

For Information Only

2020 Operating Budget Variance Report - April

Presented To: Finance and
Administration
Committee

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Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report provides a variance analysis based on the City's results from January to April 2020. Staff have identified areas where material year end variances in the operating budget may occur.

Financial Implications

There are no financial implications associated with this report.

Signed By

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Executive Summary

This report provides a variance analysis based on the City's results from January to April 2020. Staff have identified areas where material year end variances in the operating budget may occur.

Background

The purpose of this report is to provide the Finance and Administration Committee with a preliminary overview of potential year end variances. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. The April variance report reflects expenditures and revenues for the first four months of the year.

The Finance and Administration Committee has been receiving frequent updates on the financial impact and the corporation's response to COVID-19. The report presented on June 2nd included a potential impact of \$14 million to the end of 2020 with some mitigation efforts identified. Staff continue to react and adapt to the ever-changing situation.

A more detailed projection will be undertaken in the summer based on the expenditures and revenues realized from January to June 2020. During this process, each department will be requested to project a year end value for each account. Based on this information, a corporate year end projection will be made. The Finance and Administration Committee will receive this report in September of 2020.

In accordance with the Operating Budget Policy approved by Council, the following explanations relate to areas where a potential variance of greater than \$200,000 may occur within a division or section, or areas that Finance is monitoring closely:

1) Taxation Revenue

The first 2020 supplementary tax roll has not yet been received and therefore staff is unable to forecast the potential year end position. In 2019, the City received \$2.1 million in supplement taxation, approximately \$200,000 under the budgeted amount. This is an area where the potential for a variance exists. The pandemic has caused delays in assessments performed by MPAC, which delays the preparation of supplemental tax bills. Staff will continue to monitor and provide an up to date forecast for the June Variance Report when more information becomes available.

2) Other Revenue and Expenses

The City is anticipating that the revenue from the Municipal Accommodation Tax will be less than budgeted due to impact of COVID-19 on the hospitality industry. In accordance with legislation, 50% of the revenue net of costs must be contributed to the City's eligible tourism entity. Of the City's funds, \$800,000 have been previously allocated to fund the debt repayment for the Kingsway Entertainment District Arena /

Event Centre. Any additional funds received will be contributed to the Tax Rate Stabilization Reserve.

In 2019, the City received funds from The Ontario Cannabis Legalization Implementation Fund to help offset increased costs due to the legalisation of cannabis. The City has not yet received confirmation if this funding will continue into 2020.

The City is experiencing a number of unbudgeted expenses and lost revenues due to COVID-19. The potential financial impact continues to be presented to the Finance and Administration Committee on a monthly basis. The latest report highlighted increased expenditures with respect to staffing, personal protective equipment and other related costs. The revenue impacts are highlighted throughout this report. The services hit the hardest include Transit and Leisure services. Further detail can be found in the report presented to the Finance and Administration Committee on June 2, 2020(<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&attachment=30468.pdf>)

3) Legal Services

The Provincial Offences Court adjourned all court attendance matters until July 6th. This has in turn decreased the amount of revenue to be received. Staff will continue to monitor the impact of this and report back to committee when more information becomes available.

4) Parking Services

Parking revenues are projected to be in a shortfall due to COVID-19. These lost revenues will be funded from the parking reserve with the assumption there are sufficient funds within the reserve.

5) Fleet Services

It is anticipated that maintenance of the Transit fleet will result in an over expenditure for 2020. An aging fleet of buses combined with limited capital investment continues to drive costs. However, the reduction in service as a result of the COVID pandemic will result in a relatively smaller over expenditure than in previous years.

6) Leisure Services

Leisure services is experiencing budget pressures mainly due to lost revenues. Staff are currently offsetting some of these variances by following Council's direction to not hire summer students. The lost revenues may fluctuate depending on the regulations in place as well as the status of the state of emergency.

7) Transit Services

Transit is experiencing budget pressures due to lost revenues. Fares were discontinued from March 20 to June 15. Ridership is also expected to be lower than anticipated, which means that even though the City is collecting fares, Transit revenue will not meet this years target. To offset a portion of these variances, conventional service levels have been temporarily modified to reflect the reduced demand.

8) Roads Winter Control Operations

Roads winter control is anticipating an over expenditure of \$290,000 by year end. This is largely due to over expenditures in snow removal with offsetting savings in plowing, sanding and salting. The City received 204.1 cm. of snow to date in 2020, compared to the 30 year average of 165 cm. In accordance with the Reserve and Reserves Fund bylaw, any Roads Winter Control over expenditures may be funded from the Roads Winter Control Reserve Fund. It is to be noted that the Roads Winter Control Reserve Fund has a balance of \$0 at year end (December 31, 2019).

9) Environmental Services

Revenues from tipping fees may result in a variance at the end of 2020. Residential access to municipal landfill sites was restricted until May 15, 2020. The sale of recyclables continues to remain volatile, which may result in a variance at year end.

10) Water Wastewater

Based on the actual read information, the following can be determined:

- Water production is down 6-7%.
- Commercial and industrial sectors is reflecting a decreased consumption of 5-10%.
- Residential consumption is comparable to the same period of last year.

Staff continue to monitor consumption data once it becomes available. As water and wastewater services are 100% user-pay, any variance will drawn from the reserve or funded by deferring capital projects. If the amount of the draw is substantial, staff will recommend a financing plan in a future budget to restore the reserve.

11) Fire Services

Fire Services is experiencing budget pressures with overtime costs due to current staffing levels. To mitigate this pressure, a career recruitment of 10 firefighters was initiated at the beginning of 2020, however due to the pandemic and the physical distancing requirement, this recruitment was put on hold. The staffing levels have continued to decrease due to retirements and longer term absences related to the WSIB presumptive legislation. Fire Services is projected to be over budget is salaries and benefits for 2020 as the current staffing level cannot support the minimum staffing level as outlined in the SPFFA Collective Bargaining Agreement without incurring significant overtime costs.

12) Fuel

The price of diesel and unleaded fuel has decreased significantly as a result of COVID-19. The corporation has experienced a 25-40% reduction in prices for diesel and unleaded respectively. The consumption of fuel has been impacted with changing service levels. Staff continue to analyze consumption data will provide projected financial impact in the next report.

13) Slot Revenue

Gateway Casino Sudbury remains closed to the public. Northern casinos are hoping to re-open, but at this point, it is difficult to determine the lasting effect. The City receives

approximately \$2.1 million annually, therefore each month the facility is not operational translates into lost revenue of \$175,000. This will result in a variance at year end.

14) Financial Relief from Senior Levels of Government

Programs created by the Federal and Provincial governments are currently assisting municipalities combat the COVID-19 crisis. Additional funding has been announced for Social Services as well as Pioneer Manor. These amounts will offset some of the additional costs that the City is facing. AMO and FCM are advocating for direct financial support for municipalities. Staff continue to monitor announcements and will incorporate any changes into the next report.

15) Provincial funding

The City has begun receiving funding letters from the Provincial Government. To date, a number of funding announcements have not yet been received. Staff continue to monitor announcements and will incorporate any changes into the next report.

Summary

The Executive Leadership Team reviews operating variance reports on a monthly basis in an effort to manage costs and strive to mitigate the financial pressures described in this report.

This has been a preliminary review of the revenues and expenditures for the first four months of 2020. Continued diligence will be required throughout the remainder of 2020 to reduce the risk of realizing a deficit. A more comprehensive review will take place after the June 2020 month end and Council will be presented with a corporate year end projection in September.