



## **Staff Report for Budget Committee of the Whole Meeting**

**Date of Meeting:** October 19, 2021

**Report Number:** SRCFS.21.043

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** **SRCFS.21.043 – 2021 Operating Forecast Q3**

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### **Purpose:**

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

### **Recommendation(s):**

- a) That "SRCFS.21.043 – 2021 Operating Forecast Q3" be received for information purposes.

### **Contact Person:**

Haley Leung, Financial Management Advisor, Ext. 5484

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:

Staff provided updates to Council in April and June respectively, with regard to the City's ongoing financial impact as a result of COVID-19. The report in June (SRCFS.21.32) outlined an anticipated deficit of \$5.8 million, an unfavorable change of \$1.16 million compared to \$4.64 million previously reported as part of the 2021 COVID-19 Budget Scenario and an unfavorable change of \$741,400 compared to the Q1 forecast. Provincial and Federal support announced through the "Safe Restart Funding" and the "Provincial Covid-19 Recovery Funding" for 2021 of \$7.3 million<sup>1</sup> and \$2.58 million<sup>2</sup> carried forward from 2020 provide the necessary relief to overcome these anticipated impacts in 2021.

The City has been agile and adaptive during this fluid and dynamic situation. As new information becomes available, estimates are adjusted to reflect the most current information available. The purpose of this report is to update Council on some of the current assumptions and the anticipated financial impact to the City's financial situation.

In the previous Q2 update, the Province started the 'three-step plan' with openings conditional on percentage of adults vaccinated in June. Over the summer months, the City has re-opened additional facilities, indoor programming and some outdoor recreation activities under strict provincial guidelines. Additional recreational amenities are planned to re-open over the next few months. As the City enters into the Fall and Winter months, increased indoor social interactions is expected in the general public and schools. The financial impact of COVID-19 is dependent on the success of public health measures, including the vaccination rate from eligible Ontarians and the effectiveness of the vaccine certificate policy that started on September 22. As a result, the complete financial impact of Covid-19 on the City's re-opening plan for the remainder of the year is yet to be determined.

### Financial/Staffing/Other Implications:

#### Financial Outlook - Operating Fund

Based on updated information to date, staff are anticipating a year-end deficit of \$5.6 million on a \$184 million expenditure budget. This is a favorable change of \$249,800 compared to \$5.8 million reported in SRCFS 21.032 – 2021 Operating Forecast Q2 update and a \$905,900 unfavorable change compared to the 2021 COVID-19 Budget Scenario.

The City's forecasted deficit in 2021 continues to be driven by the significant loss of non-tax revenues. The City's \$184 million 2021 operating budget is funded by \$43.6 million of non-tax revenues or 23.73%. The revenue losses due to COVID-19 are currently anticipated to be \$19.29 million, a decrease from \$20.17 million previously reported in Q2 and \$19.43 million reported in Q1. This is a favorable change of

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<sup>1</sup> 5,581,890+1,747,000 = \$7,328,890

<sup>2</sup> 4,131,900-1,553,200 = \$2,578,700

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\$889,200 compared to Q2 or \$7.15 million unfavorable change compared to the COVID-19 Budget Scenario. The \$19.29 million loss represents a 44.15% loss of non-tax revenues, predominately attributable to on-going closures during the first six months of the year and restricted programs in Recreation.

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

**Table 1: Incremental financial impact compared to 2021 COVID-19 Budget Scenario**

	2021 COVID Budget Impact	Q1 2021 Forecast Impact	Q2 2021 Forecast Impact	Q3 2021 Forecast Impact (UN) / FAV	Change COVID Budget Impact (UN) / FAV
<b>Revenues</b>					
User Fees and Fines	(10,360,100)	(17,527,900)	(17,919,100)	(17,429,900)	(7,069,800)
Investment Income	(1,674,200)	(1,800,000)	(2,150,000)	(1,750,000)	(75,800)
From Reserve and Reserve Funds	(55,800)	(55,800)	(55,800)	(55,800)	-
Grants/Donations	(50,000)	(50,000)	(50,000)	(50,000)	-
<b>Total Revenues (UN) / FAV \$</b>	<b>(12,140,100)</b>	<b>\$ (19,433,700)</b>	<b>\$ (20,174,900)</b>	<b>\$ (19,285,700)</b>	<b>\$ (7,145,600)</b>
<b>Expenditures</b>					
Personnel - Permanent	(70,700)	1,887,300	1,670,500	2,657,800	2,728,500
Personnel - Casual	4,513,600	7,397,700	7,295,500	6,373,400	1,859,800
Contracts Services	1,482,700	1,482,700	1,672,700	1,672,700	190,000
Materials/Supplies	1,410,300	3,447,500	3,576,300	2,871,700	1,461,400
Other Expenditures	33,700	33,700	33,700	33,700	-
Transfers to Other Funds	126,000	126,000	126,000	126,000	-
<b>Total Expenditures (UN) / FAV \$</b>	<b>7,495,600</b>	<b>\$ 14,374,900</b>	<b>\$ 14,374,700</b>	<b>\$ 13,735,300</b>	<b>\$ 6,239,700</b>
<b>Net Impact (UN) / FAV \$</b>	<b>(4,644,500)</b>	<b>\$ (5,058,800)</b>	<b>\$ (5,800,200)</b>	<b>\$ (5,550,400)</b>	<b>\$ (905,900)</b>
Safe Restart Funding 2020-Ph1	2,578,700	2,578,700	2,578,700	2,578,700	-
Safe Restart Funding 2021-Ph2	1,747,000	1,747,000	1,747,000	1,747,000	-
2021 Provincial COVID-19 Recovery Funding	-	5,581,890	5,581,890	5,581,890	5,581,890
Tax Rate Stabilization	318,800	-	-	-	(318,800)
Safe Restart and Provincial COVID-19 Recovery Funding Carryforward	\$ -	\$ 4,848,790	\$ 4,107,390	\$ 4,357,190	\$ 4,357,190

Library Services - Favorable impact mainly consists of staffing and materials

\$ 715,800 715,800

Below provides a brief description of the major areas of changes as part of this Q3 forecast.

### Recreation and Culture Division

As the province entered into Step 3 of the reopening plan at the beginning of the summer, additional Richmond Hill community centers, arenas and pools opened for in-person activities and summer camp programs with capacity limits. Together with the continuous offering of the virtual programs, it made up the major revenue source for the Recreation section in the last few months. Personnel savings were generated as full

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time staff continued to be redeployed to other departments or the immunization clinic until mid-Aug, coupled with leaving employee turnover positions vacant while limited Recreation facilities are open. Expenditures incurred as a result of the immunization clinic is fully reimbursed by the Region. While Recreation is gradually opening up more facilities in the Fall, operations will be dependent on the magnitude of the fourth wave as well as provincial regulations and how they will influence the program participation rates. The vaccine certificate policy launched by the Province on September 22<sup>nd</sup> requires everyone entering the recreation facilities to be fully vaccinated, this may pose initial challenges on staffing and program participants, affecting program revenues. The implementation of the vaccine certificate policy will also require additional Recreation expenses of \$421,700 to be incurred in 2021 for added technology demand and the extra staff/security needed at the door to verify the vaccination status of each person entering the premises. Based on the financial result to-date and the projection for the remainder of 2021, the revenue projection, net of staffing and facilities savings, is \$1,281,800 favorable compared to the higher loss projected in the COVID-19 budget scenario submitted as part of the 2021 operating budget process, and \$577,000 more favorable compared to the Q2 forecast.

In the recent Federal election in September 2021, Richmond Hill provided 14 locations as the polling stations for advance voting and on Election Day. A total of \$78,200 permits issued, which covers any staffing, utilities and sanitation costs for the locations.

A vaccine operation opened up at the Richvale Community Center on October 1st. This location is currently opened for four days a week and 7 hours a day with possible modification later on depending on community needs. The City is responsible for providing information technology support, facility operations staff and cleaning services for the facility. All expenses incurred will be reimbursed by York Region.

### **Community Standards Division (Parking Control)**

The 2021 Parking Fine revenue is expected to have an unfavorable variance of \$360,000 by the end of 2021, due to COVID-19. This is an increase of \$120,000 from the \$240,000 previously reported in Q2. The Administrative Monetary Penalty System provides 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.

### **Investment Income**

Short-term Investment income is anticipated to be \$1.75 million below budget, an unfavorable change of \$75,800 compared to the COVID-19 Budget Scenario but an improvement of \$400,000 compared to the Q2 Forecast. This was due to improved short-term rate offerings, in order to capture higher incremental income than on cash balances.

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### **Development Planning**

Revenues achieved to date are a reflection of the ongoing COVID-19 pandemic impacts on development applications submissions. The development industry has continued to focus on providing alternative housing in the form of high density residential development to the Richmond Hill market versus the traditional ground related housing. It has resulted in an influx of Official Plan and Zoning By-law Amendment applications, trending the Development Planning Revenues to exceed budget by \$197,000.

### **Public Works Operations (Roads Operations)**

The Subdivision Maintenance revenue is projecting a shortfall of \$295,000 to reflect the reduction in the development of subdivisions due to COVID-19 delays. The City is not conducting any winter control work prior to assumption due to safety precautions.

### **Public Works Operations (Parks Operations)**

The extended Provincial 'Stay-at-Home' order and outdoor gathering limits delayed the issuance of outdoor permits until July, together with the closure of the turf field over the summer months for renovations, it has created a negative impact on the sportsfield revenues and picnic / outdoor space rental revenues for Q3. Staff are estimating a loss on revenues of \$286,000 compared to the COVID-19 Budget Scenario, an additional decline in revenue of \$74,000 compared to Q2. This division is also anticipating a need to increase the casual staffing costs by \$320,000 in order to maintain level of service and accommodate redeployed staff from Recreation. As a result, Q3 is anticipated to generate an additional \$394,000 deficit for a total of \$714,100, compared to the \$320,100 overage to the COVID-19 Budget Scenario that was reported in Q2.

### **Facility Management**

In the Q2 forecast staff recommended the Richmond Green Sports Dome remain inflated to realize contract services savings of \$190,000, this savings is partially offset by the \$73,000 additional maintenance and utilities that is anticipated for the summer months.

### **Financial Outlook – Richmond Hill Public Library**

The City had approved a \$7.8 million municipal grant to the Richmond Hill Public Library as part of the 2021 Operating Budget. RHPL currently projects a 2021 yearend surplus of approximately \$715,800. However, the Library Board has apportioned \$238,900 of the anticipated surplus to help fund 2022 operations, as part of its 2022 Library Operating Budget submission. The overall surplus forecast is mainly based on savings from casual staff, as a result of Library closures from Jan to Feb 2021, reduced operating hours from March to August and a hopeful return to full operations starting in September until end of year. The part-time staff savings are partially offset by a reduction in Library generated revenues due to reduced operations.

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### Financial Outlook – Water and Wastewater Fund

Water and Wastewater volumes of consumption appear to be trending 0.07% higher than budgeted volumes based on June's billing from the Region, resulting in a net surplus of \$15,500. In addition, the Ownership Change Fee revenue is projected to be \$20,000 higher due to the active housing market in Richmond Hill. Typically, surplus at year-end related to Water & Wastewater is transferred to the Water & Sewer Rate Stabilization Reserve.

The identified major areas of impact above are preliminary in nature and can change as the City progresses throughout the remaining year. Staff plan on providing a subsequent update before the end of the year to re-confirm these assumptions and keep Council apprised of the most current operating projections.

### 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 \$5.55 million due to COVID-19, which is directly attributed to a 44.15% 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 and Provincial COVID-19 Recovery funding program. Staff anticipate the combination of the announced 2021 funding of \$7.3 million<sup>3</sup> as well as \$2.578 million<sup>4</sup> unused funding from 2020 will provide the necessary relief to mitigate the currently anticipated deficit, the remaining \$4.4M of the funding will be carryforward and available for any COVID-19 related pressures in 2022. Staff intend to provide the next update before the end of the year.

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### Report Approval Details

Document Title:	SRCFS.21.043 2021 Operating Forecast Q3 v2.docx
Attachments:	
Final Approval Date:	Oct 12, 2021

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

**David Dexter - Oct 8, 2021 - 9:10 AM**

**Sherry Adams - Oct 8, 2021 - 10:59 AM**

**MaryAnne Dempster - Oct 12, 2021 - 8:55 AM**