

To: Finance Committee

From: Stephanie Sinnott, Commissioner,
Finance Services

Report Number: FIN-22-27

Date of Report: March 16, 2022

Date of Meeting: March 21, 2022

Subject: Financial Position as of February 28, 2022

Ward: All Wards

File: 03-05

1.0 Purpose

The purpose of this report is to provide Committee and Council with an update on the City's financial position as of February 28, 2022 including the impacts resulting from the City's continued response to COVID-19.

2.0 Recommendation

That the Finance Committee recommend to City Council:

That Report FIN-22-27, dated March 16, 2022 concerning the City's financial position as of February 28, 2022, including the impacts of COVID-19, be received for information.

3.0 Executive Summary

The COVID-19 restrictions are easing however the restrictions put in place in early January were not considered in the 2022 budget and have impacted the City of Oshawa ("City") both operationally and financially.

The financial information presented in this report are based on February 28, 2022 results forecast to year end.

During the creation of the 2022 Budget, assuming that more provincial restrictions were lifting, revenues and related expenditures were increased and budgeted accordingly. The budget was not adjusted to reflect the restrictions implemented in January 2022. The closure of City facilities resulted in significantly reduced revenues in Recreation and the requirement to work from home resulted in decreased Municipal Parking revenues. These lost revenues were partially offset by salary savings from deferred hiring. Staff continue to track the impact of COVID-19 on the City's financial position on a regular basis.

As of February 28, 2022, the year-end forecast is an unfavourable variance of \$632,000 which is primarily a result of lost revenues from COVID-19 related restrictions, partially offset by salary savings.

4.0 Input From Other Sources

Corporate Leadership Team (C.L.T.)

5.0 Analysis

5.1 Background

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. Since that time, the City's operations have changed significantly in response to the crisis.

On January 5, 2022, the province reverted back to Step Two of its Roadmap to Reopen with modifications, closing indoor sport and recreation facilities. Effective January 31, 2022 the province began the process of gradually easing restrictions. More restrictions were lifted February 17, 2022, and as of March 1, 2022 the province moved to the Roadmap Exit Step of O. Reg. 364/20, which included removing all capacity limits and proof of vaccination requirements. Recreation facilities are now open without capacity limits and City Hall is fully open to the public.

5.2 Cash Flow

The City has a stable cash balance which has been set aside in various reserves and capital programs. The 2022 budget for interest on investments was increased to reflect increased interest rates expected through eight interest rate announcements by the Bank of Canada this year. It is anticipated that interest on investments will be on budget by year end.

5.3 COVID-19 Specific Expenses

During the creation of the 2022 Budget, all known factors, such as the anticipated increased recreation revenues were taken into consideration, and were reflected accordingly.

As of February 28, 2022, approximately \$254,600 has been spent on COVID-19 related expenses such as PPE, clean-up and by-law enforcement in the downtown core along with increased security services. These expenses do not impact the City's financial position as they were included in the 2022 Council approved budget and security services are being funded through Council approved operating accounts.

Salary savings directly attributed to COVID-19 amount to \$150,000, primarily due to deferred hiring due to facility closures and program cancellations.

5.4 COVID-19 Lost Revenues

As noted, all known factors were included in the 2022 Budget, however, due to the late notice of COVID-19 related restrictions resulting in shutdowns and a gradual reopening approach with limited capacities, Recreation revenues, Municipal Parking and other miscellaneous revenues are lower than expected. The 2022 budget for most revenues was reduced to 80% of the 2020 budget. With the closure of facilities earlier this year and capacity limits in City facilities for the first two months of 2022, the lost revenues in the first two months of 2022 is \$693,000 as detailed below:

- \$432,000 from the closure of City recreation facilities;
- \$145,000 in lost parking revenues
- \$50,000 in lost Administrative Penalties
- \$66,000 in lost sponsorship revenues and concession/facility rentals, etc.

The lost revenues were partially offset by \$150,000 in salary savings from staff positions that were not filled due to facility closures and program cancellations, lessening the overall impact of COVID-19 on the financial position of the City.

5.5 Estimated Financial Position as of February 28, 2022

The estimated financial position forecasted for February 28, 2022 is unfavourable by \$632,000. A breakdown of all variances, inclusive of the COVID-19 impacts noted above, by department is shown in Table 1.

Table 1 Breakdown of all Variances

	<u>Budget Variance</u>
Corporate Revenue	\$0
Executive and Legislature	\$0
Office of the Chief Administrative Officer	\$0
Corporate Services	(\$50,000)
Finance Services	\$0
Community Services	(\$437,000)
Municipal Parking	(\$145,000)
Development Services	\$0
Oshawa Executive Airport	\$0
Tribute Communities Centre	\$0
Corporate Expenditures	\$0
External Agencies	\$0
Total Year End Forecast December 31, 2022	(\$632,000)

Variance Explanations:

At this time, Corporate Revenues, Office of the Chief Administrative Officer, Finance Services, Development Services, Oshawa Executive Airport, Tribute Communities Centre, and Corporate Expenditures are all tracking to be on budget at year end.

Corporate Services is forecasting a year end unfavourable variance of \$50,000 due to lost revenues in Municipal Law Enforcement due to the loss of administrative penalties from reduced demand for parking in the Downtown.

Community Services has been significantly impacted by COVID-19, with facilities being closed, programs being cancelled, and the need for contracted services to cover COVID-19 related staff absences. Savings from staff layoffs and unfilled vacancies in Recreation partially offset the lost revenues, resulting in a projected year end unfavourable variance of \$437,000.

Municipal Parking has an unfavourable variance of \$145,000, a result of lower than budgeted demand for paid parking in the downtown. Parking revenues seem to have rebounded in March however this shortfall is anticipated to carry through to year end.

5.6 Federal-Provincial Safe Restart Funding

Through the Federal-Provincial Safe Restart Funding program the City received total funding of \$8.967 million. Oshawa expended this funding through 2020, 2021 and the operating budget for 2022 to mitigate increased COVID-19 related cost pressures and lost revenue offsets.

On January 24, 2022, Council approved, in part:

“That Mayor Carter, on behalf of City Council, write to the Prime Minister of Canada and the Premier of Ontario requesting an extension of the Restart Agreement Fund to provide additional funding support to municipalities.”

In late January 2022, Mayor Carter wrote to both the Prime Minister and Premier highlighting the City’s financial pressures resulting from the additional restrictions that came into effect on January 5, 2022. The restrictions increased the anticipated revenue losses accounted for in the approved 2022 operating budget projections and the continually changing conditions associated with the pandemic and subsequent new variants have resulted in unanticipated incremental operating costs. The letters requested additional funding support which would ensure that the City would be able to maintain services and programs in 2022.

Also, on February 11, 2022, the City offered pre-budget submissions to the Province as part of their consultation process which also advocated for additional Federal-Provincial Safe Restart Funding.

To date there have been no communications from the Province indicating whether or not there will be additional funding offered to municipalities. Should additional funding become available to the City it will be used to offset the unfavourable budget variance resulting from the on-going impacts of the pandemic.

6.0 Financial Implications

Should the remainder of the year be on budget, the year end shortfall is estimated to be \$632,000 which is primarily a result of lost revenues across the corporation partially offset by savings from delays in hiring staff. Staff will continue to look for cost savings and implement mitigation measures if necessary to make up the estimated shortfall.

7.0 Relationship to the Oshawa Strategic Plan

The preparation and adoption of the annual budget supports the Oshawa Strategic Plan goals of Economic Prosperity & Financial Stewardship and Accountable Leadership by providing proactive and responsible financial management while ensuring respect and transparency.



Stephanie Sinnott, Commissioner,
Finance Services