

City of Mississauga
Corporate Report



<p>Date: November 12, 2020</p> <p>To: Chair and Members of General Committee</p>	<p>Originator's files:</p>
<p>From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer</p>	<p>Meeting date: December 2, 2020</p>

Subject

Financial Report as at September 30, 2020

Recommendation

1. That the "Financial Report as at September 30, 2020" report dated November 12, 2020, from the Commissioner of Corporate Services and Chief Financial Officer, including appendices, be approved.
2. That any 2020 year-end Stormwater operating program surplus be transferred to the Stormwater Pipe Reserve Fund (#35993).
3. That up to \$560,197 of the Operating Budget Reserve Requests be approved for transfer to the Fiscal Stability Reserve (#30125) as listed in Appendix 2.
4. That the 2020 budget adjustments listed in Appendix 3 be approved.
5. That \$690,000 be transferred to the Employee Benefits Reserve Fund (#37122).
6. That the "Building Permit Revenue Stabilization Reserve Fund" (#30161) be renamed to the "Building Revenue Stabilization Reserve" and the definition be revised to include Development Fees.
7. That a new reserve be created entitled "Tourism Mississauga Reserve" (#30162).
8. That capital project PN 18351 "Main Street Revitalization Initiative" be amended from net budget of \$987,953 to a revised net budget of \$1,023,280.
9. That funding of \$35,327 be transferred from the Main Street Revitalization Reserve Fund, (#35582) to PN 18351 "Main Street Revitalization Initiative".
10. That the Treasurer be authorized to fund the capital projects as identified in Appendix 4, Ward Specific Projects from the Federal Gas Tax Reserve Fund (#35182).
11. That the Treasurer be authorized to make necessary reserve transfers to minimize the 2020 impact on the 2021 tax rate.
12. That the necessary by-laws be enacted.

Report Highlights

• Operating Summary, excluding Stormwater

- The City is forecasting a year-end deficit of \$54.8 million. This represents negative 5.9% of the City's gross operating budget. This is largely due to revenue shortfalls driven by the COVID-19 pandemic.
- The Safe Restart Program Phase 1 has provided relief of \$46.1 million. The remaining balance at year end will be funded either by Phase 2 of the same program or City reserves. An application for a Phase 2 grant was submitted to the Province on November 4, 2020.

• Stormwater Financial Summary

Operating Summary

As of September 30, 2020, the City is forecasting that the Stormwater operating program will have a \$0.4 million surplus, mainly due to lower contractor costs in operations and maintenance activities. Any surpluses will be transferred to the Stormwater Pipe Reserve at year-end.

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 the Operating Program variances, Budget Adjustments, Reserves & Reserve Fund transfers and Ward Specific Projects established since 2019.

On May 13th, 2020, Council approved a revised net operating budget of \$537.5 million for 2020.

In mid-March of 2020, the Province of Ontario, the Region of Peel and City of Mississauga declared states of emergency to control the spread of COVID-19. Council recognized the financial impact on residents and businesses due to physical distancing and took actions to reduce their severity, including rear-door only boarding on MiWay buses, closure of City facilities, work from home directive for nonessential City staff, cancellation of all events and spring programs, virtual Council meetings, deferral of courthouse hearings and enforcement of physical distancing in parks and at private establishments and residences.

To assist the public financially, Council deferred tax and stormwater due dates, temporarily suspended parking enforcement, deferred rent payments from tenants in City facilities, deferred collection of the Municipal Accommodation Tax, and temporarily suspended fines, penalties and late fees.

These actions significantly reduced the City's revenues. Some actions were taken to mitigate this loss of revenue. A hiring freeze was implemented, and discretionary spending was reduced wherever possible. Nevertheless, the City is forecasting a deficit in 2020.

Comments

This report summarizes:

Part 1.1 – Operating Forecast

Part 1.2 – Stormwater Financial Summary

Part 2 – Operating Budget Reserve Requests

Part 3 – Operating Budget Adjustments

Part 4 – Reserves and Reserve Funds

Part 5 – Ward Specific Projects

PART 1.1: OPERATING FORECAST

Based on actual results at September 30, 2020, staff forecast that the City will end the year with a deficit of \$54.8 million or negative 5.9% of the 2020 gross operating budget. Staff have reported the impacts of the pandemic.

This report includes updated estimates by Service Area to the COVID-19 financial pressures, Council-endorsed initiatives for cost containment such as staff layoffs, a temporary hiring freeze, reductions in discretionary costs, deferral of capital projects and deferral of debenture issue until 2021, and the projected effects to the year-end financial position.

The following chart summarizes the forecasted year end operating budget variances by service area. Details are provided in Appendix 1-1, Operating Forecast Details by Service Area.

Service Area (\$ Millions)	Net Budget	Year End Forecast	Year End Variance
			\$ Surplus/ (Deficit)
Fire & Emergency Services	119.4	119.6	(0.3)
Roads	66.1	64.6	1.5
MiWay	91.5	124.7	(33.1)
Parks Forestry & Environment	37.5	36.5	1.0
Mississauga Library	28.9	25.8	3.1
Business Services	31.5	31.8	(0.3)
Facilities & Property Management	25.1	24.3	0.8
Recreation	29.0	40.2	(11.2)
Information Technology	31.7	31.5	0.2
City Manager's Office	14.8	14.7	0.2
Land Development Services	9.6	8.2	1.4
Culture	7.2	11.4	(4.2)
Mayor & Council	5.0	4.9	0.1
Regulatory Services	1.1	5.4	(4.3)
Legislative Services	(2.3)	2.0	(4.3)
Financial Transactions	41.2	46.6	(5.4)
City	537.5	592.4	(54.8)

Note: Numbers may not add due to rounding.

Year-End Operating Result Highlights - The major areas of variance from the budget are highlighted below, with further details provided in Appendix 1-1 Operating Forecast Details by Service Area:

MiWay

- MiWay is forecasting a deficit of \$33.1 million:
 - An unfavourable variance of \$46.6 million in revenue is forecasted due to low ridership and cancellation of summer U-Pass program caused by COVID-19 pandemic and a revenue shortfall from bus shelter advertisement;
 - Offset by a surplus from labour of \$10.6 million due to vacancies, lower overtime costs and deferral of the 2020 growth program;
 - Offset by savings in non-labour expenditures totaling \$9.4 million from lower prices and reduced consumption in diesel fuel of \$6.3 million, \$2 million savings from PRESTO commission costs due to lower farebox revenue and \$1.1 savings from equipment repairs and advertising expenses.

- An unfavourable variance of \$6.3 million is forecasted due to a deferred budgeted transfer from reserve due to favourable diesel costs, discussed above.

Recreation

- Recreation service is forecasting a deficit of \$11.2 million:
 - Revenue is forecasted to have an unfavourable variance of \$31.7 million as a direct result of facility closures and observation of social distancing protocols due to COVID-19.
 - Unfavourable variance due to revenue shortfall of \$1.0 million from the Municipal Accommodation Tax.
 - Offset by a projected labour surplus of \$14.6 million, mainly driven by savings as a result of minimal program offerings.
 - Offsetting savings in non-labour expenditures are expected to have a favourable variance of \$6.8 million due to lower costs expected for utilities, materials and supplies, contractor and event settlement costs resulting from facility closures.

Financial Transactions

- Financial Transactions is forecasting a deficit of \$5.4 million:
 - Revenue is projected to have a deficit of \$4.5 million in tax penalty and interest charges which were suspended by Council for the period from July 2nd to December 31st.
 - Unfavourable variance in higher tax cancellations of \$1.6 million due to volume of appeals and \$1 million due to increases in insurance premiums.
 - Unfavourable variance of \$0.7 million due to a projected adjustment to recognize the increased liability due to LTD premium rates rising by 31%.
 - Offsetting surpluses are projected for supplementary tax bills of \$1 million and payments in lieu of taxes of \$1.4 million for Region of Peel and Hydro properties.

Regulatory Services

- Regulatory Services is forecasting a deficit of \$4.3 million:
 - Revenue is forecasted at a deficit of \$6.1 million. As a result of business closures and maintenance of public health safety regulations, decreases are projected for parking revenues, TNC licensing fees and business / mobile licensing fees.
 - Offsetting savings in labour of \$1.1 million due to hiring freeze.

Legislative Services

- Legislative Services is forecasting a deficit of \$4.3 million:
 - Unfavourable variance in revenue from the Courthouse is due to the facility shutdown in combination with an extension in payment moratorium, fewer tickets issued and cancellation of in-person trials.

Culture

- Culture is forecasting a deficit of \$4.2 million:
 - Revenue is forecasted at a deficit of \$5.2 million as a result of cancelled or modified events/programs.
 - Unfavourable variance of \$1.5 million projected for a reduction in transfer from the Municipal Accommodation Tax, due to a shortfall in receipts.
 - Offset by a favourable variance of \$2.6 million in operating cost as a result of reduced expenses in cleaning/security/logistics services along with reduced supplies for education, exhibition and outreach programs.

Mississauga Library

- Mississauga Library is forecasting a favourable variance of \$3.1 million:
 - Labour stands at \$3.8 million surplus due to the hiring freeze.
 - Offsetting deficit in revenues are forecasted at \$0.9 million primarily driven by reduced revenues from late fees and fines, a decrease in material lending/borrowing and an overall reduction in services as a result of COVID-19.

Roads

- Roads is forecasting a net favourable variance of \$1.5 million:
 - Labour costs are projected to have a surplus of \$2.4 million as a result of a hiring freeze and staff layoffs.
 - Offset by an unfavourable variance of \$0.2 million in non-labour costs due to extra purchases of Personal Protective Equipment (PPE) and modified work schedules to comply with social distancing measures.
 - Offset in projected revenue deficit of \$0.4 million primarily driven by losses in parking revenue due to workplace shutdowns, and other social distancing measures adopted.

Land Development Services

- Land Development Services is forecasting a favourable variance of \$1.4 million:
 - A projected surplus of \$1.4 million is a result of savings in operating expenses mainly due to low external contractors cost, other operating expenses and savings due to a hiring freeze.
 - A projected surplus of \$4.2 million in revenues from an increase in volume of applications for building permit, development and rezoning fees is driven by a strong housing market. In accordance with the City's reserve policy, these revenue surpluses can be transferred to the Building Stabilization Reserve Fund at year end to offset any future revenue shortfall. As such, the surplus of \$4.2 million does not contribute to the overall City bottom line.

Other Service Areas

- All other services are forecasting a favourable variance totalling \$1.7 million.
 - These favourable variances are as a result of a hiring freeze for full time positions, delay in seasonal hirings due to COVID-19 restrictions, and reduced spending of discretionary costs to help offset the expected deficit.

Federal / Provincial COVID-19 Funding & Grants

- Financial relief and grants of \$46.2 million have been received by the City of Mississauga to date. This includes Safe Restart Program Phase 1 funding of \$31.1 million specific to Transit, and \$15 million to address general operating deficits and \$0.1 million was received through the Museums grant.
- Application for Phase 2 Safe Restart funding was submitted on November 4, 2020.

Proposed 2021 Budget Adjustments as a result of 2020 actual variances

As part of the on-going budget process, staff track variances and have made appropriate adjustments to the 2021 Business Plan and Budget, seen in the table below. The identified expense budgets have been reduced by \$10.0 million, while the revenues have been increased by \$2.3 million, with a total reduction of \$12.3 million or negative 2.3% included in the 2021 Proposed Operating Budget.

Service Areas	Increase / Reduction	Details	2021 Budget Adjustments \$ Millions
Expenses			
MiWay	Reduction	Service Level reduction	(7.6)
MiWay	Reduction	Transportation cost as a result of better diesel fuel pricing	(2.0)
Information Technology	Reduction	Maintenance agreement costs due to process efficiencies, software rationalization and various contract adjustments	(0.4)
Total Expenses Decrease			(10.0)
Revenues			
Financial Transactions	Increase	PILT and Other Taxes	(1.9)
Land Development Services	Increase	Building Permit, Application and Rezoning revenue	(1.0)
Legislative Services	Reduction	Provincial Offences Act (POA) revenues	0.4
MiWay	Reduction	Bus Shelter revenue	0.2
Total Revenues Increase			(2.3)
Total Net Reduction in 2021 Budget			(12.3)

Numbers may not add due to rounding.

PART 1.2: STORMWATER OPERATING FORECAST

Stormwater Operating and Revenue Charge Summary

As of September 30, 2020, the City is forecasting that the Stormwater operating program will have a favourable variance in the amount of \$0.4 million. This is driven by lower maintenance and contractor costs in catchbasin cleaning, street cleaning, storm sewer/culvert cleaning and storm sewer repair/spills, lower than expected credit application volume and a favourable labour costs due to recoveries and vacant positions.

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 \$560,197 for 2020 that will be spent in 2021.

PART 3: OPERATING BUDGET ADJUSTMENTS

According to the Budget Control Bylaw, all inter-program adjustments require Council authorization. Apart from the revision due to Assessment Growth of \$359,434 on May 13, 2020, there is no change to the City's net operating budget as a result of these adjustments as these adjustments reallocate budget funds from one program/account to another. Appendix 3, Operating Budget Adjustments by Service Area, details operating budget movements which require approval by Council.

PART 4: RESERVES AND RESERVE FUNDS

Employee Benefits Reserve Fund

The cost of premiums covering employee Long Term Disability (LTD) has increased by 31%. In order to match the liability that will be recognized at year end, it is recommended that this cost of \$690,000 be transferred to the Employee Benefits Reserve Fund. Adjustments to the operating budget will be done through the 2022 budget process.

Building Permit Revenue Stabilization Reserve Fund

The Building Permit Revenue Stabilization Reserve Fund provides funds for stabilizing the City's building permit revenue, protecting the City against significant fluctuations due to economic cycles. Development Fees collected by the City also vary depending on economic fluctuations. In order to continue to provide strong revenue fiscal management policies it is being recommended through this report to rename the Building Permit Stabilization Reserve Fund to the Building Revenue Stabilization Reserve (#30161). This will ensure that any fluctuations in revenue at year end, both in building permit revenue and development fees, be transferred accordingly to/from the Planning Budget. The target of this Reserve will also be recalculated accordingly taking into account both sources of revenue.

Tourism Mississauga Reserve

Tourism Mississauga (New Tourism Corporation) has been established to promote Mississauga as a tourism destination. The provincial regulations require that 50% of the net MAT (Municipal Accommodation Tax) collected be transferred to this new entity. It is recommended in this report that a separate reserve be established entitled "Tourism Mississauga Reserve (#30162)" to track these monies separately for the new corporation. Until now the funds have been deposited in the Municipal Accommodation Tax Reserve Fund. When the new reserve is established, the balance owing will be transferred accordingly.

Main Street Reserve Fund

In 2018, the City received \$667,950 through the Main Street Revitalization Initiative. This funding was placed into Reserve Fund #35582 and disbursed equally amongst five Main Street Projects. Over the course of the funding program, (2018 to 2020) approximately \$35,000 in interest was earned. As per the Main Street Funding Agreement, any interest earned on the Reserve Fund must be allocated to one or more of the Main Street Revitalization Initiative

projects, or returned to the funder. In order to maximize the use of the interest earned, projects not funded 100% through the original Main Street funding allocation will receive interest as follows:

- A18351 – Civic BIA Main Street Revitalization - \$306
- B18351 – Clarkson BIA Main Street Revitalization - \$13,000
- C18351 – Malton BIA Main Street Revitalization - \$3,468
- D18351 – Port Credit BIA Main Street Revitalization - \$18,553
- E18351 – Streetsville BIA Main Street Revitalization – No additional funding required

This transfer of interest will bring four of the five projects to 100% funded by the Main Street Revitalization Initiative. The Malton Gateway sign is not 100% funded by Main Street funding.

PART 5: WARD-SPECIFIC SPECIAL PROJECTS

On May 22, 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. The following table includes new projects to be set up through this report.

Appendix 4 lists projects that have already been established. Staff will report regularly on these projects including any new projects or allocations requested by each Councillor.

Ward	Project Number	Project Name	Approved Net Cost (\$000)
Ward 1	A20361	Water Bottle Filling Stations - Westacres Park (Pool Building)	30.0
Ward 5	20489	Bicycle Rack Ward 5	50.0
Ward 9	A20359	Multi-purpose Basketball/Pickleball - West Credit SS	100.0
Ward 9	20343	Park Bench/Solar Bench Program	168.0
Ward 9	20344	Water Bottle Filling Stations	60.0
Ward 9	20345	Erin Meadows CC and Library Outdoor Redevelopment	500.0
Ward 9	A20214	Erin Mills Town Centre Bus Shelter	46.0
Ward 9	B20214	Meadowvale Town Centre Bus Shelter	46.0
Ward 9	B20359	Playground Swing Addition Promenade Meadows Park	16.0
Ward 11	B19353	Streetsville Village Entrance Sign/Garden 2 locations	50.0
Ward 11	20429	VJCC Rubber Floor Replacement	100.0
Ward 11	A20353	Water Line Extension - Meadow Green	10.1
Ward 11	C20199	Traffic calming concept for Falconer Drive	60.0
Ward 11	D20199	Traffic Calming Concept Plan - Second Line West north of Old Derry Road	70.0
Ward 11	E20199	Second Line W sidewalk and intersection works	120.0
Total New Requests			1,426.1

Conclusion

The third quarter financial report outlines a projected year end deficit of \$54.8 million due to the impacts of the COVID-19 pandemic. Council has approved the implementation of several mitigating actions as staff continue to monitor and report on the financial impacts into 2021. To date, \$46.2 million of relief and grants have been received by the City. The remaining balance

will be funded either by the Safe Restart Program- Phase 2 or City reserves. Staff will report back to Council with the year-end final results in Spring 2021.

Attachments

Appendix 1-1: Operating Forecast Details by Service Area

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

Appendix 2: Operating Budget Reserve Requests

Appendix 3: Operating Budget Adjustments by Service Area

Appendix 4: Ward Specific Projects



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

Prepared by: Ann Wong, Sr. Manager, Business Planning and Reporting