



TOWN OF  
**HALTON HILLS**  
*Working Together Working for You!*

## REPORT

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

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

**DATE:** August 4, 2021

**REPORT NO.:** CORPSERV-2021-0028

**SUBJECT:** Operating Budget Status as at May 31, 2021 and COVID-19 Update

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### RECOMMENDATION:

THAT Report No. CORPSERV-2021-0028 dated August 4, 2021, regarding the Operating Budget Status as at May 31, 2021 and COVID-19 Update be received for information.

### KEY POINTS:

The following are key points for consideration with respect to this report:

- As of May 31, 2021 the Town has incurred net expenditures of \$22,290,376 with 60.2% of the budget remaining.
- A total of \$1,440,536 in Federal/Provincial Safe Restart Agreement (SRA) funding will be available to help address the Town's COVID-19 (non-transit) related operating pressures in 2021.
- A net surplus of \$296,965 is projected for 2021, assuming the application of \$992,812 of SRA funding to the estimated COVID-19 (non-transit) related deficit.

### BACKGROUND AND DISCUSSION:

The COVID-19 pandemic has had a significant impact across the Town of Halton Hills since 2020 and its impact has continued into 2021. With concerns surrounding COVID-19 variants and the rollout of vaccines, the situation continues to evolve in 2021 and responding to 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 2021 operating results as at May 31, 2021, including financial implications of COVID-19 and the related financial support available through the Federal-Provincial Safe Restart Agreement (SRA) Funding.

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', the 'COVID-19 response framework: keeping Ontario safe and open', and the 'Roadmap to Reopen') over the past year and a half.

On July 16, 2021, the Region of Halton entered Step Three of the Province's 'Roadmap to Reopen'. As key public health and health care indicators continue to improve, Step Three allows the resumption of indoor activities and services, increased numbers of people in both indoor and outdoor gatherings and the reopening of businesses unable to open previously. Public health measures such as implementing capacity limits, use of face coverings and practicing physical distancing continue to be in place. The Province will remain in Step Three until key public health targets are met, including vaccination rates.

In order to provide the vaccination program, Halton Region Public Health began running COVID-19 Community Clinics on March 6, 2021. The clinic sites are operated and funded by Halton Region Public Health and are open on a walk-in and appointment basis for eligible populations identified by the Province. The Gellert Community Centre was selected as the site for the Halton Hills Community Clinic. Other clinic sites are added as required based on vaccination availability and community need.

Staff will continue to monitor the situation and report back to Council as 2021 progresses.

### **Operating Status as at May 31, 2021**

The financial information discussed below represents actual balances as at May 31, 2021.

**2021 Financial Report**  
**For the period ending May 31, 2021**

	2021 YTD Actuals 31-May	2021 Final Budget Total	Remaining \$	Remaining %
Council	\$ 324,042	\$ 962,200	\$ 638,158	66.3%
Office of the CAO	1,592,729	4,789,400	3,196,671	66.7%
Corporate Services	2,393,121	5,761,300	3,368,179	58.5%
Library Services	1,292,738	3,754,700	2,461,962	65.6%
Fire Services	1,542,581	7,811,100	6,268,519	80.3%
Transportation & Public Works	3,074,825	13,800,100	10,725,275	77.7%
Planning & Development	464,766	1,554,100	1,089,334	70.1%
Recreation & Parks	2,989,764	8,045,600	5,055,836	62.8%
Corporate Expenses	1,697,984	1,533,700	(164,284)	(10.7%)
Capital Financing & Other	9,602,484	14,176,000	4,573,516	32.3%
<b>Total Net Expenditures</b>	<b>\$ 24,975,034</b>	<b>\$ 62,188,200</b>	<b>\$ 37,213,166</b>	<b>59.8%</b>
Corporate Revenue				
Provincial Offences	\$ (1,990)	\$ (224,100)	\$ (222,110)	(99.1%)
Investment Income	(509,031)	(1,155,000)	(645,969)	(55.9%)
Corporate Taxation*	(2,173,637)	(2,985,900)	(812,263)	(27.2%)
HH Community Energy	-	(1,313,100)	(1,313,100)	(100.0%)
Capital Chargeback & Other	-	(470,600)	(470,600)	(100.0%)
<b>Total Corporate Revenue</b>	<b>\$ (2,684,658)</b>	<b>\$ (6,148,700)</b>	<b>\$ (3,464,042)</b>	<b>56.3%</b>
<b>YTD Net Expenditures (Spend Rate)</b>	<b>\$ 22,290,376</b>	<b>\$ 56,039,500</b>	<b>\$ 33,749,124</b>	<b>(60.2%)</b>
Levies & Special Levies	(56,039,500)	(56,039,500)	-	0.0%
<b>Net Budget Remaining</b>	<b>\$ (33,749,124)</b>	<b>\$ -</b>	<b>\$ 33,749,124</b>	<b>60.2%</b>

\* includes PIL, supplementary tax, penalties etc.

The following table shows the 2021 annual spend rate to budget compared to the 2020 rate:

Year	Net Expenditures May 31	Net Budget Remaining	Budgeted Levy	% of Budget Remaining
2020	\$ 20,947,566	\$ 32,609,734	\$ 53,557,300	60.9%
2021	\$ 22,290,376	\$ 33,749,124	\$ 56,039,500	60.2%

This indicates that the Town is well situated at May 31 with 60.2% of the budget remaining as COVID-19 recovery and reopening plans are put in place.

The Town was in lockdown and under strict restrictions for the first five months of 2021 in response to COVID-19. The spend rate has decreased slightly compared to 2020 as many Town facilities were closed, and programs and services were either cancelled or offered at lower service levels during this lockdown period. These measures combined with extensive cost cutting initiatives allowed reductions in operating expenses and also resulted in lower levels of off-setting revenues.

Below is a summary of cost savings/increases and lost revenues that the Town has incurred in 2021 as part of the COVID-19 response:

#### COVID specific savings

- Part time wage reductions as some services suspend operations and cancel programs
- Reduced contracted service costs
- Reduced travel and discretionary expenses
- Cancellation of non-essential staff training
- Reduced facility costs in closed facilities
- Reduced office supplies consumption
- 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 requiring additional cleaning supplies
- Increased PPE costs for staff
- Staff overtime as staff respond to evolving COVID-19 requirements

#### COVID specific lost revenues/deferrals

- Lost revenue due to canceled and modified programming (including cancelled theater productions at John Elliot Theatre)
- Lost revenues from facility and park closures and reduced service levels (including closed vending machine and concession services)
- Lost user fees relating to cancelled spring/summer programs including in-person children's & fitness programs, ice rentals and aquatics, as well as modified summer & fall programs for all recreational services (including summer camps), ice rentals, floor and room rentals; as per provincial guidelines
- Lower annual ActiVan revenues as ridership numbers recover
- Decrease in Library fine revenues due to the implementation of the Fines Free policy in 2020
- Interest waived on loan re-payments & waiver of rental and lease payments

## Budget Savings/Shortfalls by Type and SRA Funding Applications

A forecast of the operating revenues and expenditures for the 2021 budget period, including the financial implications of the Town's recovery plan are as follows:

Department	2021 Budget	2021 Actual & Forecast			Variance to Budget
		Actual	Forecast	Total	
		YTD May 31	Jun 1 - Dec 31		
Council	\$ 962,200	\$ 324,042	\$ 471,808	\$ 795,850	\$ 166,350
Office of the CAO	4,789,400	1,592,729	2,943,934	4,536,663	252,737
Corporate Services	5,761,300	2,393,121	3,144,058	5,537,179	224,121
Library Services	3,754,700	1,292,738	2,460,617	3,753,355	1,345
Fire Services	7,811,100	1,542,581	6,085,948	7,628,529	182,571
Transportation & Public Works	13,800,100	3,074,825	9,498,555	12,573,380	1,226,720
Planning & Development	1,554,100	464,766	1,067,225	1,531,991	22,109
Recreation & Parks	8,045,600	2,989,764	5,855,569	8,845,333	(799,733)
Corporate	1,533,700	1,697,984	1,595,288	3,293,272	(1,759,572)
Capital Financing & Other	14,176,000	9,602,484	4,573,516	14,176,000	(0)
<b>Total Net Expenditures</b>	<b>\$ 62,188,200</b>	<b>\$ 24,975,034</b>	<b>\$ 37,696,517</b>	<b>\$ 62,671,551</b>	<b>\$ (483,351)</b>
Corporate Revenues	(6,148,700)	(2,684,658)	(3,251,546)	(5,936,204)	(212,496)
Levies & Special Levies	(56,039,500)	(56,039,500)	-	(56,039,500)	-
<b>Net Total</b>	<b>\$ -</b>	<b>\$ (33,749,124)</b>	<b>\$ 34,444,971</b>	<b>\$ 695,847</b>	<b>\$ (695,847)</b>

As discussed in detail below, 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. Therefore, the projected results of the 2021 operation to year end have been categorized in the same manner, in order to align with the funding streams as follows:

	COVID		Non-COVID Operations	Combined Total
	Non-Transit Operations	Transit Operations		
Revenue - surplus/(shortfall)	(3,001,240)	(184,236)	125,043	(3,060,433)
Expenditure - savings/(overruns)	2,008,428	321,390	34,768	2,364,586
Net surplus/(deficit) before SRA funding	(992,812)	137,154	159,811	(695,847)
SRA funding to be applied	992,812	-	n/a	992,812
Net after SRA funding	-	137,154	159,811	296,965

As a result, the SRA funding will be applied only to the eligible deficit in the non-transit COVID-19 related category (\$992,812), resulting in an overall projected net surplus of \$296,965 when combining the COVID related transit operation (\$137,154) and the remaining Town operations (\$159,811).

The SRA funding available for 2021 is shown below and will be used to help address 2021 operating pressures where applicable at year end.

	Non-Transit Stream	Transit Stream
SRA funding deferred from 2020	23,011	71,987
SRA funding in 2021	1,417,525	157,437
Total SRA funding available in 2021	<u>1,440,536</u>	<u>229,424</u>

The projected operating results are driven by the following:

#### COVID-19 Related, Non-transit Municipal Operations

COVID-19 related, non-transit municipal operations are those expenses and savings directly related to COVID-19 response. It is projected that these operating expenses and savings will result in \$992,812 in shortfall as follows:

<b>COVID-19 Drivers</b>	<b>Amount</b>	<b>Total</b>
R&P Facilities	\$ (771,897)	
COVID costs	(273,208)	
Programs	(214,485)	
Miscellaneous	(150,807)	
Parks Operations	(147,900)	
Library	(36,170)	
Permits & applications	(17,500)	
Penalty & interest on outstanding tax	36,952	
Crossing guards	166,677	
Office closure	415,527	
Total COVID-19 related surplus/(deficit)	\$	(992,812)

#### COVID-19 Related Transit Operations

ActiVan (transit) operations are projected to have a net surplus of \$137,154. The revenue shortfall of (\$184K) is expected to be offset by savings in part time wages and benefits (\$137K) and reduced contracted services (130K) as a result of reduced operations. Ridership levels are expected to increase as businesses and facilities reopen but are not expected to return to pre-pandemic levels during 2021.

## 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. Non COVID-19 expenses and revenues are those costs or savings that would have occurred regardless of the pandemic (for example repairs performed on equipment or legal fees incurred for municipal matters).

In 2021, the non-COVID related operating impact is estimated to be a surplus position of \$159,811. 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	\$ 73,603	
Office of the CAO	167,802	
Corporate Services	158,864	
Library Services	35,995	
Fire Services	180,421	
Transportation & Public Works	988,628	
Planning & Development	(7,392)	
Recreation & Parks	99,050	
Corporate Expenses	(1,538,763)	
Corporate Revenues	1,603	
Total normal operations surplus/(deficit)	\$	159,811

## **Implementation of Mitigation Plan**

The following table outlines the service level and operating spending changes that have been implemented by department to mitigate COVID-19 pressures. As the Provincial restriction levels change, operations will continue to be adjusted to meet public health measures.

<b>Council</b>
<ul style="list-style-type: none"><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 position to remain vacant for 2021</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> </ul>
<b>Fire Services</b>
<ul style="list-style-type: none"> <li>• Non-discretionary expense savings</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>• Discretionary expense savings</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>• 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

During 2020 and 2021, the Town has 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 2020 – October 2020) and moving from Grey/Lockdown level to the Red/Control level and back to the Lockdown under 'COVID-19 Response Framework: keeping Ontario safe and open' (November 2020 – June 2021). On June 11, 2021, the Province moved into Step One of its Roadmap to Reopen which began to lift public health measures. This allowed the reopening of Town facilities and services with measures in place to ensure physical distancing while following health and safety requirements. Staff will continue to adhere to the advice of public health officials and will make adjustments in response to new information that will keep the public and staff safe.

At the time of writing this report, the Town has transitioned to Step Three of the Roadmap and the following service levels were reintroduced in the first six months of 2021:

- Continuation of Active Living virtual programming, with planning for outdoor fitness classes beginning in July; indoor in-person fitness classes resume Fall 2021
- Operation of youth centres with modified indoor capacities or curbside services; Youth Leadership session offered at both locations



- Modified in-person programming and indoor capacity limits for the Hillview Active Living Centres
- Planning and registration for in-person summer day camps offered outdoors (half days) and indoors (full days) at three locations each
- Planning and registration for reopening of aquatic facilities for lane swims, recreational swims and aquafit classes in July; learn to swim and Advanced Leadership programs offered
- Reintroduction of neighbourhood programming with “pop up” activities in six different locations for the summer
- Registration and planning for reopening of arenas for lacrosse, volleyball and pickleball programming; registered ice user programs began in August with full programming and community ice users to resume in September 2021
- Gradual reopening of parks to allow services/programs/rentals with modified programming and increasing participant numbers
- ActiVan drivers return to work as trip volumes recover

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

### Cash and Working Capital

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

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

In addition, the Town offered tax relief in 2021 by implementing an application-based PAP program. Under this program, a one-time COVID-19 pre-authorized monthly re-payment plan is available to property owners, who are adversely impacted by COVID-19. The deadline to submit applications for this specialized plan was May 15<sup>th</sup>, 2021.

In 2020 taxes outstanding were approximately 3.7% higher than the 2019 pre-pandemic levels. Currently, tax collections are tracking toward historical averages with outstanding taxes being 2.8% (\$1.2M) higher than 2019.

As at May 31, 2021	2021	2020	2019	2018
Current Years Collection	44.6%	43.7%	47.4%	46.9%
Current Years Outstanding	55.4%	56.3%	52.6%	53.1%

\* includes installment not yet due

With respect to taxes in arrears, the estimated balance at December 31, 2021 is approximately \$5.7 million, a \$300K decrease over the 2020 balance. It should be noted that this is an estimate based on information available at the time of this report and a final number will not be known until the final tax installment due date has passed. The Town receives monthly supplementary tax files from May to October which are added to the tax roll accordingly. Staff is working closely with MPAC to ensure all information is available for their review. MPAC will be providing the Town with the last supplemental file at the end of October for the 2021 year.

### Status of Reserves

The Town's reserves (net of inter-fund loan commitments) on May 31, 2021 was \$39 million, including \$7.3 million in the tax rate stabilization reserve. Overall, reserves have decreased since 2019 as anticipated as part of the Town's Long-Range Financial Plan (LRFP). More detailed information on reserve balances will be reported to Council through the quarterly Reserve and Reserve Fund report.

	Jan. 1, 2021	Additions	Reductions	Interfund Loans	May 31, 2021
Stabilization Reserves:					
Contingency	\$ 2,402,240	\$ 55,552	\$ 22,117		\$ 2,479,909
Severe Weather Event	750,000	-	-		750,000
Tax Rate Stabilization	6,948,865	513,417	(91,731)		7,370,551
Operating Reserves	4,612,084	386,572	(1,297,500)	(813,937)	3,701,156
Capital Reserves	27,362,530	6,700,997	(8,913,089)	(19,245,968)	25,150,439
Discretionary Reserves	10,618	-	(505)		10,113
Total	<u>\$42,086,337</u>	<u>\$7,656,538</u>	<u>\$(10,280,707)</u>	<u>\$(20,059,906)</u>	<u>\$ 39,462,168</u>

The Bank of Canada has maintained the target interest rate of 0.25% since 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 Charges

Development Charge (DC) collections are a significant source of revenue for the Town. The 2021 collections as shown below are projected to come in \$1.0 million lower than previously identified in the 2019 LRFP. Contributing to this forecasted shortfall is the current pandemic that adds a degree of uncertainty for new commercial and industrial developers, resulting in a significant reduction in the volume of building permits being issued for these classes of development.

Forecast as per 2019 LRFP	2021 Actual & Forecast			Estimated Shortfall
	Jan - May	June - Dec	Total	
\$ 6,197,296	\$ 2,161,772	\$ 3,028,965	\$ 5,190,737	\$ (1,006,559)

## Building Permit Reserve Fund

The Town has a building permit stabilization fund to address year over year volatility of service volumes for building permit activities in accordance with the Building Code Act. An estimated reserve fund balance at May 31 is \$4.6 million.

Building Permit Reserve Fund				
Jan 1, 2021	Additions	Reductions	Interest	May. 31, 2021
\$ 5,186,685	\$ -	\$ (572,839)	\$ 43,981	\$ 4,657,827

As operations have adapted to COVID-19 public health restrictions, the projected impacts on 2021 building permit revenue and the reserve are returning to normal levels with variances being driven by construction rather than COVID-19 shutdowns.

## **STRATEGIC PLAN ALIGNMENT:**

This report aligns to the Town's Strategic plan recognizing the value to provide responsive, effective municipal government and strong leadership in the effective and efficient delivery of municipal services.

This report also identifies fiscal and corporate management as one of the Town's Strategic priorities.

## **RELATIONSHIP TO CLIMATE CHANGE:**

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

**PUBLIC ENGAGEMENT:**

Public Engagement was not needed as this report is administrative in nature.

**INTERNAL CONSULTATION:**

Finance staff consulted with operating departments for information included in this report.

## **FINANCIAL IMPLICATIONS:**

This report is administrative in nature and does not have any financial implications.

It is currently expected that the Town's 2021 operation results in a net surplus of \$296,965 after utilizing the SRA funding of \$992,812 as discussed above. As the COVID-19 situation is fluid and will result in changes to operations this forecast is likely to change before the of the year. As such, staff will report back to Council with the updated projections and final results and provide the appropriate funding plan for Council approval.

Reviewed and approved by,



Jinsun Kim, Manager of Financial Planning



Moya Jane Leighton, Director of Finance & Town Treasurer



Laura Lancaster, Acting Commissioner of Corporate Services



Chris Mills, Acting Chief Administrative Officer