



TOWN OF
HALTON HILLS
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REPORT

TO: Mayor Bonnette and Members of Council

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

DATE: August 12, 2022

REPORT NO.: CORPSERV-2022-0009

SUBJECT: Operating Budget Status for the year ended December 31, 2021 and COVID-19 Update

RECOMMENDATION:

THAT Report No. CORPSERV-2022-0009 dated August 12, 2021, regarding the Operating Budget Status for the year ended December 31, 2021 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-2022-0009.

KEY POINTS:

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

- At December 31, 2021 the Town incurred an operating deficit (prior to the application of Safe Restart Funds) of \$1,142,300 or 2.0% of the 2021 operating budget.
- A total of \$1,039,205 of the available Federal/Provincial Safe Restart Agreement (SRA) funding was applied to offset the Town's COVID-19 non-transit related operating pressures in 2021, reducing the operating deficit to \$103,095.
- Transit operations resulted in an annual surplus position of \$198,080 and does not meet the eligibility criteria to apply any SRA funding allocation.

- The resulting non-COVID related deficit for the year ending December 31, 2021 is \$301,175 (includes the library operating surplus of \$325,895 and the unused contract labour funding of \$275,500 that will be transferred to 2022).
- Following the application of SRA grants and transfer of unused funding and surplus budget dollars, the net deficit that remains unfunded, and requires a transfer from the tax rate stabilization reserve is \$704,490.
- All recommendations contained within this report do not involve the approval of new expenditures. All referenced expenditures occurred on or before December 31, 2021.

BACKGROUND AND DISCUSSION:

The COVID-19 pandemic has had a significant impact across the Town of Halton Hills since 2020 and this has continued into 2021 and 2022. With concerns surrounding COVID-19 variants and the rollout of vaccines, the situation continues to evolve and responding to changes quickly and efficiently remains a priority for the Town.

The purpose of this report is to provide Council with an update on the 2021 operating results at December 31, 2021, including the financial implications of COVID-19 and the related financial support available through 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)
2. Transit operations

The SRA funding available to help address 2021 operating pressures related to COVID-19 is shown below and any unused funding at year end is being held in deferred revenue until the Town receives further instruction from the Province for utilization of these funds in future years.

	Non-Transit Stream	Transit Stream
SRA funding deferred from 2020	587,011	71,987
SRA funding in 2021	853,525	57,401
Total SRA funding available in 2021	1,440,536	129,388

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 over the past two years.

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 allowed the resumption of indoor activities and services, increased numbers of people in both indoor and outdoor gatherings and reopening of businesses that were unable to open previously. Proof of vaccination status was introduced in 2021 and the requirement for wearing masks indoors and maintaining physical distances remained in place for 2021 as COVID-19 cases and vaccination status of residents were monitored.

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 were added as required based on vaccination availability and community need.

Operating status for the year ended December 31, 2021

The financial information discussed below represents the operating results for the year ended December 31, 2021. These results are subject to change until 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-19 related pressures. The Town has a net year end deficit of \$1,142,300, prior to the allocation of any SRA funding. This net deficit consists of a non-COVID-19 related operating deficit of \$301,175, a COVID-19 (transit stream) surplus of \$198,080 and a COVID-19 (non-transit stream) operating deficit of \$1,039,205. The non-transit SRA funds can be used to fully offset the COVID-19 related deficit of \$1,039,205, resulting in a combined deficit position of \$103,095. The following table summarizes these operating results for December 31, 2021.

2021 Financial Report
For the period ending Dec 31, 2021

	2021 YTD Actuals 31-Dec	2021 Final Budget Total	Remaining \$	Remaining %
Council	\$ 770,947	\$ 962,200	\$ 191,253	19.9%
Office of the CAO	4,804,899	4,789,400	(15,499)	(0.3%)
Corporate Services	5,394,834	5,761,300	366,466	6.4%
Library Services	3,451,237	3,754,700	303,463	8.1%
Fire Services	7,965,793	7,811,100	(154,693)	(2.0%)
Transportation & Public Works	13,073,295	13,800,100	726,805	5.3%
Planning & Development	1,581,772	1,554,100	(27,672)	(1.8%)
Recreation & Parks	8,340,539	8,045,600	(294,939)	(3.7%)
Corporate Expenses	3,983,570	1,533,700	(2,449,870)	(159.7%)
Capital Financing & Other	14,174,896	14,176,000	1,104	0.0%
Total Net Expenditures	\$ 63,541,783	\$ 62,188,200	\$ (1,353,583)	(2.2%)
Corporate Revenue				
Provincial Offences	\$ (98,433)	\$ (224,100)	\$ (125,667)	(56.1%)
Investment Income	(1,155,000)	(1,155,000)	-	0.0%
Corporate Taxation*	(3,047,399)	(2,985,900)	61,499	2.1%
HH Community Energy	(1,313,051)	(1,313,100)	(49)	(0.0%)
Capital Chargeback & Other	(746,100)	(470,600)	275,500	58.5%
Total Corporate Revenue	\$ (6,359,983)	\$ (6,148,700)	\$ 211,283	(3.4%)
Net Position	\$ 57,181,800	\$ 56,039,500	\$ (1,142,300)	2.0%
Levies & Special Levies	(56,039,500)	(56,039,500)	-	0.0%
Categorization of Net Position:				
Non Covid 19 related	301,175	-	(301,175)	
Covid 19 related - Transit	(198,080)	-	198,080	
Covid 19 related - Non Transit	1,039,205	-	(1,039,205)	
	\$ 1,142,300	\$ -	\$ (1,142,300)	
SRA Funding - Covid 19 Non-Transit	(1,039,205)	-	1,039,205	
Net Position After SRA Funding	\$ 103,095	\$ -	\$ (103,095)	(0.2%)

* includes PIL, supplementary tax, penalties etc.

The net deficit of \$103,095 consists of the following:

Allocation of Net Remaining Budget	
Non-COVID:	
Library surplus - Transfer to reserve	\$ 325,895
Contract savings carry-forward	275,500
Total deficit	(902,570)
Sub-total	\$ (301,175)
COVID Transit surplus	198,080
Net	<u>\$ (103,095)</u>

- Library surplus of \$325,895 - 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 Capital reserve. Accordingly, the non-COVID related Library surplus (\$325,895) will be transferred to the Library Capital reserve.
- Unused contract funding carry forward of \$275,500 – based on the policy approved through CORPSERV-2021-0006, the total accumulated unused funding related to hiring of approved contract resources will continue to be tracked and carried forward to future operating budgets to fund delayed or unforeseen temporary resource requirements during the year.
- Operating net deficit of \$704,490 – the operating deficit totals to \$902,570, which is offset by the \$198,080 surplus in Transit operations. The resulting net deficit of \$704,490 will require funding from the Tax Rate Stabilization reserve.

The distribution of the 2021 operating deficit and the related funding will be addressed through the Distribution and Funding Report No. CORPSERV-2022-0021 (2021 Final Operating Budget Position) to Council.

Safe-Restart Agreement (SRA) Funding

The following table provides a more detailed breakdown of the application of the SRA funding for non-transit related operations in the context of the 2021 operating results:

	COVID		Non-COVID Operations	Combined Total
	Non-Transit Operations	Transit Operations		
Revenue - surplus/(shortfall)	(3,899,002)	(154,872)	3,490,588	(563,286)
Expenditure - savings/(overruns)	2,859,797	352,952	(3,791,763)	(579,014)
Net surplus/(deficit) before SRA funding	(1,039,205)	198,080	(301,175)	(1,142,300)
SRA funding to be applied	1,039,205	-	n/a	1,039,205
Net after SRA funding	-	198,080	(301,175)	(103,095)

The unapplied SRA funding as shown in the table below is recorded as deferred revenue at the end of December 2021. Staff is awaiting further directions from the Province on how the funds will be used in future years.

	Non-Transit Stream	Transit Stream
SRA funding available in 2021	1,440,536	129,388
Applied to eligible pressures	(1,039,205)	-
Total SRA funding available in 2021	401,331	129,388

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

The following framework has been created for staff to identify costs related to COVID-19 operating pressures:

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 are the main drivers of the non-transit COVID-19 related operating deficit in 2021:

COVID-19 Drivers	Amount	Total
COVID costs	\$ (724,787)	
R&P Facilities	(573,994)	
Recreation Programs	(136,405)	
Parks Operations	(88,550)	
Library	(28,174)	
Miscellaneous	(17,825)	
Permits & applications	(10,239)	
Penalty & interest on outstanding taxes	6,479	
Increased Costs	75,532	
Crossing guards	142,811	
Office closure	315,948	
Total COVID-19 related surplus/(deficit)		\$ (1,039,205)

COVID-19 Related Transit Operations

ActiVan (transit) operations ended 2021 with a COVID-19 related net surplus of \$198,080. A revenue shortfall of (\$162K) was offset by savings in part time wages and benefits (\$130K) and reduced contracted services (171K) due to changes in operations. At this time SRA 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 COVID-19 related non-transit operations 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 2021 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 2021, the non-COVID related operating impact is a \$301,175 deficit. The following table provides a breakdown of this deficit by department:

Non-COVID-19 Operations Drivers	Amount	Total
Council	\$ 47,422	
Office of the CAO	(50,252)	
Corporate Services	401,611	
Library Services	325,895	
Fire Services	(178,381)	
Transportation & Public Works	444,520	
Planning & Development	(42,072)	
Recreation & Parks	268,600	
Corporate Expenses	(1,856,533)	
Capital Financing & Other	1,104	
Corporate Revenues	336,911	
Total normal operations surplus/(deficit)		\$ (301,175)

The non-COVID-19 related deficit of \$301,175 was largely driven by corporate expenses in 2021, relating to legal, insurance and WSIB expenses. Legal fees for OMB and other municipal matters were \$495K over budget as the Town seeks legal advice on increasingly complex matters. General insurance premiums were \$226K over budget and WSIB claim costs were also \$196K over budget. Further, higher than budgeted revenues (e.g. gravel royalties, building permit fees) resulted in higher transfers to reserves.

The following table categorizes the non-COVID deficit by category:

	Council	Office of the CAO	Corporate Services	Library Services	Fire Services	TPW	Planning & Development	Recreation & Parks	Corporate Expenses	Corporate Revenues	Total
Salary & Benefits (Gapping)	10,095	115,683	310,782	250,879	(214,265)	619,752	70,519	218,038	(1,093,029)	275,500	563,954
Recoveries	0	(20,414)	5,942	4,962	216	(62,323)	9,235	1,130	63,363	0	2,111
Contracted Services/consultants	15,000	(165,124)	75,899	13,469	(43,393)	471,341	(35,273)	32,490	(94,838)	0	269,572
Repairs & Maintenance	0	0	6,656	(6,308)	16,437	38,629	0	28,763	7,389	0	91,566
Advertising/Public Relations	16,716	(12,562)	(9,339)	(409)	609	(1,756)	(1,888)	(4,050)	37,132	0	24,452
Insurance	73	1,000	0	0	3,585	44,400	0	500	(182,194)	0	(132,636)
Legal	0	0	0	0	0	0	0	0	(494,668)	0	(494,668)
Memberships/utilities/phones etc.	691	(7,227)	8,114	(242)	(8,862)	(19,934)	(8,224)	(4,263)	43,651	0	3,704
Grants Received	1,993	13,433	0	75,617	0	(17,730)	0	56,601	0	0	129,914
Contributions to/from reserves	0	(22,353)	0	100	55,077	(474,415)	(97,101)	0	(406,877)	(137,765)	(1,083,333)
Misc Fees/Fine Revenues	0	43,919	(848)	137	(2,500)	(158,305)	(2,477)	8,260	(91,782)	130,171	(73,425)
Financial Assistance/grants provided	(8,695)	1,225	0	0	0	0	0	(1,282)	(22,395)	(14)	(31,161)
Miscellaneous Expenses/(revenues)	11,550	2,168	4,405	(12,310)	14,716	4,860	23,136	(67,588)	378,820	69,019	428,775
	47,422	(50,252)	401,611	325,895	(178,381)	444,520	(42,072)	268,600	(1,855,428)	336,911	(301,175)

Implementation of Mitigation Plan

The following section 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 are adjusted to meet public health measures.

Council
<ul style="list-style-type: none"> Discretionary expense savings
Office of the CAO
<ul style="list-style-type: none"> Discretionary expense savings Part time position remained vacant for 2021
Corporate Services
<ul style="list-style-type: none"> Reduced non-essential training Reduced contracted services as a result of office closure
Library Services
<ul style="list-style-type: none"> Discretionary expense savings
Fire Services
<ul style="list-style-type: none"> Non-discretionary expense savings Non-essential repairs and maintenance postponed

Planning & Development
<ul style="list-style-type: none"> • Only professionally required training completed • Mileage reduced as Regional meetings held over Zoom
Transportation & Public Works
<ul style="list-style-type: none"> • Discretionary expense savings
Recreation & Parks
<ul style="list-style-type: none"> • Discretionary expense savings • Savings in part time wages • Utility savings from facility closures and modified hours • Savings in program expenses due to virtual & modified programming

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).

In July, 2021, The Town has transitioned through Step Three of the provincial Roadmap to Reopen and the following service levels were reintroduced:

- Continuation of active living virtual programming, with outdoor fitness classes beginning in July; indoor in person fitness classes resumed in the fall
- 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
- Curbside lunch program continued at 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
- Registration required for aquatic facilities for lane swims, recreational swims and aquafit classes in July; learn to swim and Advanced Leadership programs offered starting in the fall
- Reintroduction of neighbourhood programming with “pop up” activities in six different locations for the summer

- Reopening of arenas for lacrosse, volleyball and pickleball programming; registered ice user programs began in August with full programming and community ice users resuming in September 2021
- Gradual reopening of parks allowed services/programs/rentals with modified programming and increasing participant numbers
- ActiVan drivers returned to work as trip volumes recovered

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 2020
- 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

For 2021, the Town continued to offer tax relief with the implementation of an application-based PAP program. Under this program, a one-time COVID-19 pre-authorized monthly re-payment plan was available to property owners, who were adversely impacted by COVID-19. The deadline to submit applications for this specialized plan was May 15th, 2021.

As of December 31, 2021, tax collections were slightly higher than prior years and more consistent with pre-pandemic levels:

	2021*	2020	2019	2018
Current Years Taxes Collected	97.69%	97.20%	97.73%	97.43%
Current Years Taxes Outstanding	2.31%	2.80%	2.27%	2.57%

**As of December 31st, 2021*

With respect to tax arrears, the balance at December 31, 2021 was in the region of \$4.5 million, a decrease of approximately \$1.5 million from December 31, 2020.

The Town also receives monthly supplementary tax files from May to October. In 2021, \$443,881 of supplemental billings were processed, which is slightly lower than the previous year and can be attributed to supply chain delays and lower than expected growth.

Status of Reserves

The Town's reserves on December 31, 2021 (before outstanding commitments and distribution of the year-end surplus/deficit) is \$44.0 million, including \$8.0 million in the Tax Rate Stabilization reserve. Overall, reserve balances have increased compared to 2020. More detailed information on reserve balances are included in the Reserve and Reserve Fund report (CORPSERV-2022-0024).

	Jan 1, 2021	Additions	Reductions	Interfund Loans*	Dec 31, 2021
Stabilization Reserves:					
Contingency	\$ 2,402,240	\$ 253,938	\$ (92,012)		\$ 2,564,166
Severe Weather Event	750,000	-	-		750,000
Tax Rate Stabilization	6,948,896	1,788,082	(694,274)		8,042,705
Operating Reserves	5,536,460	3,359,536	(2,248,117)		6,647,880
Capital Reserves	27,407,313	17,966,373	(14,275,490)	(5,073,801)	26,024,395
Discretionary Reserves	10,618	212	(600)		10,230
Total	\$ 43,055,528	\$ 23,368,142	\$ (17,310,493)	\$ (5,073,801)	\$ 44,039,375

*before outstanding commitments

The Bank of Canada maintained the target interest rate of 0.25% throughout the year, which limited 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 Region maintains securities in various maturity terms in order to manage interest rate risk and enhance the realized rate of return. The Town has accumulated favourable earnings to date on the funds invested with the Region. More detailed information on the Town's interest earnings are contained within report CORPSERV-2022-0023, 2021 Annual Report on Investments and Cash Management.

Development Charges

Development Charge (DC) collections are a significant source of revenue for the Town. The 2021 collections as shown below are \$1.4 million lower than previously identified in the 2021 LRFP. Contributing to this shortfall was the effects of the continued pandemic experienced in 2021 (including supplies and labour shortages), resulting in a lower than anticipated volume of building permits being issued.

Forecast as per 2021 LRFP	Actual 2021	Difference
\$ 5,190,737	\$ 3,792,016	\$ (1,398,721)

Building Permit Reserve Fund

The Town has a building permit stabilization reserve fund to address year over year fluctuations in service volumes for building permit activities in accordance with the Building Code Act. The reserve fund balance for December 31, 2021, is \$5.2 million, and is summarized in the table below:

Building Permit Reserve Fund				
Jan 1, 2021	Additions	Reductions	Interest	Dec 31, 2021
\$ 5,186,685	875,460	(916,543)	96,701	\$ 5,242,304

The actual building permit revenue was close to budgeted levels in 2021 (91.5%). As operations have adapted to COVID-19 and public health restrictions have lifted, 2021 revenues trended towards normal levels, with variances being driven by construction challenges rather than COVID-19 shutdowns.

STRATEGIC PLAN ALIGNMENT:

This report is administrative in nature and does not have an impact on the Town's Strategic Plan.

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

FINANCIAL IMPLICATIONS:

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

The Town of Halton Hills implemented a comprehensive COVID-19 cost reduction and mitigation plan at the start of the pandemic. Combined with financial support provided through the Federal-Provincial Safe Restart Agreement, the Town has been able to finance all COVID-19 related expenses in 2021. The Town experienced a net \$301,175 deficit in normal operations as areas of corporate expenses continue to increase beyond budgeted levels. These areas have been identified as operating pressures and will be addressed through future operating budgets. The funding of the year end deficit will be addressed in the Distribution and Funding Report No. CORPSERV-2022-0021 (2021 Final Operating Budget Position) to Council.

Reviewed and approved by,

Moya J. Leighton, Town Treasurer & Director of Finance

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer