



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: April 27, 2021

Report Number: SRCFS.21.021

Department: Corporate and Financial Services

Division: Financial Services

Subject: SRCFS.21.021 – 2021 Operating Forecast Q1

Purpose:

To provide an update to the City's 2021 Year End Operating Forecast.

Recommendation(s):

- a) That staff report SRCFS.21.021 – 2021 Operating Forecast Q1 be received for information purposes.

Contact Person:

Michael Lam, Financial Management Advisor, Ext. 6493

Gigi Li, Manager, Fiscal Planning & Strategy, Ext. 6435

Report Approval:

Submitted by: Sherry Adams, Commissioner of Corporate and Financial Services

Approved by: Mary-Anne Dempster, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Background:

In January SRCFS 21.001, staff submitted a 'Business As Usual' 2021 Operating Budget under an unprecedented level of uncertainty, given the continuing impact of the COVID-19 pandemic. As such, staff was prudent in providing a supplementary COVID-19 budget scenario, which outlined a more realistic scenario that would result in a net unfavorable impact of \$4.64 million.

Under the COVID-19 budget scenario staff anticipated some level of recovery early in the year and gradually opening up City facilities and starting regular programs under social distancing protocols. This scenario, however did not materialize as the City started the year with a Provincial mandated 'Stay-at-Home' order. It is agreed that the 'Stay-at-Home' order was enacted with the intent of keeping residents and staff safe amidst a 2nd wave of growing numbers of COVID-19 cases. The 'Stay-at-Home' order limited the City's ability to open facilities in the first half of the year, which was not anticipated in the COVID-19 budget scenario.

This report intends to update Council on some of the current assumptions staff are projecting and their resulting financial impacts.

Ontario's unemployment situation appears to be improving at 9.2% for February 2021 (compared to 10.3% in Jan 2021). This measure is a positive sign of recovery, however with growing COVID-19 case counts in March and a 3rd wave 'Stay-at-Home' order, it is expected that there will be prolonged impacts to the City as well as adverse effects to City revenues.

A significant positive change since January, has been the recent announcement of additional Provincial Safe Restart Agreement funding of \$5,581,890 to assist with the City's on-going COVID-19 pressures. Funding support from previous announcements of \$5.8 million¹ has provided the necessary relief to the City. Preliminary 2020 year end results are indicating \$1.5 million deficit, leaving approximately \$4.3 million to be carried forward and used in 2021. Safe Restart Agreement funding of this additional \$5.58 million and \$4.3 million remaining will provide the key support for the City to continue to address 2021 Operating Budget pressures related to COVID-19.

Financial/Staffing/Other Implications:

Financial Outlook - Operating Fund

Based on updated information to date, Staff are anticipating a year-end deficit of \$5,058,700 on a \$184 million budget or 0.23% deficit. This is an unfavorable change of \$414,200 compared to \$4,644,500 previously anticipated in the COVID-19 budget scenario.

¹ \$4,131,900 + \$1,747,000 = \$5,878,900

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The City's forecasted deficit in 2021 continues to be driven by the significant loss of non-tax revenues. Non-tax revenues of \$43.6 million of the City's \$184 million 2021 revenue budget is funded from User Fees (21.45%) and Investment Income (2.28%). The Revenue losses due to COVID is currently anticipated to be \$19.43 million from \$12.14 million loss anticipated in the COVID budget scenario, an increase of \$7.29 million. For context, the \$19.43 million loss represents a 44% loss of non-tax revenues. Recreation continues to be the most significantly impacted area of the City's operations, representing the largest share of revenue losses.

A summary of the incremental changes by the major categories are presented below.

Table 1: Incremental financial impact compared to 2021 COVID Budget Scenario

Revenues	2021 COVID Budget Impact	2021 Forecast Impact	Change (UN) / FAV
User Fees and Fines	(10,360,100)	(17,527,900)	(7,167,800)
Investment Income	(1,674,200)	(1,800,000)	(125,800)
From Reserve and Reserve Funds	(55,800)	(55,800)	-
Grants/Donations	(50,000)	(50,000)	-
Total Revenues (UN) / FAV	\$ (12,140,100)	\$ (19,433,700)	\$ (7,293,600)
Expenditures			
Personnel - Permanent	(70,700)	1,887,300	1,958,000
Personnel - Casual	4,513,600	7,397,800	2,884,200
Contracts Services	1,482,700	1,482,700	-
Materials/Supplies	1,410,300	3,447,500	2,037,200
Other Expenditures	33,700	33,700	-
Transfers to Other Funds	126,000	126,000	-
Total Expenditures (UN) / FAV	\$ 7,495,600	\$ 14,375,000	\$ 6,879,400
Net Impact (UN) / FAV	\$ (4,644,500)	\$ (5,058,700)	\$ (414,200)
Safe Restart Funding 2020	\$ 4,378,000	\$ 4,378,000	
Safe Restart Funding 2021		\$ 5,581,890	
Tax Rate Stabilization	\$ 266,500		
Net Impact	\$ -	\$ 4,901,190	

The net unfavorable \$414,200 position is a combination of various revisions since SRCFS 21.001. Below provides a brief description of the major changes.

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Recreation and Culture Division

Richmond Hill's community centres, arenas and pools have remained closed until the first week of May. Building rental and the various virtual programs have provided limited revenue opportunity to the City during the 'Stay-at-home' order. Full time staff have been redeployed to other departments or the immunization clinic, in order to mitigate some of the revenue losses. Expenditures incurred as a result of the immunization clinic will be fully reimbursed by the Region. When the lockdown is lifted, a few facilities will begin to open. Staff are anticipating some revenue potential from the ice pad rental, aquatic and drop-in programs. These revenues will be offset by casual staffing, program expenses and facilities expense, resulting in minor financial impact. The 2nd half of 2021 is still dependent on the various Covid-19 factors, it is currently anticipated that the provincial legislation and public demand to be similar to the last half of 2020. With the impact of the lockdown and the limited in-person program offerings in 2021, net of staffing and facilities savings, there is an additional \$168,400 loss compared to the COVID budget scenario submitted as part of the 2021 operating budget process.

Community Standard Division (Parking Control)

The 2021 Parking Fine revenue is expected to have an unfavorable variance of \$120,000. The Administrative Monetary Penalty System permits the reductions to parking fines in response to financial hardship. The COVID-19 pandemic has resulted in income loss and unemployment which provides an acceptable rationale for fine reductions. In addition, closure of schools in York Region during the first six weeks of 2021 have resulted in fewer school zone parking violations and therefore less parking fine revenue due to school zone parking infractions.

Investment Income

Short-term Investment income is anticipated to be \$1.80 million below budget, an unfavorable change of \$125,800. This is due to historically low short-term interest rates and a strategy to shift a greater portion of investments to longer term instruments to capture higher yields, adversely impacting short term investment returns.

Safe Restart Funding

In early March, additional Safe Restart Funding is being provided in order to relieve COVID-19 related pressures. The City's share in this round of funding is anticipated to be \$5,581,890, which will provide the necessary funding to relieve the impacts currently anticipated.

The identified impacts above are preliminary and can change as the City progresses throughout the year. Staff plan on providing an update in June to re-confirm these assumptions and keep Council apprised of the most current available information.

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Financial Outlook – Water and Wastewater Fund

Current WWW volumes of consumption appear to be reasonable and in line with projections to date, however staff will continue to monitor through the heavier summer usage period and provide an update in June. Staff are not anticipating impacts at this point. Typically, deficits at year-end related to Water & Wastewater are mitigated by funding out of the Water & Sewer Rate Stabilization Reserve.

Relationship to Council's Strategic Priorities 2020-2022:

Presentation of the Interim 2021 Operating Forecast and determination of measure to mitigate deficits reflects Council's direction to be Fiscally Responsible and avoid unnecessary expenditures to emerge from COVID-19 in a stronger financial position.

Climate Change Considerations:

Climate change considerations are not applicable to this staff report.

Conclusion:

The Operating Fund is anticipated to result in a net deficit of \$5.06 million due to COVID-19, which is directly attributed to a 44% decline in non-tax revenues. The impact has been mitigated through measures implemented by management and funding support from the Federal and Province governments, through the Safe Restart Agreement funding program. Staff anticipate the combination of the recently announced \$5.58 million as well as any remaining unused funding from 2020 will provide the necessary relief to mitigate the currently anticipated deficit. Staff intend to provide the next update in the summer.

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Report Approval Details

Document Title:	SRCFS.21.021 2021 Operating Forecast Q1.docx
Attachments:	
Final Approval Date:	Apr 12, 2021

This report and all of its attachments were approved and signed as outlined below:

David Dexter - Apr 8, 2021 - 12:12 PM

Sherry Adams - Apr 8, 2021 - 2:19 PM

MaryAnne Dempster - Apr 12, 2021 - 4:02 PM