent or a 2.3 per cent increase on the City's portion of the overall residential tax bill. As staff worked on the budget in the earlier part of the year, costs and revenues become better known. This year additional scrutiny was placed on the need for new and expanded services given the financial impacts being experienced by the City, its residents and businesses, which resulted in a minimal increase for new services. Both the Public Safety Fire Program and the Emerald Ash Borer Program were reviewed. The Public Safety Fire Program tax levy can be foregone in 2021 with adjustments in 2023 and 2024 instead. The Emerald Ash Borer levy will be reduced by $1 million in 2021 to 2023. This has reduced the forecast budget increase to 3.5 per cent or 1.25 per cent on the City's portion of the residential tax bill. Staff are continuing to work on the budget throughout the summer to make further reductions.

Additional costs of $30.3 million related to COVID-19 are projected in 2021 on top of the 3.5 per cent increase. This represents a further 5.7 per cent increase or 2 per cent on the total residential tax bill; in total a possible 3.24 per cent increase on the City's portion of the total residential tax bill. This is predominantly a loss in transit revenue, plus a net loss in recreation programming, loss of interest income and increase in utility costs. A better estimate will be available in the fall as the impact of reopening Mississauga is better understood.

Closing the 2020 Deficit and Future Years' Budget Gaps

There are many unknowns including when City facilities and services will reopen and what financial assistance will be provided by senior levels of government to the City. This makes it difficult to determine the magnitude of the 2020 deficit gap. Public acceptance of the reopening measures is difficult to assess. Take up of City programs and use of public transit are not known although assumptions were made in preparing the financial analyses for 2020 and future years.

The City cannot budget for a deficit. The City can run a deficit, but such deficit must either be made up through revenue increases, cost reductions or transfers from reserves in the current year, or funded in the subsequent year through a tax increase. A $60 million deficit would require a tax increase of approximately 11 per cent. Staff expect that a combination of actions will reduce the need for a tax increase.

As noted earlier, the impact on the 2021 budget and future years could result in a tax increase independent of any tax increase resulting from inflation, service level changes and the infrastructure levy. An increase of approximately 5.7 per cent related to COVID-19 has been projected. Staff will be working through these budget issues throughout the summer.

It is proposed that staff report to the October 7th Budget Committee on additional steps the City can take to balance the 2020 budget. Committee will also be provided with an update on the 2021 budget at that time. The financial recovery principles listed at the beginning of this report will form the basis on which recommendations to Committee can be built. However, Council will need to consider limiting service growth in 2021, deferral of master plans and new facilities and infrastructure until the cost of COVID-19 is paid for and the economy improves.

Budget Schedule

Staff propose that the 2020 Budget deliberations remain scheduled for November 23, 24, 30, December 1 and 2 with budget approval by Council on December 9, 2020 if appropriate. This would allow the City Budget to proceed ahead of the Region of Peel budget where deliberations commence on December 10, 2020 with anticipated Council approval on February 18, 2021. A federal economic statement has been announced for July.

Financial Impact

COVID-19 is having a wide ranging and negative impact on the City's 2020 financial position. Loss of revenue and increased costs are creating a negative variance to budget of between $95.4 and $120.3 million. These are offset by cost reduction efforts such as staff layoffs, temporary hiring freeze, reductions in discretionary costs, deferral of capital projects and deferral of debenture issue until 2021. With these positive adjustments the overall deficit by year end is expected to be between $58.9 and $63.4 million.

The City's cash position is strong and not at risk. While programs introduced by Council to reduce the impact on our taxpayers, residents and businesses have deferred cash flow, the deferral of Regional and Education property tax payments and early receipt of the Federal Gas Tax have helped to maintain a strong cash position.

Staff are using the seven financial principles to assess costs, both in 2020 and 2021 to ensure that appropriate recommendations are made to Council on eliminating the deficit in 2020 and minimizing the potential for tax increase in 2021. However, reduced revenues and costs in 2021 will put a 5.7 per cent pressure on the budget. While many of these costs will reduce in 2022 resulting in a negative pressure, there will be a new $18 million pressure caused by the reduction in GTAA PILT which will be based upon 2020 passenger count, which has been dramatically affected by the closure of the border and the need to maintain physical distancing.

Conclusion

Since staff provided an update on the City's financial position to Council on April 8, 2020, more has been learned about the impact of COVID-19 on the City's finances. Additionally the Province has provided a roadmap as to how the City and Province will reopen for business. Nonetheless, various assumptions have been made to create a year-end forecast on the impact of COVID-19 on the City's financial position. A deficit is projected to be approximately $60 million by year end. The deficit is caused by the reduction of revenues, primarily in MiWay and Recreation. Staff have taken action to reduce the impact of the revenue loss through staff layoffs, a temporary hiring freeze, deferral of capital projects and reduction of discretionary expenses. Staff will return to Budget Committee on October 7, 2020 to provide an update on measures to offset the deficit. Budget deliberations later in the year will determine how ongoing financial challenges will be dealt with in 2021 and into 2022.

Attachments

Appendix 1: Breakdown of Financial Impact of COVID-19 by Service Area

G. Kent.

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

Prepared by: Jeffrey J. Jackson, MBA, CPA, CA, Director of Finance and Treasurer