



SUBJECT: Operating budget performance report as of June 30, 2020
TO: Corporate Services, Strategy, Risk & Accountability Cttee.
FROM: Finance Department

Report Number: F-46-20

Wards Affected: All

File Numbers: 435-06

Date to Committee: September 17, 2020

Date to Council: September 28, 2020

Recommendation:

Direct the Chief Financial Officer to report back on the city's year-end strategy upon confirmation of the 2020 year-end actual.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation
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Background and Discussion:

In March, the City declared the state of emergency in response to the COVID-19 pandemic. This unprecedented pandemic and associated provincial restrictions has greatly impacted city service delivery resulting in significant financial impacts. This report will provide an update on the financial variances realized to date as well as those anticipated to year-end.

In addition to this report, Council continues to receive monthly financial updates on the impact COVID is having on the City's financial position.

Appendix A provides a corporate summary of the 2020 Operating Budget Performance at June 30, 2020 and highlights significant favourable and unfavourable variances at the net service level.

Appendix B provides explanatory notes for each expense/revenue driver with a significant favourable or unfavourable variance.

Finally, Appendix C provides explanatory notes for each Service with a net operating variance of +/--\$100,000 at June 30, 2020.

Each of these appendices exclude the impact of several service redesigns approved by Council on August 13 as there was insufficient time to reflect these financial impacts within the related service prior to the printing of this report. The \$1,982,500 total value of these service redesigns has been added to the bottom of Appendix A & B to adjust for this additional estimated projection to year-end.

Strategy/process

In order to be proactive in identifying issues and initiating actions to mitigate over-expenditure and revenue shortfalls, budgetary performance is monitored monthly to provide an early indication of potential problems and gives management time to consider appropriate actions.

Financial Matters:

Operating budget projections and variance analysis

The table below summarizes the corporate wide variances as at June 30, 2020 and the projection for the year- end.

This table also incorporates the impact resulting from the August 13th Council approval of several service redesign plans including several related to recreational programming and facility rental as well as a small business program resulting in a total additional financial impact of over \$1.98 million.

Including these additional impacts brings the revised projected year-end shortfall to just over \$9.67 million.

	2020 June YTD Variance	F/U*	2020 Projected Year End Variance	F/U*
City Services	\$ (576,344)	U	\$ (6,888,428)	U
Corporate Expenditures	\$ (560,207)	U	\$ (896,353)	U
Corporate Revenues	\$ (156,716)	U	\$ 98,271	F
TOTAL	\$ (1,293,267)	U	\$ (7,686,510)	U
Additional impact from Service Redesigns approved by Council on August 13, 2020			\$ (1,982,500)	
TOTAL revised	\$ (1,293,267)	U	\$ (9,669,010)	U

*F = Favourable, U = Unfavourable

Provincial restrictions and other responses to the COVID pandemic between March and June significantly impacted city revenues. During this period, the City implemented an Expenditure Restraint Program which included the temporary layoff of most part-time staffing and restrictions on discretionary spending. This program has been extended to year-end.

As the City starts to slowly resume services, it is anticipated that the unfavourable variance will grow as it will take time for revenues to resume to normal levels during the recovery period due to facility capacity limits, strict health and safety protocols, as well as an anticipated lower public participation in City's offerings. At the same time, the costs to provide these Services is often higher than budget, due to enhanced cleaning, lower staff to participant ratio, etc.

Service Spending/Revenue Patterns

A brief synopsis of service-wide spending and revenue patterns that experienced significant variances is included for information (Appendix B). This analysis includes a review of both year-to-date variances and the preliminary year-end estimates.

Federal and Provincial Emergency Funding

On August 12, 2020 the Province of Ontario announced, as part of the federal-provincial Safe Restart Agreement, that the City of Burlington will receive \$4,470,700 to support municipal operating pressures for Phase 1 and Burlington Transit will receive \$1,571,213 to support municipal transit systems for Phase 1.

This funding relief will help the City of Burlington to protect the health and well-being of our residents, while continuing to deliver critical public services to our community and assist with economic recovery.

The phase 1 funding will be used to partially mitigate the projected \$9.67 million year-end shortfall. The City will be making an application for Phase 2 funding later this fall.

2020 year-end position

While a significant effort has been made to incorporate the impacts of COVID in the year-end projections, the overall financial position for the City will be contingent on the ability of Services to recover and especially on the public's willingness to participate in the City's offerings, as well as the economic situation of the City's residents and businesses.

It is critical that we continue to update these projections and alter assumptions where required. We will continue to provide financial updates to Council as part of our monthly

reporting. Services will also continue to exercise their usual due diligence when authorizing large expenditures in order to ensure savings are realized in 2020.

Conclusion:

This report provides an overview of the performance of the 2020 Operating Budget as at June 30, 2020 and projections for the City's year-end financial position. It serves to highlight areas that may have a significant impact on the 2020 year-end financial position.

The monitoring of corporate and service expenditures and revenues, as part of the Operating Budget Performance policy, exists as a key component of the City's financial management control system. Staff will continue to scrutinize expenditure and revenue patterns for the balance of 2020.

Our intended outcome through these challenging times is to minimize a year-end unfavourable financial position. Our financial management goals and strategy are focused on offsetting COVID-related costs and revenue losses with the city's Expenditure Restraint Program savings, other realized operating budget savings and prudent use of reserve funds established specifically for these types of unforeseen situations.

Respectfully submitted,

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Appendices:

- A. Summary of the 2020 Operating Budget Performance as at June 30th
- B. Corporate-wide Spending and Revenue Analysis
- C. Financial Accountability Report

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.