

Financial Recovery Pillar, 2020 Financial Update & Preliminary 2021 Operating Budget

Presentation to Budget Committee
June 24, 2020

Presentation Outline

COVID-19 Pandemic

- Financial Recovery Pillar
- Financial Projections
- Offsetting the 2020 Operating Deficit
- Liquidity Update

2021 Budget

- Economic Outlook
- Forecasted Budget Summary
- Operating and Capital Impacts
- Budget Timelines
- Budget Engagement

COVID-19: Financial Recovery Pillar

Financial Conversation #3

COVID-19 Pandemic

COVID-19 Recovery Framework

Fundamental Principles

Protect the Health and Safety of the Public and Employees

Phased Approach

Mental Wellness & Psychosocial Support

Building Back Better

Whole Community Approach

Pillars of Recovery

Community

Economic

Financial

Corporate

COVID-19 Pandemic

Council Actions Taken to Support Residents and Businesses

- Deferred tax and stormwater payment due dates by 90 days
- Deferred the water and wastewater rate increase by 90 days
- Suspended parking enforcement
- Deferred rent payments for tenants in City-owned facilities
- Deferred collection of the Municipal Accommodation Tax
- Temporarily suspended fines, penalties and late fees
- Temporarily suspended payment on MiWay buses (resuming July 2nd)
- Confirmed retention of Culture and Community grant funding for 2020
- Created a COVID-19 Business Relief Portal

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Financial Recovery Principles

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

COVID-19 Pandemic Financial Projections (\$M)

Assume Mississauga Indoor Facilities Open On:	Jun. 30	Sept. 30	Dec. 31
By Major Expenditure/Revenue Category	Surplus/ (Shortfall)	Surplus/ (Shortfall)	Surplus/ (Shortfall)
MiWay - loss of revenue/reduced costs	(44.8)	(44.2)	(43.6)
Recreation - loss of revenue	(20.7)	(28.5)	(38.3)
Various other COVID-related revenue reductions	(7.6)	(10.0)	(11.5)
Loss of tax penalty and interest	(5.8)	(5.8)	(5.8)
Provincial Offences Act - loss of revenue due to reduced operations	(5.4)	(5.4)	(5.4)
Parking enforcement losses	(5.0)	(5.7)	(6.4)
Lower returns on investments (lower cash/lower interest)	(3.1)	(3.1)	(3.1)
Emergency management costs (communications, PPE, etc.)	(1.4)	(1.9)	(2.3)
Various other COVID-related expenditures	(1.6)	(2.8)	(4.0)
DIRECT COVID PRESSURES	(95.4)	(107.4)	(120.4)

COVID-19 Pandemic

Offsetting the 2020 Operating Deficit(\$M)

Assume Mississauga Indoor Facilities Open On:	Jun. 30	Sept. 30	Dec. 31
By Major Expenditure/Revenue Category	Surplus/ (Shortfall)	Surplus/ (Shortfall)	Surplus/ (Shortfall)
Savings related to temporary staffing reductions	7.3	13.5	19.7
Hiring freeze	7.0	7.4	7.9
Discretionary expenditure review, including Emerald Ash Borer	6.7	6.7	6.7
Recreation - program expenditure savings	3.7	5.9	8.0
Various other COVID-related expenditures	2.9	3.4	3.9
Utility savings (closed facilities)	1.3	2.2	3.1
MITIGATING ACTIONS	28.9	39.1	49.3

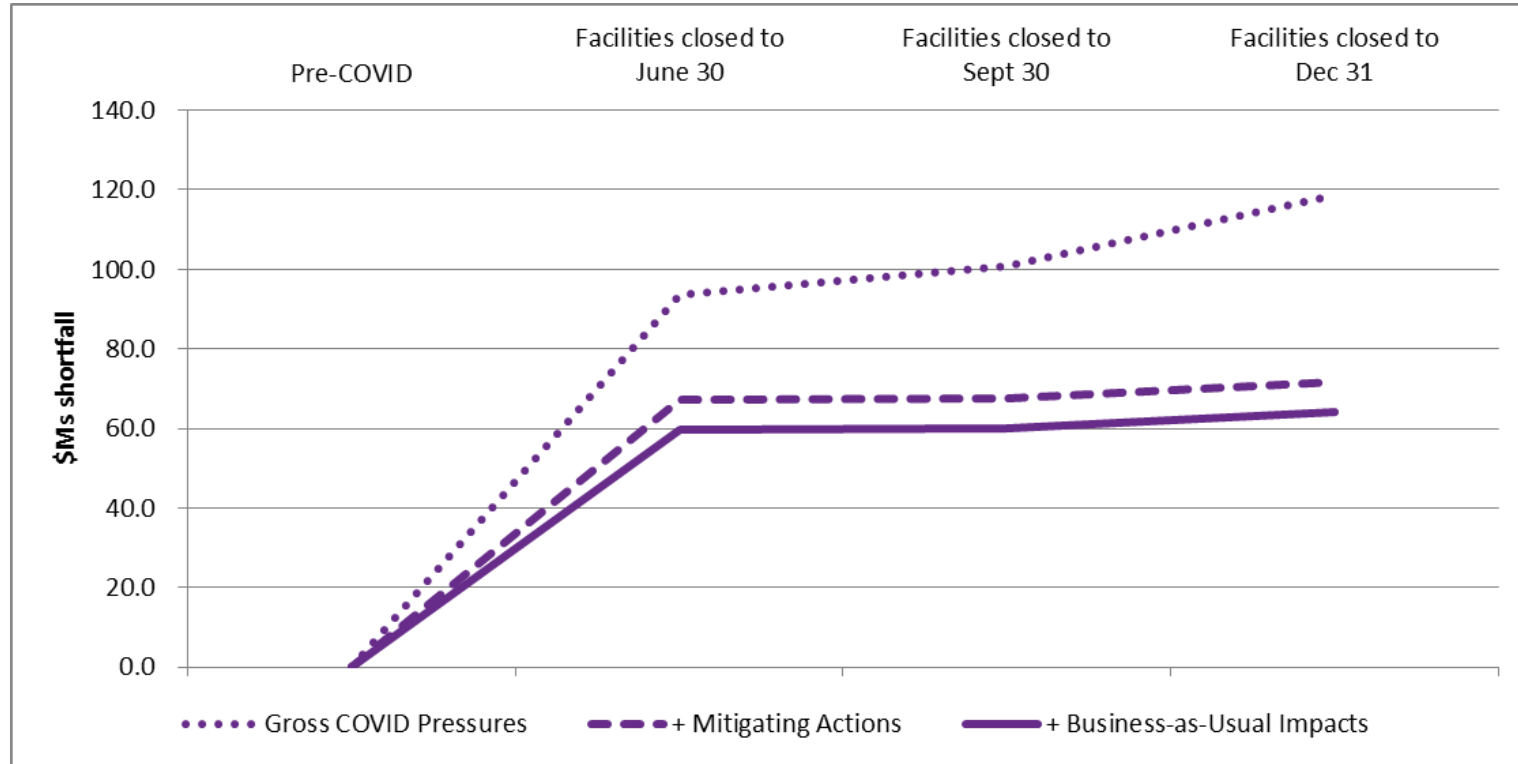
COVID-19 Pandemic

Projected Deficit (\$M)

Assume Mississauga Indoor Facilities Open On:	Jun. 30	Sept. 30	Dec. 31
By Major Expenditure/Revenue Category	Surplus/ (Shortfall)	Surplus/ (Shortfall)	Surplus/ (Shortfall)
Baseline gapping savings	8.3	8.3	8.3
Street-sweeping contract	0.4	0.4	0.4
Insurance Renewal (premium increase)	(1.0)	(1.0)	(1.0)
BUSINESS-AS-USUAL CHANGES	7.6	7.6	7.6
DIRECT COVID PRESSURES	(95.4)	(107.4)	(120.4)
MITIGATING ACTIONS	28.9	39.1	49.3
NET SURPLUS/(DEFICIT) - 2020 BUDGET	(58.9)	(60.7)	(63.4)

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Financial Projections – Mitigating Actions



COVID-19 Pandemic

Echo Impact on Future Years 2021- 2023 (\$M)

	2021 Pressures	2022 Pressures	2023 Pressures
By Major Expenditure / Revenue Category	Surplus / (Shortfall)	Surplus / (Shortfall)	Surplus / (Shortfall)
COVID-related residual gapping	3.5	0.0	0.0
Transit revenues - ramping back to normal	(29.2)	(14.6)	0.0
Recreation (revenue loss net of expenditure savings)	(1.2)	0.0	0.0
Utility impact	(1.4)	0.0	0.0
Investment income - potential loss	(2.0)	(1.0)	0.0
Impact on GTAA PILT revenue	0.0	(18.4)	(17.8)
Annualized impact	(30.3)	(34.0)	(17.8)
Incremental (year-over-year) increase		(3.7)	(16.2)

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Financial Recovery Actions

- Return to normal fee schedule and collection as soon as feasible
- No material financial investment in master plan advancement in 2021
- No new material service level changes in 2021
- Reduce discretionary spending
- Critical assessment of capital expenditures
- Use of reserves
- Continued collaboration with other municipalities to seek assistance from higher levels of Government
- Increase Taxes and User Fees
- Aggressive, timely monitoring of financial position
- Explore and recommend options to fund the deficit years

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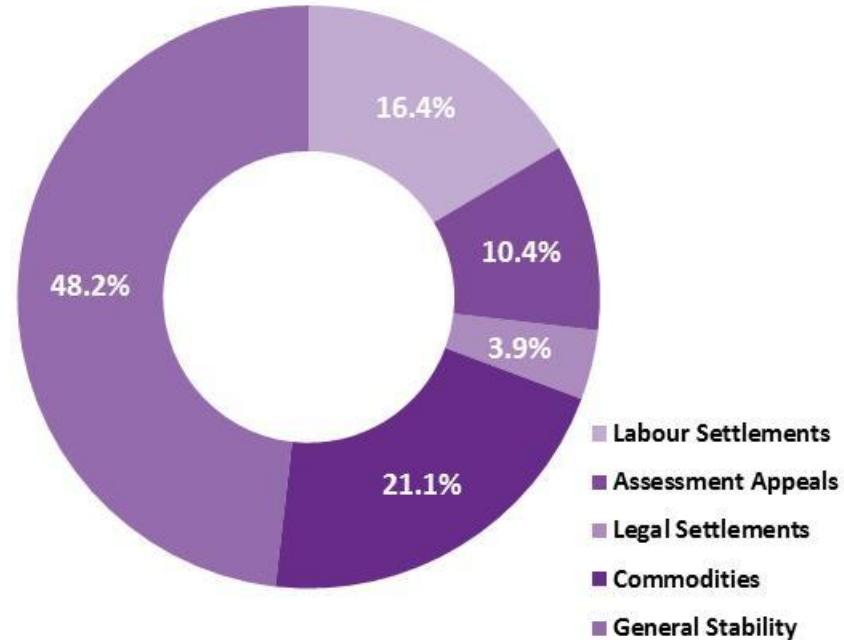
Update on Reserve and Reserve Funds (\$M)

Category	Reserves & Reserve Funds	Balance May 31 2020
Stabilization Reserves	Arts	1.8
	Building Permit*	18.2
	Elections	3.0
	Fiscal Stability*	53.1
	Winter Maintenance*	11.3
	Stormwater (Accrual Management)	5.4
Other Reserves Established by Council	Tax Reserve Funds	219.5
	Operating Reserve Funds	83.8
	Stormwater Reserve Funds	45.4
Statutory Reserves	DC & Other Development-related Funds	211.3
	Gas Tax and Transit Reserve Funds	77.9
	Stormwater Development Charge Reserve Funds	32.4
	Other Reserve Funds	21.2

*stabilization reserves assisting with in-year pressures

COVID-19 Pandemic Fiscal Stability Reserve

Fiscal Stability Reserve	Balance May 31/20 \$000s
Labour Settlements	8,730
Assessment Appeals	5,513
Legal Settlements	2,046
Commodities	11,226
General Stability	25,576



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Strengthening Our Liquidity

- Projected sufficient cash balances to the end of the year
- Negotiated increased Line of Credit from \$100M to \$250M with CIBC
- Deferral of levy payments to the Region and education tax remittances to the School Boards
- Deferral of some capital projects and the issue of the 2020 debenture
- Federal Government accelerated 2020/21 allocation of the Federal Gas Tax

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Other Risks

Financial Risks	Fundamental Shift in Urban Life?
Development Charges	Transit Ridership
Municipal Accommodation Tax	Post Secondary Education Impacts
Cash-in-Lieu	Housing Demand
GTAA PILT	Working from Home
Alectra Dividend	Social Inclusion
Delay Claims	
Bill 108	
Regression of Tax Base	

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Options to Fund the Deficit Years

The solution will be a combination of:

- Assistance from the Federal and Provincial Governments
- Depletion of reserves necessary to maintain a healthy fiscal corporation
- Service Level adjustments
- Future Property Tax Increases
- Increased user fees
- Continued innovation

COVID-19 Pandemic

Assistance Required from Federal & Provincial Governments

- Operating grant to help municipalities fund COVID-19 financial impacts
- Acceleration of ICIP project application approvals
- Establish a new infrastructure stimulus fund by increasing the gas tax
- Elimination of PILT 5 % cap

Mississauga. Strong. Ready.

4.2



2021 Budget

Economic Outlook

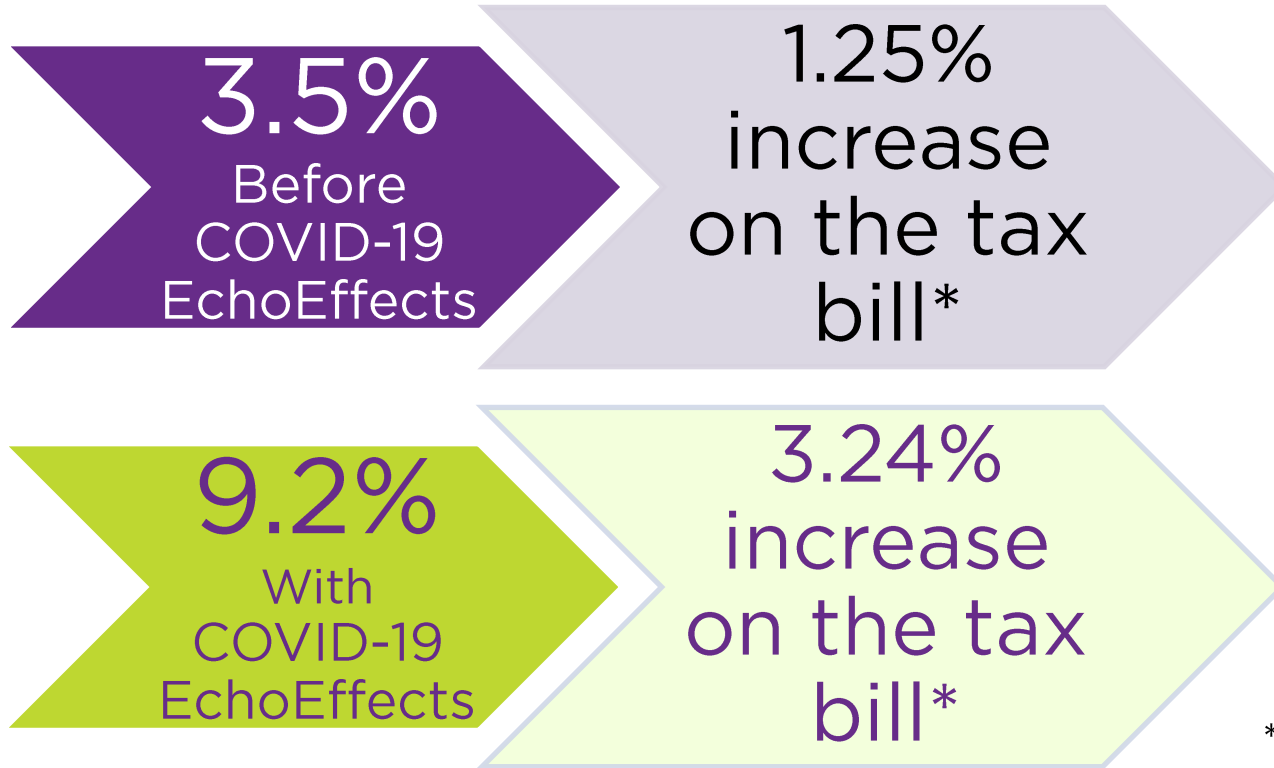
- Deficits estimated at \$900 billion federally and \$41 billion provincially
- Unemployment Rate: Canada 13.0%, Ontario 11.3%
- Mississauga 2020 10-year borrowing rates are expected to average between 1.75% and 2.10%
 - Pre-pandemic: Mississauga 2020 borrowing rates were expected to average between 2.25% and 2.75%

Consumer Price Index, Including Energy				Consumer Price Index, Excluding Energy			
Period	Canada	Ontario	Toronto	Period	Canada	Ontario	Toronto
YTD	1.3%	1.2%	0.8%	YTD	1.9%	1.6%	N/A
Jan.	2.4%	2.1%	1.6%	Jan.	2.0%	1.6%	N/A
Feb.	2.2%	2.0%	1.4%	Feb.	2.0%	1.6%	N/A
Mar.	0.9%	0.7%	0.4%	Mar.	1.7%	1.5%	N/A
Apr.	(0.2%)	(0.1%)	0.0%	Apr.	1.6%	1.6%	N/A

Forecasted 2021 Operating Budget

Normal Operations	1.9%
New Initiatives	(0.0)%
Public Safety Fire Reserve Contrib. Infrastructure Levy	0.0% 2.0%
Assessment Growth	(0.4%)
Forecasted 2021 Budget Impact Before COVID-19 Echo	3.5%
Estimated COVID-19 Echo Effects	5.7%
Total Forecasted 2021 Budget Impact After COVID-19 Echo	9.2%

Forecasted 2021 Budget Summary



*City's portion of residential bill

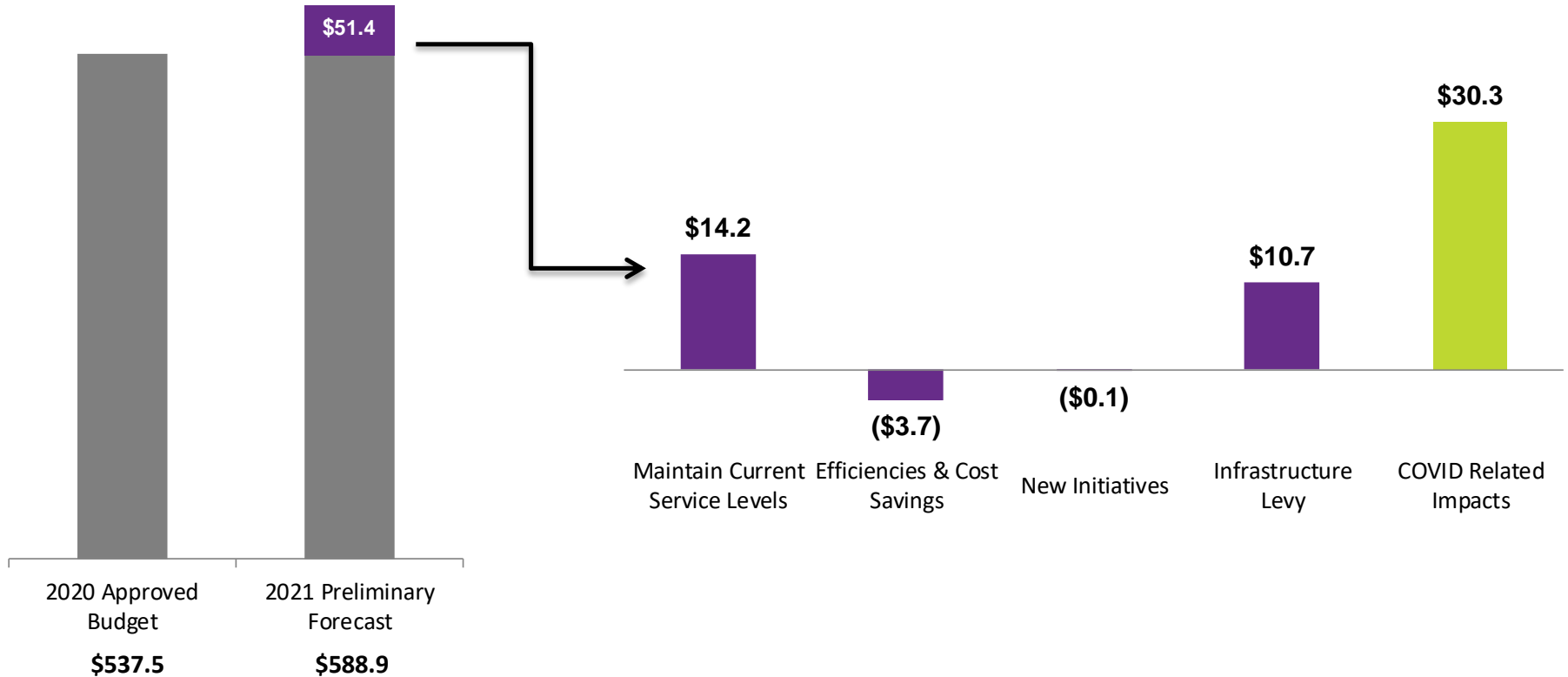
Ongoing Uncertainties

Municipal budgeting challenges on top of COVID-19

- Infrastructure gap for state of good repair
- Aging infrastructure
- City Building pressures
- Bill 108 and its impact on DC and CIL funding
- General economy, pace of development and impact on DC revenues
- Potential for Provincial downloading

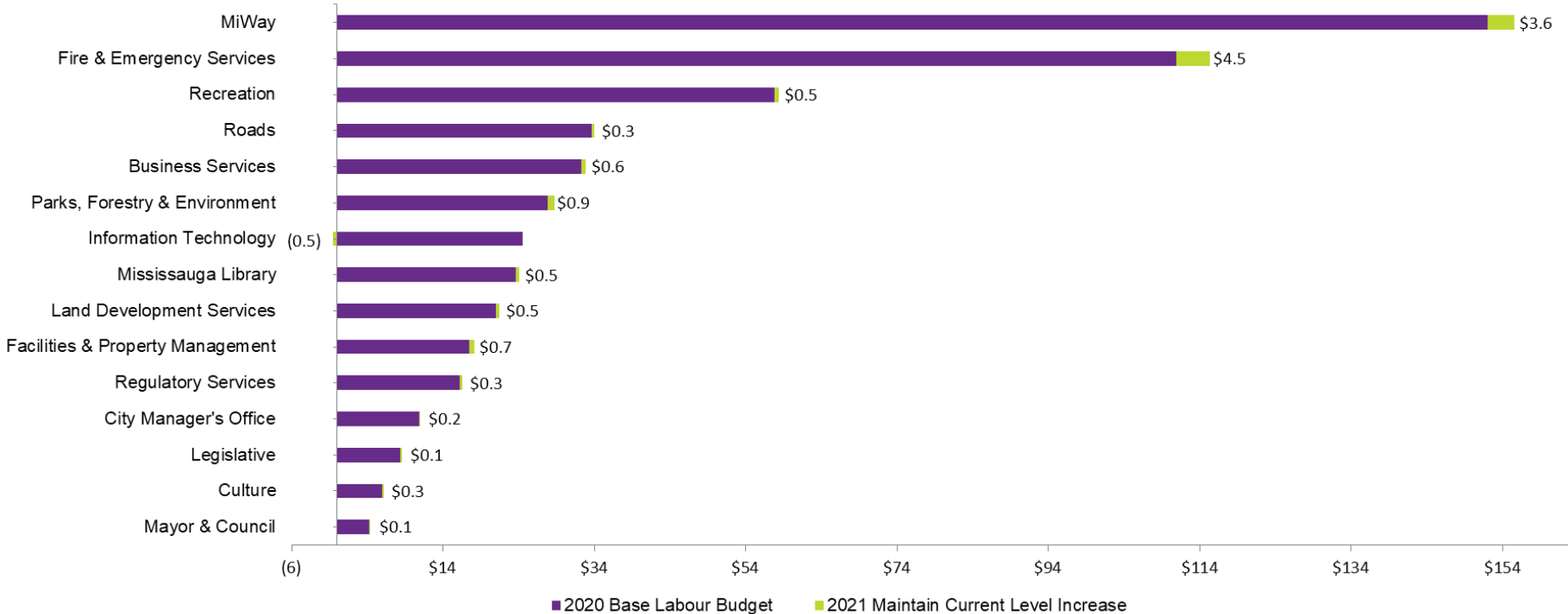
2021 Preliminary Operating Budget

Forecast **\$21.1M** + **\$30.3M** = **\$51.4M**



2021 Normal Operations

Labour & Benefits \$12.5M



4 Year Operating Budget Impact – Preliminary Forecast

4.2

	2021	2022	2023	2024
Budget Impact before COVID	3.5%	6.5%	5.4%	5.2%
COVID Echo Effects	5.7%	(2.5%)	(2.5%)	-
GTAA PILT		3.1%	(0.1%)	(0.1%)
TOTAL	9.2%	7.1%	2.8%	5.1%

Scenario B	2021	2022	2023	2024
GTAA PILT (no ceiling)		3.1%	(1.5%)	(1.6%)
TOTAL	9.2%	7.1%	1.4%	3.6%

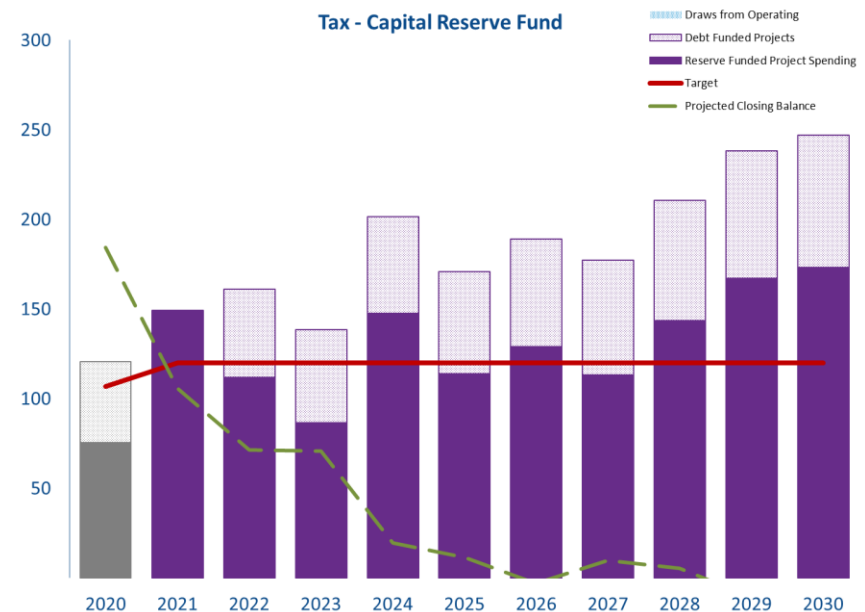
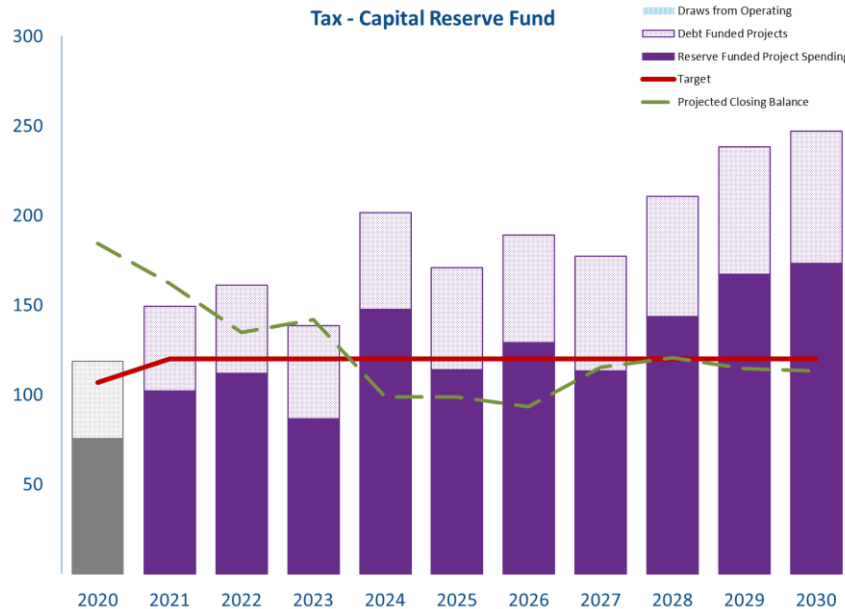
Maintaining the Capital Infrastructure & Debt Repayment Levy

- Keeps our foundation strong
- Affords the opportunity to balance infrastructure improvement, replacement and affordability
- Ensures Tax Capital Reserve Fund at or about target
- Investment in infrastructure makes Mississauga a great place to live

Impact of One Year Loss of Capital Infrastructure & Debt Repayment Levy 4.2

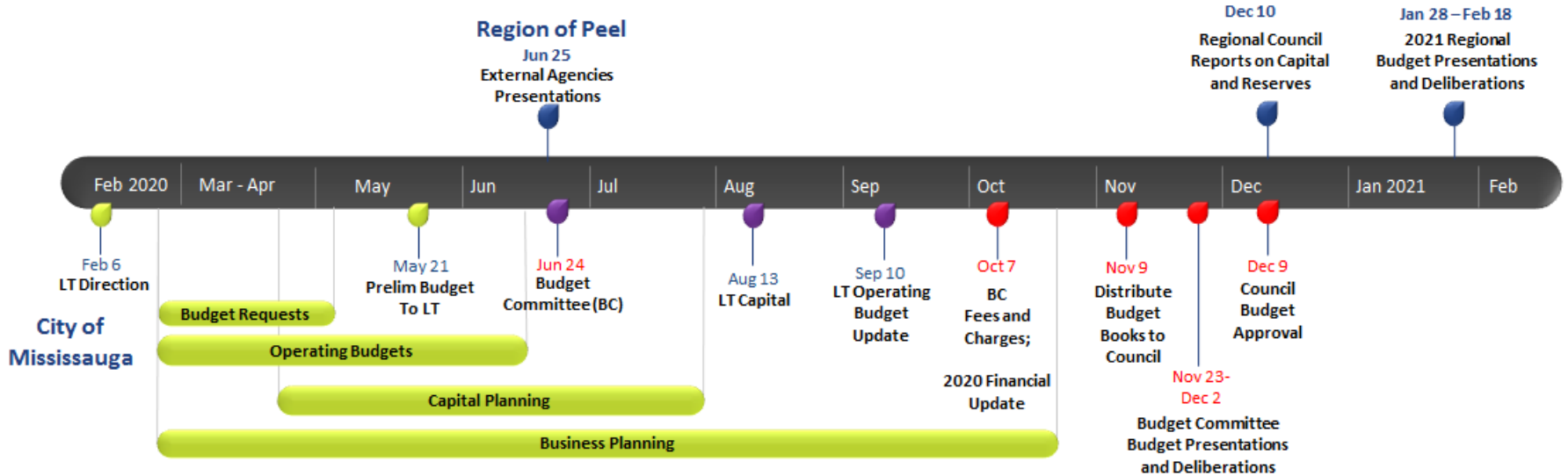
With 2.0% Levy

Without 2.0% Levy

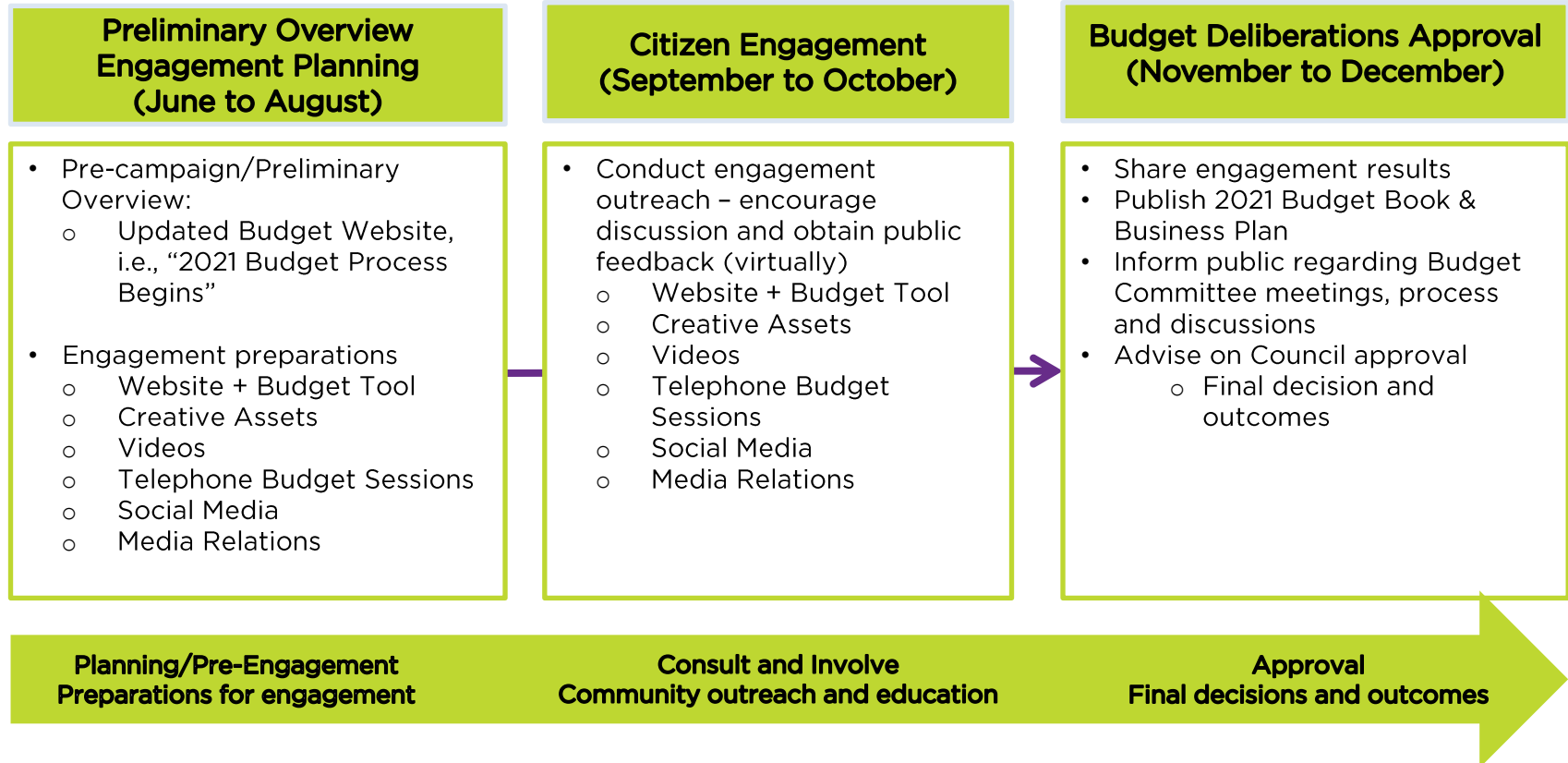


- Foregoing the levy contribution for one year makes the existing capital program unaffordable (\$90M cumulative loss compared to current plan).

2021 Budget Timelines



2021 Budget Engagement



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Thank you