



## **REPORT**

**REPORT TO:** Mayor Bonnette and Members of Council

**REPORT FROM:** Jinsun Kim, Manager of Financial Planning and Budgets  
Amy Prueter, Acting Budgets and Financial Reporting Supervisor

**DATE:** May 3, 2021

**REPORT NO.:** CORPSERV-2021-0009

**RE:** Operating Budget Status for the year ended December 31, 2020  
and COVID-19 Update

### **RECOMMENDATION:**

THAT Report No. CORPSERV-2021-0009 dated May 3, 2021, regarding the Operating Budget Status for the year ended December 31, 2020 and COVID-19 Update be received;

AND FURTHER THAT all non-transit COVID-19 related operating results including those pertaining to Library operations, be consolidated and the SRA funding be applied as outlined in report CORPSERV-2021-0009.

### **BACKGROUND:**

The COVID-19 pandemic has had a significant impact across the Town of Halton Hills during 2020 and this is expected to continue into 2021. With the rollout of vaccines, concerns surrounding COVID-19 variants and a third wave of rising cases, the situation is constantly evolving. Responding to these changes quickly and efficiently continues to be a priority for the Town.

The purpose of this report is to provide Council with an update on the draft operating results for the year ended December 31, 2020, the financial impacts of COVID-19 as they relate to 2020 and the application of the Federal-Provincial Safe Restart Agreement (SRA) Funding. SRA funding has been made available under two separate funding streams to address municipal operating pressures resulting from COVID-19: 1) Municipal operations, excluding transit (non-transit) and 2) Transit operations. In 2020 the Town received the following Safe Restart funds:

<b>Non-Transit Stream</b>	<b>Transit Stream</b>
\$1,334,000	\$71,987

Since the Province made a Declaration of Emergency under the Emergency Management and Civil Protection Act on March 17, 2020, municipalities have transitioned through various stages of restrictions under the provincial safety frameworks ('A Framework for Reopening our Province' and 'COVID-19 response framework: keeping Ontario safe and open') throughout 2020.

In response to almost ten months of COVID 19 restrictions during 2020, many Town facilities were closed, and programs and services were either cancelled or provided in an alternate format, reducing both revenues and associated operating expenditures. In addition to changes in service levels and unanticipated COVID-19 related costs such as enhanced cleaning and personal protective equipment (PPE), other savings were achieved through efficiencies and changes to work practices.

Below is a summary of the 2020 cost savings/increases and lost revenues as they pertain to COVID-19:

#### COVID specific savings

- Part time wage reductions re: suspension of operations and cancelation of programs
- Reduced costs for contracted services
- Reduced travel and discretionary expenses
- Cancellation of non-essential staff training
- Reduced operating costs re: closure of facilities
- Reduction in office supplies expenditures
- Cancellation of community events
- Fuel and equipment cost savings related to the ActiVan fleet

#### COVID specific cost increases

- Information technology costs to allow Council and staff to work remotely
- Increased cleaning and sanitization costs
- Increased PPE costs for staff
- Staff overtime re: response to evolving COVID-19 requirements

#### COVID specific lost revenues/deferrals

- Lower revenues from development applications, development agreements, and building permits due to a slow-down in building starts in the first half of 2020

- Lost revenues due to canceled and modified programming (including cancelled theatre productions at the John Elliot Theatre)
- Lost revenues from facility and park closures and reduced service levels (including the elimination of vending machine and concession services)
- Lost user fees relating to cancelled spring/summer programs including in-person summer camps, fitness programs, ice rentals and aquatics, as well as modified fall programs for all recreational services and programming as per provincial guidelines
- ActiVan Fee waivers re: usage from March 30 to July 6, 2020
- Decrease in Library fine revenues due to the implementation of the Fines Free policy during 2020
- Reduced business license fee revenues re: the temporary or permanent closure of small businesses and delays in new-business start ups
- Interest waived on loan re-payments
- Waiver of rental and lease payments

## **COMMENTS:**

### **Operating status for the year ended December 31, 2020**

The financial information discussed below represents the current forecast operating results for the year ended December 31, 2020. These results are subject to change and will be confirmed once the year end audit is complete.

Staff have categorized the net operating results to align with the SRA funding streams and facilitate the application of funding to eligible COVID related pressures. The Town is currently forecasting a net year end deficit of \$528,259, prior to the allocation of any safe restart funding. This net deficit consists of a projected non COVID-19 related operating surplus of \$455,193, a COVID-19 (transit stream) surplus of \$327,537 and a COVID-19 (non-transit stream) operating deficit of \$1,310,989. Staff are anticipating that the non-transit Safe Restart funds can be used to fully offset the COVID-19 related deficit of \$1,310,989, resulting in a projected combined surplus position of \$782,730. The following table outlines these projected operating results for December 31, 2020:

**2020 Financial Report****For the period ending December 31, 2020**

	2020 YTD Actuals 31-Dec	2020 Final Budget Total	Remaining \$	Remaining %
Council	\$ 722,655	\$ 957,600	\$ 234,945	24.5%
Office of the CAO	4,260,373	4,386,400	126,027	2.9%
Corporate Services	5,273,760	5,492,000	218,240	4.0%
Library Services	3,209,446	3,651,100	441,654	12.1%
Fire Services	7,051,819	7,307,000	255,181	3.5%
Transportation & Public Works	12,138,811	13,423,900	1,285,089	9.6%
Planning & Development	1,513,764	1,438,100	(75,664)	(5.3%)
Recreation & Parks	8,194,917	7,442,300	(752,617)	(10.1%)
Corporate Expenses	3,317,863	1,177,600	(2,140,263)	(181.7%)
Capital Financing & Other	14,006,114	14,007,200	1,086	0.0%
<b>Total Net Expenditures</b>	<b>\$ 59,689,522</b>	<b>\$ 59,283,200</b>	<b>\$ (406,322)</b>	<b>(0.7%)</b>
Corporate Revenue				
Provincial Offences	\$ (251,350)	\$ (208,000)	\$ 43,350	20.8%
Investment Income	(1,155,000)	(1,155,000)	-	0.0%
Corporate Taxation*	(2,426,062)	(2,591,300)	(165,238)	(6.4%)
HH Community Energy	(1,313,051)	(1,313,100)	(49)	(0.0%)
Capital Chargeback & Other	(458,500)	(458,500)	-	0.0%
<b>Total Corporate Revenue</b>	<b>\$ (5,603,963)</b>	<b>\$ (5,725,900)</b>	<b>\$ (121,937)</b>	<b>2.1%</b>
<b>Net Position</b>	<b>\$ 54,085,559</b>	<b>\$ 53,557,300</b>	<b>\$ (528,259)</b>	<b>1.0%</b>
Levies & Special Levies	(53,557,300)	(53,557,300)	-	0.0%
<b>Categorization of Net Position:</b>				
Non Covid 19 related	(455,193)	-	455,193	
Covid 19 related - Transit	(327,537)	-	327,537	
Covid 19 related - Non Transit	1,310,989	-	(1,310,989)	
	<b>\$ 528,259</b>	<b>\$ -</b>	<b>\$ (528,259)</b>	
SRA Funding - Covid 19 Non-Transit	(1,310,989)	-	1,310,989	
<b>Net Position After SRA Funding</b>	<b>\$ (782,730)</b>	<b>\$ -</b>	<b>\$ 782,730</b>	<b>1.5%</b>
<b>Proposed Distribution of Remaining Net Budget</b>				
Library Stabilization Reserve			39,639	
Tax Rate Stabilization Reserve			743,091	
			<b>\$ 782,730</b>	
<b>Forecast Final Net Position</b>			<b>\$ (0)</b>	

\* includes PIL, supplementary tax, penalties etc.

The following table provides a more detailed breakdown of the application of the Safe Restart funding to non-transit related operations in the context of the projected 2020 operating results:

	COVID		Non-COVID Operations	Combined Total
	Non-Transit Operations	Transit Operations		
Revenue - Surplus/(Shortfall)	\$ (4,017,250)	\$ (134,442)	\$ 1,661,480	\$ (2,490,212)
Expenditure - Savings/(Overruns)	2,706,261	461,979	(1,206,287)	1,961,953
Net Surplus/(Deficit) before SRA funding	\$ (1,310,989)	\$ 327,537	\$ 455,193	\$ (528,259)
SRA funding applied	1,310,989	-	n/a	1,310,989
<b>Net after SRA funding</b>	<b>\$ -</b>	<b>\$ 327,537</b>	<b>\$ 455,193</b>	<b>\$ 782,730</b>

The COVID-19 related non-transit deficit of \$1,310,989 is net of a \$338,872 surplus related to Library operations, which is attributed in the main to part time labour savings from branch closures due to the pandemic. The following table summarizes the forecast 2020 operating results as they pertain to Library Services:

Breakdown of Library Services 2020 Operating Results	
	\$
Library Services Net Operating Surplus	441,654
Corporate Expenses COVID-19 (Library)	(63,143)
	<u>378,511</u>
COVID-19 related	338,872
Non-COVID-19 related	39,639
	<u>378,511</u>

The Town's reserve policy (PLCY-2018-0004) contains a provision that any annual operating surplus generated by the Library will be transferred to the Library reserve. However, staff is recommending a one-time deviation to this policy due to the extenuating circumstances of the COVID-19 pandemic. Instead, Library surplus funds in 2020 that are directly attributable to COVID-19 (\$338,872 estimated) will be returned to the Town and used to offset the corporate pandemic related deficit prior to applying any SRA funding. This ensures the Town is in alignment with the anticipated Provincial Guidelines. The library surplus that is considered to be non-COVID related will be transferred to the Library reserve as per policy (\$39,639 estimated).

The unapplied SRA funding as shown in the table below will be deferred and used to help address 2021 COVID-19 related operating pressures if permitted or returned to the respective provincial ministries if directed.

	Non-Transit Stream	Transit Stream
SRA funding received in 2020	\$ 1,334,000	\$ 71,987
Applied to eligible pressures	(1,310,989)	-
Net remaining to be deferred	\$ 23,011	\$ 71,987

#### COVID-19 Related Deficit - Municipal Operations (Non-transit)

Currently, there are no available detailed regulations or guidelines for staff to follow when determining the Town's eligible COVID-19 expenditures or applicable COVID-19 savings. Instead, staff used guidelines that were provided from previous applications of grants to create the following framework:

COVID-19 expenses and savings are those directly attributable to the COVID-19 response and include the purchase of materials and services as well as staffing costs stemming from changes to operations that enabled the Town to continue operations during the pandemic.

The following table provides a breakdown of the main drivers that constitute the non-transit COVID-19 related operating deficit:

<b>COVID-19 Drivers</b>	<b>Amount</b>	<b>Total</b>
R&P Facilities	\$ (1,042,433)	
COVID costs	(815,907)	
Permits & applications	(356,101)	
Penalty & interest on outstanding taxes	(244,001)	
Parks Operations	(191,033)	
Programs (e.g. summer camps, seniors etc)	160,785	
Crossing guards	162,323	
Library	338,872	
Office closure	676,506	
Total COVID-19 related surplus/(deficit)		\$ (1,310,989)

### COVID-19 Related Transit Operations

ActiVan (transit) operations is currently projecting a net surplus of \$327,537. A revenue shortfall of (\$134K) was offset by savings in part time wages and benefits (\$210K) and reduced contracted services (184K) due to changes in operations. At this time, it is anticipated that Safe restart funds from the transit funding stream will not be utilized as savings from operations were more than sufficient to offset the COVID-19 impacts. COVID-19 related savings that are specific to transit operations were not used to reduce the Town's non-transit related COVID-19 deficit due to the segregation of these two types of operations through the SRA funding program.

### Non COVID-19 Related Operations

Throughout the course of a typical budget year, the Town would ordinarily experience financial variances that are both positive and negative, relating to non-routine operating occurrences. To be able to separate these results from those pertaining to the COVID-19 pandemic, staff reviewed the 2020 operating results using the following framework:

Non-COVID expenses and revenues are those costs or savings that would have occurred regardless of the pandemic. Examples include:

- Repairs performed on equipment/buildings
- Variances in investment income
- Legal fees for municipal matters
- Insurance premium increases
- Salary gapping (permanent positions - as a variance to the corporate provision)

In 2020, the non-COVID related operating impact is estimated to be a surplus position of \$455,193. The following table provides a breakdown of this surplus by department:

<b>Non-COVID-19 Operations Drivers</b>	<b>Amount</b>	<b>Total</b>
Council	\$ 89,822	
Office of the CAO	27,015	
Corporate Services	346,210	
Library Services	39,639	
Fire Services	159,862	
Planning & Sustainability	127,487	
Recreation & Parks	118,418	
Transportation & Public Works	878,201	
Corporate Expenses	(1,357,420)	
Corporate Revenues	25,959	
Total normal operations surplus/(deficit)	\$	455,193

The following table categorizes the Non-COVID-19 related surplus of \$455,193 by category:

	Council	Office of the CAO	Corporate Services	Library Services	Fire Services	Planning & Sustainability	Recreation & Parks	TPW	Corporate Expenses	Corporate Revenues	Total
Salary & Benefits (Gapping)	29,200	(35,369)	143,168	33,492	305,728	82,785	124,151	878,645	(755,000)	0	806,800
Recoveries	25,600	(19,414)	(37,800)	1,027	1,786	4,822	6,790	228,524	0	0	211,335
Contracted Services/consultants	15,000	(53,098)	88,198	10,171	(84,914)	26,741	4,976	158,298	0	0	165,372
Repairs & Maintenance	0	0	3,554	2,447	(56,166)	0	17,020	(9,633)	0	0	(42,778)
Advertising/Public Relations	10,300	(4,789)	(7,563)	1,472	378	75	(3,024)	2,679	58,214	0	57,742
Insurance	0	1,000	0	0	0	0	(219)	(24,160)	(220,787)	0	(244,166)
Legal	0	0	0	0	0	0	0	0	(292,539)	0	(292,539)
Memberships/utilities/phones etc.	5,700	17,604	7,453	9,759	8,521	4,933	(931)	(35,402)	38,456	0	56,093
Grants received	0	32,270	0	10,028	0	0	209	(12,880)	0	0	29,627
Contributions from reserves	0	32,918	150,000	0	(22,744)	0	52,203	(655,662)	0	0	(443,285)
Misc fees/fine revenues	0	40,269	(9,172)	2,668	1,698	6,623	(23,486)	120,624	0	0	139,224
Financial assistance/grants provided	0	7,425	0	0	0	0	(48,687)	0	0	0	(41,262)
Miscellaneous Expenses/(revenues)	4,022	8,199	8,372	(31,425)	5,575	1,508	(10,584)	227,168	(185,764)	25,959	53,030
	89,822	27,015	346,210	39,639	159,862	127,487	118,418	878,201	(1,357,420)	25,959	455,193

## Implementation of Mitigation Plan

As the Provincial restriction levels change, operations will continue to be adjusted to meet public health measures, examples of some of these changes are outlined below:

<b>Council</b>
<ul style="list-style-type: none"> <li>Committees of Council suspended until further notice</li> <li>Discretionary expense savings</li> </ul>
<b>Office of the CAO</b>
<ul style="list-style-type: none"> <li>Discretionary expense savings</li> <li>Part time positions to remain vacant for 2020</li> </ul>
<b>Corporate Services</b>
<ul style="list-style-type: none"> <li>Reduced non-essential training</li> <li>Reduced contracted services as a result of office closure</li> </ul>
<b>Library Services</b>
<ul style="list-style-type: none"> <li>Discretionary expense savings</li> <li>Savings in part time wages</li> </ul>



<b>Fire Services</b>
<ul style="list-style-type: none"> <li>• Savings in fuel and equipment supplies as fire vehicles respond to fire calls only</li> <li>• Non-essential repairs and maintenance to be postponed</li> </ul>
<b>Planning &amp; Development</b>
<ul style="list-style-type: none"> <li>• Only professionally required training to be completed</li> <li>• Mileage reduced as Regional meetings held over Zoom</li> </ul>
<b>Transportation &amp; Public Works</b>
<ul style="list-style-type: none"> <li>• Speed &amp; delay studies cancelled for this year</li> <li>• Part time and student positions for Engineering &amp; Transportation to remain vacant for 2020</li> </ul>
<b>Recreation &amp; Parks</b>
<ul style="list-style-type: none"> <li>• Discretionary expense savings</li> <li>• Savings in part time wages</li> <li>• Savings in external reproduction costs &amp; contracted services due to cancelled printing of Fall &amp; Winter 2020-21 Community Services &amp; Activity Guide</li> <li>• Utility savings from facility closures and modified hours</li> <li>• Savings in program expenses due to virtual &amp; modified programming</li> </ul>

## COVID-19 Staged Recovery Plan

The Town implemented a staged recovery plan in accordance with the provincial safety frameworks, advancing from stage 1 to stage 3 under 'A Framework for reopening our Province' (March – October 2020) and moving from Grey/Lockdown level to the Red/Control level under 'COVID-19 Response Framework: keeping Ontario safe and open' (November 2020 onwards). This has allowed the gradual reopening of Town facilities and services with measures in place to ensure physical distancing while following expanded health and safety requirements. Staff will continue to adhere to the advice of public health officials and will make the necessary adjustments in response to new information that will keep the public and staff safe.

The following service levels were reintroduced in 2020:

- Opening of Town Hall and facility service counter by appointment only using online booking and COVID-19 screening tools
- ActiVan drivers return to work as trip volumes recover
- Opening of parks for services/programs/rentals and of community centres/arenas with modified programming and hours of operation
- Ice programs to continue on limited ice surfaces at Mold Master's Sportsplex beyond March 31, 2021
- Restart of various programs at a reduced capacity, including organized community floor user groups (e.g. lacrosse, volleyball, etc.), swimming lessons, advanced leadership programs, group fitness classes, Walkfit at MMSP, and inline skating in Acton
- Expansion of programming and hours of operation in Youth Centres and Hillsview Active Living Centres
- Launch of curbside lunch program at Hillsview Active Living Centres – funded through a Local Health Integration Network grant until March 31, 2021
- Reintroduction of “pop-up” activities in neighbourhood parks

## **Financial Position (Cash, Reserves, and Development Charges) Update**

### Cash and Working Capital

In response to the financial impacts caused by the COVID-19 pandemic, Town Council approved tax relief measures in March 2020 to provide taxpayers with additional time to pay and waived penalties/fees on late payments. These measures included:

- The waiver of late payment penalties, interest, non-sufficient funds and arrears fees between April and June
- The cancellation of payments or partial payments under Pre-Authorized Payment Plan (PAP) without penalty between April and June
- Deferral of the final tax due dates and an extended PAP that ended in December 2020

In addition, the property tax installments to the Region and the Province for the School Boards were also deferred in 2020, to assist municipalities with their cash flows as they managed the expected delays in receipts of tax payments.

As of December 31, 2020, tax collections were only slightly below those of prior years:

As at Dec. 31, 2020	2020	2019	2018
Current Years Collections	97.20%	97.73%	97.43%
Current Years Outstanding*	2.80%	2.27%	2.57%

\* includes installment not yet due

With respect to taxes in arrears, the final balance as of December 31, 2020 is \$6.0 million, a \$1.2 million increase over the 2019 balance, and can be attributed to COVID-19.

The Town also receives monthly supplementary tax files from May to October. In 2020, \$787,517 of supplemental billings were processed, which is slightly less than prior years but surpassed the budget. Following a review of the Town's operations, the Treasurer transferred \$462,517 of the additional supplemental taxes received (ie: the excess over budget) to the tax rate stabilization reserve as a precautionary measure during these uncertain times to ensure sufficient cash on hand.

### Status of Reserves

The Town's reserves (net of inter-fund loan commitments) as of December 31, 2020 are estimated to total \$34.8 million, including \$5.5 million in the tax rate stabilization reserve. Overall, reserves have decreased since 2019 as anticipated in the Town's Long-Range Financial Plan (LRFP). The final balances will be confirmed once the annual audit is complete and will be reported to Council through the 2020 year-end Reserve and Reserve Fund report. The following table provides a preliminary summary of the Town's reserves for December 31, 2020:

	Jan. 1, 2020	Additions	Reductions	Interfund Loans	Dec. 31, 2020*
Stabilization Reserves:					
Contingency	\$ 3,102,769	\$ -	\$ (892,888)		\$ 2,209,881
Severe Weather Event	750,000	-	-		750,000
Tax Rate Stabilization	6,221,327	1,305,800	(2,020,996)		5,506,131
Operating Reserves	7,558,288	745,121	(1,770,586)	(969,159)	5,563,663
Capital Reserves	37,841,381	18,434,679	(9,930,019)	(25,591,786)	20,754,256
Discretionary Reserve	10,335	235	-		10,570
Total	<u>\$ 55,484,100</u>	<u>\$ 20,485,835</u>	<u>\$ (14,614,489)</u>	<u>\$ (26,560,945)</u>	<u>\$ 34,794,501</u>
<i>*includes 2020 budgeted commitments and receipt of the Hydro Promissory Note repayment</i>					

The Bank of Canada reduced the target interest rate from 1.75% to 0.25% through three 50 basis point reductions during the month of March 2020, which significantly reduced potential earnings on new investments and interest earned on cash. The Town continues to pool its investments with Halton Region in an effort to obtain a better rate of return. The Town has accumulated favourable earnings to date on the funds invested with the Region. The Region maintains securities in various maturity terms in order to manage interest rate risk and enhance the realized rate of return. Although interest rates have been reduced considerably, investments made pre-COVID were able to yield a higher rate of return which resulted in higher interest earned, and a benefit to the Town.

Development Charge (DC) collections are a significant source of revenue for the Town. The 2020 collections as shown in the table below came in slightly lower than projected in the 2019 LRFP. Higher than anticipated residential building activities later in the year helped the revenue collections despite the COVID-19 impact on new industrial and commercial developments.

Forecast as per 2019 LRFP	Actual 2020	Difference
\$ 3,719,092	\$ 3,653,142	\$ (65,950)

#### Building Permit Reserve Fund

A portion of the COVID-19 related deficit is related to a slow-down in construction during the initial period of lockdown. Building permits increased in the last quarter of the year and were close to budgeted levels (93.2%) by December 31. The Town has a building permit stabilization fund to address the year over year volatility of service volumes for building permit activities in accordance with the Building Code Act. The estimated reserve fund balance for December 31, 2020 is \$5.1 million, and is summarized in the table below:

Building Permit Reserve Fund					
Jan 1, 2020	Additions	Reductions	Interest	Dec 31, 2020	
\$ 4,903,657	\$ 916,543	\$ (765,594)	\$ 132,080	\$ 5,186,685	

#### **RELATIONSHIP TO STRATEGIC PLAN:**

This report supports the following strategic objectives:

- Establish sustainable financing, asset management and master plans to acquire, operate, maintain, renew and replace infrastructure.
- Continue to provide timely and transparent communications with the Town's residents and business owners.

**FINANCIAL IMPACT:**

It is currently expected that the Town's 2020 operations will result in a net surplus of \$782,730 after utilizing SRA funding of \$1,310,989. The financial information contained in this report is subject to change until the year end audit is complete. As such, staff will report back to Council with the final operating results after the year end process is complete.

**CONSULTATION:**

Finance staff consulted with the CAO, Senior Management Team, Town operating departments, Finance staff, and Halton Area Treasurers for information included in this report.

**PUBLIC ENGAGEMENT:**

No public engagement was required for this report.

**SUSTAINABILITY IMPLICATIONS:**

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The recommendation outlined in this report is not applicable to the Strategy's implementation.

**COMMUNICATIONS:**

There is no communications impact resulting from this report.

**CONCLUSION:**

The Town of Halton Hills is in a strong financial position as a result of implementing a comprehensive COVID-19 cost reduction and mitigation plan at the start of the pandemic, combined with the timely financial support provided through the Federal-Provincial Safe Restart Agreement. In addition, the Town has a clearly defined Long Range Financial Plan, with a structured approach to ensuring reserve balances are maintained. This allows the Town to continue to manage the fiscal impacts of this unforeseen/unplanned pandemic through a combination of deferring expenditures and using the available operating surplus to strengthen cash reserves. Staff will report to Council with the final 2020 operating results following the year end audit.

Reviewed and Approved by,

A handwritten signature in dark ink, appearing to read "M. J. Leighton".

Moya Jane Leighton, Director of Finance & Town Treasurer

A handwritten signature in dark ink, appearing to read "Laura Lancaster".

Laura Lancaster, Acting Commissioner of Corporate Services

A handwritten signature in dark ink, appearing to read "C. Mills".

Chris Mills, Acting Chief Administrative Officer