



SUBJECT: 2020 retained savings

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Finance Department

Report Number: F-06-21

Wards Affected: All

File Numbers: 435-5

Date to Committee: March 3, 2021

Date to Council: March 23, 2021

Recommendation:

Receive and file finance department report F-06-21 reporting on 2020 year-end financial position.

PURPOSE:

Address other area of responsibility

Background and Discussion:

The 2020 Operating Budget Performance Report (F-46-20) as at June 30, 2020 recommended:

“Direct the Director of Finance to report back on the City’s retained savings strategy upon confirmation of the 2020 year-end actual.”

A separate report F-07-21 on the 2020 Operating Budget Performance, including explanations of year end variances for cost element groupings greater than \$100,000 is included on this same agenda.

Financial Matters:

The City's net year-end financial position is outlined below. The revenue shortfall was fully mitigated from a combination of business as usual savings, the Expenditure Restraint program, draws from program specific reserve funds and Safe Restart Funding.

(\$ Millions)	2020 Budget	2020 Actual (Unaudited)	Variance Fav./(Unfav.)
City Services	\$133.13	\$133.57	\$(0.44)
Corporate Expenditures	\$53.93	\$57.64	\$(3.72)
Corporate Revenues	\$(187.06)	\$(191.22)	\$4.15
Total			\$0

*Includes a tax levy of \$174.4 million

Note: figures may not add up due to rounding

The primary drivers of the variances in the 2020 budget are discussed in greater detail in Appendix B of the 2020 Year-end Operating Budget Performance Report F-07-21. For ease, this same Appendix is attached to this report.

As is usual practice, accounts payable and year-end accruals have been made in 2020.

Similarly, year-end transfers to reserves funds and use of Safe Restart funding was brought into revenue to ensure year end could be closed off as well as end the year in a balanced financial position.

The following tables provide information regarding transfers to and from reserve funds:

Business Transfers	2020 Budget	2020 Transfer Amount	Reserve Fund Balance (Dec. 31, 2020)
Transfer to Parking District Reserve Fund	\$ 1,412,477	\$365,850	\$9,851,959
Transfer to Paletta Mansion Reserve Fund	\$156,475	\$76,487	\$666,610
Transfer to Tyandaga Reserve Fund	\$20,825	\$105,545	\$292,841
Transfer to/(from) LaSalle Park Pavilion Reserve Fund	\$6,081	\$0	\$387,338
Transfer to Discovery Landing Reserve Fund	\$235,400	\$48,301	\$127,988
Transfer to/(from) Arenas Reserve Fund (surcharge revenue amount in excess of arena debt charges)	\$27,421	\$0	\$446,474

Development Application Reserve Funds

In 2005, the Engineering Fee Stabilization Reserve Fund, the Building Permit Stabilization Reserve Fund and the Planning Fee Stabilization Reserve Fund were created (refer to BP-10-05) to ease budget pressures should development revenues slow down due to economic and/or market conditions.

As of December 31, 2020, the following year-end transfers were made prior to the calculation of the year-end retained savings.

Transfers	2020 Budget Revenues	2020 Actual Revenues (Unaudited)	2020 Provision to / (from) Reserve Fund	Reserve Fund Balance (Dec. 31, 2020)
Engineering Fee Stabilization	\$150,000	\$2,929	(\$147,071)	\$405,321
Building Permit Stabilization	\$4,519,299	\$2,955,215	(\$931,864)	\$2,409,172
Planning Fee Stabilization	\$2,458,000	\$2,168,376	(\$289,624)	\$2,787,702

Engineering Fee Stabilization Reserve Fund

The decrease in Subdivision Administration Fees has resulted in a draw of \$147,071 from the reserve fund. Residential development in Burlington has changed from Greenfield subdivision applications to infill and intensification sites requiring OPA, zoning, site plan and condominium approvals. The reserve fund will be used over the next five years to phase out our reliance on this funding source in the budget.

Building Permit Stabilization Reserve Fund

Building permit services are based on a “Fee for Service” model that is not supported by municipal taxes and is in full compliance with legislation. The intent behind establishing a Building Permit Stabilization Reserve fund is to provide municipalities with a sustainable tool for providing and maintaining building permit and inspection services throughout a fluctuating construction industry and overall economy. The Building Permit revenues for 2020 are \$2,955,215, as anticipated large scale projects for 2020 were not received due to circumstances related to the pandemic and the delay in planning approvals (ICBL, LPAT). These revenues are offset by expenditures (both direct and indirect as per the Bill 124 model), resulting in a draw from the reserve fund of \$931,864. The 2021 budget for building permit revenues has been increased to \$4,765,584, as COVID impacts are expected to subside.

Planning Fee Stabilization

Planning fee revenues experienced a negative variance of \$289,624 due to a decrease in site plan applications fees, subdivision applications fees and clearance fees as a result of the City Hall closure in mid March, however, with the launch of the digital review process in mid May, typical application volumes resumed. This resulted in a draw from the reserve fund in this amount. The 2021 budget for planning revenues has been increased to \$2,939,366.

Financial Summary

During 2020, departments and service leads closely monitored COVID impacts on revenues, reduced operating costs as part of the Expenditure Restraint Program and managed HR expenses to align to operational changes that resulted from legislated COVID restrictions. Throughout 2020, staff have been monitoring and reporting monthly on the 2020 budget, the effects of COVID restrictions and mitigation efforts. This has allowed the City to better understand and manage the financial impacts of the pandemic. The results of these efforts, as well as external factors beyond the City's control, makes up the 2020 year-end financial position, which is primarily a result of the items highlighted below and are outlined in greater detail in the attached Appendix.

Revenue Losses and COVID related expenses

Provincial restrictions and other responses to the COVID pandemic between March and year-end significantly impacted City revenues amounting to a loss of approx. \$16.7 million in addition to \$1,485,810 of additional expenses the City incurred directly as a result of the COVID-19 pandemic. This included such costs as enhanced cleaning of buses, additional park ambassadors, paid duty officers, a reservation system for Lowville Park and a small business support program.

Expenditure Restraint Program

Given the impact to revenues as a result of the pandemic, the City implemented an Expenditure Restraint Program which included the temporary layoff of most part-time staffing, a delay in hiring of summer student positions and restrictions on discretionary spending. Under this program a total of \$7,143,157 of savings were realized. These included \$4,069,694 of savings in part-time staffing costs, \$907,655 of utility savings and \$2,165,808 of other discretionary items such as contracted services, professional development and consulting.

Other Human Resource savings

Human resources costs (excluding Winter Maintenance and Part-time savings) were favourable by \$1,417,989. In order to manage the financial impact of the pandemic, many new positions that were approved in the 2020 budget were not filled until later in the year. Additional savings were also realized from various other temporary vacancies throughout the year.

Winter Maintenance

Winter Maintenance operations were favourable by \$1,316,390 due to a decrease in salt and sand usage, as well as savings in external services resulting from mild winter seasons. Given the favourable variance in Winter Maintenance, the fact that the Severe Weather Reserve Fund is used to alleviate the impact of unforeseen fluctuations in costs associated with severe weather events and the reserve fund is below the target balance, a \$600,000 provision was made to Severe Weather Reserve Fund.

Commodities

Utility savings such as heat, hydro and water due to the closure of some City facilities as well as fuel savings primarily in Transit due to favourable pricing and reduced consumption resulted in an overall favourable commodity variance of \$2,036,786. As a result of this favourable variance a provision of \$320,000 was made to the Commodity Stabilization Reserve Fund to assist in mitigating future in year fluctuations due to price and/or volume changes.

Other Reserve Fund Transfers

To minimize risk and ensure the City is financially prepared for both expected and unexpected costs, we maintain and provide to a number a reserve funds. As such, a \$80,000 provision was made to the Insurance Reserve Fund and \$101,690 to the Strategic Land Acquisition Reserve. These provisions were made in anticipation of a potential reduction to the budgeted annual provision as part of the 2021 budget approval process. As Transit Operations experienced favourable expenditure variances in HR and fuel costs, the \$1,000,000 of provincial gas tax funding was not required. By not drawing this funding into the operating budget it remains available to support future Transit capital needs.

Federal and Provincial Emergency Funding

As noted in other reports and the monthly reporting to Committee, the City received multiple announcements from the Province of Ontario under the federal-provincial Safe Restart Agreement as well as the Municipal Transit Enhanced Cleaning Program. The total of these announcements amounted to \$16,580,430 which the City can use to assist with 2020 as well as 2021 operating pressures. A total of \$6,927,427 of this funding was used to offset 2020 variances. The remaining \$9,653,003 of funding will be used to mitigate 2021 COVID impacts.

Total Financial Impact

COVID-related costs and revenue losses have been offset 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. The remaining \$6,927,427 shortfall was mitigated with Safe Restart Funding thereby balancing the year-end financial position for the City.

Conclusion:

This report provides Committee and Council with the City's preliminary unaudited 2020 year-end position. The City's unfavourable year-end revenue losses were fully mitigated from a combination of business as usual savings, the Expenditure Restraint program, minimal draws from program specific reserve funds and Safe Restart Funding.

Respectfully submitted,

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Appendices:

- A. Retained Savings Variance 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.