

City of Mississauga

# Corporate Report



<p>Date: November 23, 2022</p> <p>To: Mayor and Members of Council</p> <p>From: Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer</p>	<p>Originator's files:</p> <hr/> <p>Meeting date: December 7, 2022</p>
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## Subject

**Financial Report as at September 30, 2022**

## Recommendation

1. That the report entitled, "Financial Report as at September 30, 2022" dated November 23, 2022, from the Commissioner of Corporate Services and Chief Financial Officer be approved.
2. That the Treasurer be authorized to fund and close capital projects as identified in this report;
3. That up to \$348,995 of operating budget reserve requests, as outlined in Appendix 1-4, be approved for transfer to the Fiscal Stability Reserve (#30125);
4. That any 2022 year-end Stormwater operating program surplus be transferred to the Stormwater Pipe Reserve Fund (#35993)
5. That PN 21641-Rogers Public Art Contribution (CMCL010551) be established with a gross and net budget of \$500,000, funded from the Developer Contribution Public Arts Reserve Fund (#37514)
6. That PN 22365 – Ward 3 Park Improvements (CMPF010547) be established with a gross and net budget of \$1,346,000 funded from the S. 37 Bonus Zoning Reserve Fund (#B35220);
7. That \$900,000 be transferred from the Capital Reserve Fund (#33121) to the Tax-funded Planning and Studies Reserve Fund (#33122);
8. That \$111,000 be transferred from the Fiscal Stability Reserve (#30125) to the Stormwater Capital Reserve Fund (#35992);
9. That \$2,760,000 be transferred from the DCA-Roads Reserve Fund (#31335) to the Cash in Lieu of Parkland Reserve Fund (#32121);
10. That \$2,425,870 be transferred from the Contribution – Capital and Maintenance Reserve Fund (#35201) to the Capital Reserve Fund (#33121)
11. That \$2,578,859.15 be transferred from the Contribution – Paramount Loan Receivable Reserve Fund (#35218) to the Capital Reserve Fund (#33121);
12. That the Contribution – Paramount Loan Receivable Reserve Fund (#35218) be closed.

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13. That a new Reserve Fund entitled “LTD- ASO Taxable” (#36126) be created for the implementation of a new Long Term Disability administrative process;
14. That a new Reserve Fund entitled “LTD- ASO Non-Taxable” (#36127) be created for the implementation of a new Long Term Disability administrative process;
15. That the necessary by-laws be enacted;

## Executive Summary

- As of September 30, 2022, the City is forecasting an operating deficit of \$52.5 million. To offset the anticipated deficit at year-end, funding of \$35.8 million from the Safe Restart and COVID-19 Recovery Funding for Municipalities reserve funds will be applied. The remaining \$16.7 million will be funded from the Fiscal Stability Reserve or other reserves.
- Adjustments to the City’s capital program have resulted in a revised net capital program of \$1.81 billion to fund 1,067 active projects. 122 projects are recommended to close, with \$2.9 million being returned to various reserves and reserve funds.
- The Stormwater operating program is forecasting a year-end favourable variance of \$2.3 million, due to lower exemption and credit applications in the year. Any year-end surpluses will be transferred to the Stormwater Pipe reserve fund.
- Adjustments to the Stormwater capital program have resulted in a revised net capital program of \$181.3 million with 112 active projects. Ten projects are recommended to close, with \$1.4 million being returned to reserve funds.

## Background

The City’s Operating and Capital Budget Policies require Finance to provide an update on the City’s financial position twice per year. This report provides an update on projected year-end operating variances, and the status of capital projects.

## Comments

### Year-End Operating Budget Forecast, as at September 30, 2022

The City continues to recover from the financial impacts of COVID-19, facing an unfavourable operating budget variance for the remainder of 2022 primarily driven by reductions in revenues related to Payments in Lieu of Taxes from the Greater Toronto Airport Authority, Transit Fares and Recreation revenue losses. Although there are a number of signs that demand for City services has increased in the third quarter of the year, these increases will not be able to offset the losses incurred during the year. Table 1 summarizes the year-end operating variance by Service Area.

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Table 1. Operating Budget - Year end Forecast (\$Millions)

Service Area (\$ Millions)	Net Budget	Year End Forecast	Year End Variance	
			\$ Surplus/ (Deficit)	% of Budget
Corporate Transactions	65.7	87.0	(21.3)	(32.4%)
Transit	89.9	107.7	(17.8)	(19.8%)
Recreation	28.3	33.3	(5.0)	(17.5%)
Roads	68.7	72.1	(3.4)	(5.0%)
Regulatory Services	0.8	3.6	(2.8)	(356.2%)
Parks, Forestry & Environment	38.5	40.8	(2.3)	(6.0%)
Fire & Emergency Services	131.0	133.1	(2.1)	(1.6%)
Culture	5.1	6.0	(0.9)	(17.5%)
Mayor & Members of Council	5.1	5.1	0.0	0.0%
Planning & Building	11.2	10.8	0.4	3.2%
Facilities & Property Management	24.6	24.1	0.4	1.8%
Information Technology	33.2	32.8	0.5	1.4%
General Government	51.4	50.7	0.7	1.4%
Mississauga Library	29.9	28.8	1.1	3.6%
<b>City</b>	<b>583.4</b>	<b>635.9</b>	<b>(52.5)</b>	<b>(9.0%)</b>

Note: Numbers may not add due to rounding.

Additional information on operating variance details are outlined in Appendix 1-1.

The City has taken a number of measures since the beginning of the pandemic to reduce the impacts of these revenue losses on the City's financial position. Reductions in temporary staffing, reduced operations in Recreation and Culture, and other discretionary savings have reduced the impacts of the deficit by \$23.4 million in 2022.

Table 2 outlines a summary of the City's year-end operating budget forecast with the impacts of direct COVID-19 variances, the mitigating measures taken by the City to reduce the impact on revenue losses, and the other business as usual change details that have contributed to the \$52.5 million deficit.

**Table 2. Variance by Driver (\$Millions)**

<b>DRIVER (\$Millions)</b>	<b>Year End Variance</b>
<b>DIRECT COVID IMPACT</b>	
Transit Operations	(17.8)
GTAA PILT Revenue	(21.3)
Recreation - revenue loss	(17.7)
Culture - revenue loss	(2.6)
Administration Penalty (APS) Fees	(2.9)
POA-related revenues	(3.1)
PPE, Cleaning, Social Distancing costs	(1.4)
MAT - loss of revenues	(1.0)
Enforcement - licensing revenue shortfalls	(0.3)
Reduced parking revenues / bylaw fines	(0.9)
TNC licensing fees	(0.3)
Library - revenues	(0.4)
Other various impacts	(0.5)
	(70.0)
<b>MITIGATING ACTIONS TAKEN BY CITY</b>	
Temporary staffing savings	4.7
Utility savings (closed facilities)	(1.2)
Recreation - reduced operations	4.9
MAT - reduced contribution to RF	1.0
Other non-salary expenditure impacts (COVID)	1.7
Culture - reduced operations	1.0
Permanent staffing savings	10.7
Discretionary savings to help mitigate costs	0.6
	23.4
<b>BUSINESS AS USUAL VARIANCES</b>	
Building permit / Planning application revenues	6.0
Minor salary variances	(1.7)
Reserve entries (offsetting actuals)	(6.3)
Various expenditure / revenue impacts	(3.9)
	(5.9)
<b>NET SURPLUS / (DEFICIT)</b>	<b>(52.5)</b>

**In-Year Budget Adjustments**

Adjustments after Council approval of the Operating Budget for the current budget year are completed through In-Year Budget Adjustments. These adjustments are subject to Finance review and reported to Council. Appendix 1-3 outlines all In-Year Budget Adjustments as of September 30, 2022.

### **Operating Budget Reserve Requests**

Public Sector Accounting Standards require the City to record expenditures for goods and services 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 until the following year. Appendix 1-4 details Operating Budget Reserve Requests totalling \$348,995. This amount will be added to the 2023 operating budget.

### **Municipal Accommodation Tax**

The City introduced the Municipal Accommodation Tax (MAT) in 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 2022. Fifty per cent of the total net MAT revenue is remitted to Tourism Mississauga.

As of September 30, 2022, the MAT revenue collected is \$7.3 million or 74 per cent of total budget. Monthly MAT revenue collection is increasing, but remains below pre-pandemic levels.

### **Capital Program Update**

The City's Capital Budget Policy requires a semi-annual review of all capital projects, including updates on the status of each project, projects to be closed and projects that are either requesting or returning funding.

The City's approval capital budget program is currently \$1.81 billion, as of August 31, 2022. Staff recommend returning \$2.9 million to various reserves and reserve funds from various projects, the majority of which will be returned to the Tax Capital reserve fund and the Development Charges reserve funds. Of the \$1.81 billion in the capital budget program, \$1.08 billion has been spent, with \$736.3 million being planned to be spent.

Staff evaluate older projects and return unspent funds to reduce the amount of encumbered funding that can be applied to other projects. 48% of the capital budget program to be spent is for the following projects:

- \$115.1 million for various parkland acquisitions
- \$48.3 million for roadway rehabilitation
- \$34.5 million for various park developments
- \$28.4 million for transit bus acquisitions
- \$24.7 million for transit land acquisitions
- \$23.0 million for the Burnhamthorpe Community Center redevelopment
- \$20.1 million for various roads property acquisitions
- \$19.8 million for the Central Library redevelopment
- \$17.6 million for the Cycling Program
- \$10 million for Square One Drive - Amacon Driveway to Rathburn Road West
- \$9.7 million for Goreway Drive rail grade separation

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Appendices 2-1 through 2-5 provide detailed project updates, changes and funding adjustments for all capital projects.

### **Requests for New Capital Projects**

1. New PN 21641 Rogers Public Art Contribution:
  - Establishes a new capital project with a budget of \$0.5 million funded by Developer Contributions - Public Arts reserve fund #37514. This will facilitate a public art project in the Future Park at M City (Park Block 9), as part of the M City development via \$0.5 million contribution from Rogers Real Estate Development Limited and Urban Capital Property Group ("Rogers Telecommunications Limited").
2. New PN 22365 Ward 3 Park Improvements:
  - Establishes a new capital project funded by S. 37 Bonus Zoning reserve fund # B35220. This will fund the redevelopment of existing park sport court with installation of 1 pickleball, shade structure & splash pad with Earthworks and drainage infrastructure required to service significant area of park Splash Pad (minor), Shade structure and benches at Burnhamdale Park as well as the replacement of existing playground with EFW safety surface and installation of a shade structure at Bethesda Common Playground.

### **Requests for Capital Project Name Changes**

1. PN 21641 Upgrade Burial Permit System
  - Request to change project name from "Upgrade Burial Permit System" to "Upgrade Death Registration System". The new name is reflective of the current terminology.
2. PN 21268 New Fire Station 125 - Tenth Line and Aquitaine - Design and Construction
  - Request to correct project name to New Fire Station 125 - Tenth Line and Aquitaine - Design and Construction.
3. PN 22325 Northwest Sports Park Phase 2A Park Development - Tennis facility
  - Request is to rename this project from "Northwest Sports Park Phase 2A Park Development - Tennis facility" to "Churchill Meadows Sports Park and Domed Tennis Pickleball Facility".
4. PN 22860 Riskmaster Software
  - Request to change project name from "Riskmaster Software" to Risk Management Information System (RMIS) - Procurement, Maintenance and Support Services".

### **Stormwater Financial Summary**

As of September 30, 2022, the Stormwater operating program is forecasting a favourable variance in the amount of \$2.3 million due to lower exemption/credit applications received including declines in subsidy applications for the sump pump program. Any surplus at year-end will be transferred to the Stormwater Pipe Reserve Fund. Appendix 1-2, Revenue Charge and Operating Details for Stormwater outlines additional details on Stormwater's operating position.

The approved Stormwater capital program is \$182.8 million. Staff recommend closing 10 projects and are requesting approximately \$1.4 million be returned to the appropriate reserve funds. Recommended adjustments to the Stormwater capital program will result in a revised net capital budget of \$181.3 million for the 112 active projects.

### **Requests for New Reserve Funds**

1. A new Discretionary Reserve Fund named LTD- ASO Taxable (RF# 36126) is to be established to manage the funding of taxable Long-term Disability claim payments.
2. A new Discretionary Reserve Fund named LTD- ASO Non-Taxable (RF# 36127) is to be established to manage the funding of non-taxable Long-term Disability payments.

### **Requests for Reserve and Reserve Fund Transfers**

1. The tax-funded Planning and Studies Reserve Fund was established with the purpose of segregating funding for various studies across all service areas. This administrative segregation will provide increased transparency regarding how much is spent on planning studies. Equivalent funding of \$900,000 will be transferred from the Tax Capital Reserve Fund to the Tax-Funded Planning and Studies Reserve Fund.
2. A transfer in the amount of \$111,000 is needed from the Fiscal Stability Reserve to the Stormwater Capital Reserve Fund relating to a 2021 Operating Budget Request in order to accurately reflect the Service Area related.
3. Reserve fund request for land transfer from City-owned existing parkland from Community Services to be used for road extension as part of the SQ1 Drive Extension Project. The amount of \$2,760,000 is to be transferred from DCA-Roads Reserve Fund to Cash-in-Lieu Parkland Reserve Fund.
4. In order to attain better financial management and flexibility it is recommended that the outstanding Paramount Loan Receivable \$2,578,859.15 under Paramount Loan Receivable Reserve Fund is to be transferred to the Capital Reserve Fund. After the fund transfer, the Paramount Loan Receivable Reserve Fund is to be closed.
5. An interim review of the Contribution – Capital and Maintenance Reserve Fund was done and it is recommended that the \$2,425,869.98 representing cumulative interests

from 2015-2021 of the outstanding Paramount loan be transferred from the Contribution – Capital and Maintenance Reserve Fund to the Capital Reserve Fund.

## Financial Impact

This report is primarily a report on the financial state of the City at the end of the third quarter; there are no new financial impacts based on this report.

## Conclusion

Although a number of mitigating actions have been taken through the year, COVID-19 continues to significantly impact the City's operations in 2022, with a forecasted year-end operating budget deficit of \$52.5 million at year-end. The deficit is planned to be offset through a combination of Safe Restart and COVID-19 Recovery Funding for Municipalities, along with the use of the Fiscal Stability reserve and others as required.

## Attachments

Appendix 1-1: Operating Details by Service Area

Appendix 1-2: Revenue Charge and Operating Details for Stormwater

Appendix 1-3: In-Year Budget Adjustments

Appendix 1-4: 2022 Operating Budget Reserve Requests

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: Funding Changes with No Net Capital Impact



Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer

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