

City of Mississauga
Corporate Report



<p>Date: April 14, 2023</p> <p>To: Chair and Members of Budget Committee</p>	<p>Originator's files:</p>
<p>From: Shari Lichterman, CPA, CMA, Acting City Manager and Chief Administrative Officer</p>	<p>Meeting date: May 3, 2023</p>

Subject

Financial Report as at December 31, 2022

Recommendation

1. That the "Financial Report as at December 31st, 2022" report dated April 14 2023, from the Acting City Manager and Chief Administrative Officer, including appendices 1, 2 and 3 be approved.
2. That the \$2.7 million 2022 year-end Stormwater operating program surplus be transferred to the Stormwater Pipe Reserve Fund (#35993).
3. That Schedule A of the User Fees and Charges By-Law 0244-2022 be amended to include the housekeeping changes outlined in Appendix 2.
4. That Schedule B-1 of the User Fees and Charges By-Law 0244-2022 be amended to include the housekeeping changes outlined in Appendix 3.
5. That all necessary by-laws be enacted.

Executive Summary

- The City was in a deficit position of \$61.8 million at the end of 2022, prior to any application of deficit funding. Funding of \$50.0 million through the Safe Restart Agreement and \$11.8 million from the Fiscal Stability Reserve has enabled the City to reduce the deficit to zero.
- On February 24, 2023 the City received confirmation from the province of \$12.1 million for Phase 4 of the Provincial Safe Restart Program. This funding has been recognized to help offset the 2022 deficit.
- The Stormwater operating program resulted in a year-end surplus of \$2.7 million, which will be transferred to the Stormwater Pipe Reserve Fund.

Background

In accordance with the Operating Budget Policy, Finance provides Council with a review of the City's financial position at minimum twice per year. This report provides an update on the City's 2022 year-end operating position, and additional housekeeping matters that require the approval of General Committee.

Comments

In 2022, the City continued to recover from the financial impacts of COVID-19. Although Service Areas began to show signs of recovery from the significant business impacts of the pandemic, there continued to be a number of financial pressures being faced. The year-end City-wide deficit of \$61.8 million was due mostly to:

- Transit year-end net deficit of \$29.7 million due to lower ridership based on COVID-19 impacts and increased fuel prices and maintenance costs.
- GTAA Payment in Lieu of Taxes (PILT) revenue loss of \$21.3 million due to revenue based on 2020 passenger counts which were impacted by COVID-19. This shortfall will continue in 2023 with a forecasted revenue loss of \$21.7 million, as PILT revenue will be based on 2021 passenger count and recovery did not begin until 2022.

At year-end, the City of Mississauga had a total of \$50.0 million in Safe Restart funding. \$39.7 million received in 2021 was transferred from reserve funds, and \$12.1 million from Phase 4 of the Safe Restart agreement recognized as a receivable. The remaining deficit of \$11.8 million has been funded through the Fiscal Stability Reserve. To date, the City has received \$141.5 million in Safe Restart and COVID-19 Recovery Funding for municipalities program funding since October 2020.

Table 1 summarizes the year-end operating budget variances by Service Area. Appendix 1 provides additional details and comments on operating variances by service area.

Operating Summary by Service Area - Q4 2022

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 & Fiscal Stability Reserve	\$ Surplus/ (Deficit) - After Safe Restart Funding
Corporate Transactions	65.7	48.0	(17.7)	30.3	12.6
Transit	89.9	60.4	(29.5)	29.7	0.2
Recreation	28.3	22.4	(5.9)	0.0	(5.9)
Roads	68.7	61.2	(7.4)	1.7	(5.7)
Regulatory Services	0.8	(2.1)	(2.9)	0.0	(2.9)
Parks, Forestry & Environment	38.5	34.8	(3.7)	0.0	(3.7)
Fire & Emergency Services	131.0	130.2	(0.8)	0.0	(0.8)
Culture	5.1	2.8	(2.3)	0.0	(2.3)
Mayor & Members of Council	5.1	5.3	0.2	0.0	0.2
Planning & Building	11.2	12.1	0.9	0.0	0.9
Facilities & Property Management	24.6	25.7	1.1	0.0	1.1
Information Technology	33.2	35.5	2.2	0.0	2.2
General Government	51.4	52.9	1.5	0.0	1.5
Mississauga Library	29.9	32.4	2.5	0.0	2.5
Stormwater	(0.0)	(0.0)	(0.0)	0.0	(0.0)
Year-End Position	583.4	521.6	(61.8)	61.8	0.0

Note: Numbers may not add due to rounding.

Table 2 below provides a summary of the City's year-end financial position with the impacts of direct COVID-19 variances, the mitigating measures taken by the City to reduce the impact on revenue losses, and other business as usual surpluses and deficits. Prior to applying Safe Restart and COVID-19 Recovery funding as well as the Fiscal Stability Reserve, the net deficit was \$61.8 million.

DRIVER (\$Millions)	Year End Variance
DIRECT COVID IMPACT	
Transit - net impact on revenues and costs	(29.7)
GTAA PILT Revenue	(21.3)
Recreation - revenue loss	(17.7)
POA-related revenues	(5.1)
Culture - revenue loss	(2.6)
Administration Penalty (APS) Fees	(2.6)
PPE, Cleaning, Social Distancing costs	(1.8)
Reduced parking revenues / bylaw fines	(1.0)
Enforcement - licensing revenue shortfalls	(0.4)
Library - revenues	(0.3)
TNC licensing fees	(0.2)
Other various impacts	(0.1)
	(82.8)
MITIGATING ACTIONS TAKEN BY CITY	
Permanent staffing savings	17.7
Temporary staffing savings	4.4
Recreation - reduced operations	3.0
Discretionary savings to help mitigate costs	2.3
Other non-salary expenditure impacts (COVID)	1.0
Utility savings (closed facilities)	0.2
	28.7
BUSINESS AS USUAL VARIANCES	
Various expenditure / revenue impacts	(11.8)
Minor salary variances	(3.8)
Reserve entries (offsetting actuals)	(3.9)
Building permit / Planning application revenues	9.5
Debt charges	2.4
	(7.6)
NET SURPLUS / (DEFICIT)	(61.8)

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 December 31, 2022, the MAT revenue collected is \$12.3 million or 125 per cent of total budget. Monthly MAT revenue collection is higher than budget due to faster recovery of hotel booking activities than expected.

UNCOLLECTIBLE WRITE-OFFS

The Invoicing and Collections 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 2022, a total of 5,498 invoices were issued totalling \$57.2 million. Write-offs completed in 2022 for prior years' uncollectible invoices totalled \$216,694.12. 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. There were no write-offs greater than \$25,000 requiring Council approval in 2022.

RECONCILIATION BETWEEN OPERATING RESULTS & 2022 FINANCIAL STATEMENTS

The City's operating budget is developed as a spending control document to establish a property tax levy, as required under the *Municipal Act* on a modified accrual basis. Separately, the *Act* requires municipalities to prepare annual financial statements on an accrual basis of accounting in accordance with Public Sector Accounting Standards (PSAS). The main differences between these two bases include the inclusion of certain non-cash expenses and revenues that are included in the financial statements but not in the budget, the eliminations of transfers to and from reserve funds, and the inclusion of amortization in the financial statements but not in the operating budget.

Although the City ended the year with a zero deficit on the operating budget after the application of Safe Restart and funding from reserves, on a full accrual basis, an annual surplus of \$152.3 million was realized (subject to final audit adjustments).

HOUSEKEEPING

Corporate Services Finance 2023 Fees and Charges change

The title of "Corporate Services Finance – Revenue and Material Management" in Schedule A of the User Fees and Charges By-Law 0244-2022 was incorrect when originally submitted and should be "Corporate Services Finance – Revenue and Taxation" as shown in table 1 of Appendix 2. The New Account Administration Fee, Reminder Fee, Final Notice Fee and Defaulted POA Fines – Administration Fee under the Tax Certificate fees in Schedule A of the User Fees and Charges By-Law 0244-2022 were inadvertently listed as being HST applicable when these fees should be HST Exempt as also shown in table 1 of Appendix 2.

Transportation and Works 2023 Fees and Charges change

The Roads, Storm Drainage and Watercourses fees were inadvertently omitted as part of the 2023 Fees and Charges review; however, these fees were included in previous year's by-law. The Roads, Storm Drainage and Watercourses Fees amount in 2023 are the same as the fees in 2022, and will be inserted in Schedule A of the User Fees and Charges By-Law 0244-2022 as shown in table 2 of Appendix 2.

Rental Apartment Building Registration and Audit Fees under the Compliance and Licensing Section were inadvertently omitted as part of the 2023 Fees and Charges review; however, these fees were included in last year's by-law. The Rental Apartment Building Registration and Audit Fees amount in 2023 are the same as the fees in 2022, and will be inserted in Schedule B-1 of the User Fees and Charges By-Law 0244-2022 as shown in Appendix 3.

Financial Impact

There are no financial implications resulting from the recommendations of this report.

Conclusion

Although the City adopted mitigating actions, such as cost containment strategies and closures of facilities wherever possible, the City nevertheless ended the year with a deficit of \$61.8 million. Funding from programs such as Safe Restart, COVID-19 Recovery Funding for Municipalities and City Reserves were required to reduce the deficit to zero.

Attachments

- Appendix 1: Operating Details by Service Area
- Appendix 2: Amended Schedule A of the User Fees and Charges By-Law 0244-2022 for Corporate Finance and Transportation and Works 2023 Fees and Charges
- Appendix 3: Amended Schedule B-1 of the User Fees and Charges By-Law 0244-2022 for Transportation and Works 2023 Fees and Charges



Shari Lichterman, CPA, CMA, Acting City Manager and Chief Administrative Officer

Prepared by: Wesley Anderson, Manager, Business Planning and Financial Services