

To: Finance Committee

From: Stephanie Sinnott, Commissioner,
Finance Services

Report Number: FIN-22-82

Date of Report: September 14, 2022

Date of Meeting: September 20, 2022

Subject: Financial Position as of July 31, 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 July 31, 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-22-82, dated September 14, 2022, concerning the City's financial position as of July 31, 2022, be received for information.

3.0 Executive Summary

Not applicable

4.0 Input From Other Sources

Corporate Leadership Team (CLT)

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 recreations facilities. Effective January 31, 2022 the province began the process of gradually easing restrictions. 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.

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 adjusted to reflect anticipated interest rates hikes. As expected, rates have increased through several interest rate announcements by the Bank of Canada to date. It is anticipated that interest on investments will be at least \$500,000 higher than budgeted by year end.

5.3 COVID-19 Specific Expenses

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

As of July 31, 2022, approximately \$667,000 has been spent on COVID-19 related expenses such as PPE, clean-up, additional contracted services in waste, and by-law enforcement in the downtown core along with increased security services. Of this amount, only \$284,000 was not budgeted.

5.4 COVID-19 Lost Revenues

As noted, all known factors were included in the 2022 budget, however, due to 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 and capacity limits in City facilities earlier this year, the lost revenues in the first seven months of 2022 is \$1,163,000 as detailed below:

- \$717,000 from the closure of City recreation facilities;
- \$375,000 in lost parking revenues
- \$71,000 in lost sponsorship revenues and concession/facility rentals, etc.

The lost revenues were partially offset by \$200,000 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 July 31, 2022

The estimated financial position forecasted for July 31, 2022 is favourable by \$341,000. A breakdown of all variances, inclusive of the COVID-19 impacts noted above, by department is shown in Table 1.

Table 1

	<u>Budget Variance</u>
Corporate Revenue	\$395,000
Executive and Legislature	\$0
Office of the Chief Administrative Officer	(\$229,000)
Corporate Services	\$208,000
Finance Services	\$226,000
Community Services	(\$331,000)
Municipal Parking	(\$441,000)
Development Services	\$786,000
Oshawa Executive Airport	\$0
Tribute Communities Centre	(\$220,000)
Corporate Expenditures	(\$53,000)
External Agencies	\$0
Total Year End Forecast December 31, 2022	\$341,000

Variance Explanations:

At this time, Executive and Legislative, Oshawa Executive Airport, and External Agencies are tracking to be on budget at year end.

Corporate Revenues are forecasted to be higher than budgeted by approximately \$395,000 as a result of higher than budgeted penalties and interest on taxes, payments in lieu of taxes, and interest on investment, offset by lower than budgeted supplemental taxes.

Office of the Chief Administrative Officer (C.A.O.) is unfavourable by \$229,000 as a result of increased litigation costs offset by several vacancies in the Office of the C.A.O., Innovation and Transformation, Legal Services and Human Resource Services.

Corporate Services is forecasting a year end favourable variance of \$208,000 due to increased number of marriage ceremonies and vacancies in Clerks, ITS, Facility Management, and Municipal Law Enforcement, partially offset by reduced revenues in Municipal Law Enforcement due to the loss of administrative penalties from reduced demand for parking in the Downtown.

Finance Services is showing a favourable variance of \$226,000 primarily due to vacancies.

Community Services is projecting a year end unfavourable variance of \$331,000. Recreation Services has seen increased demand for programming however, like many areas of the City, have been unable to fill vacancies needed to offer the programs. Savings from vacancies in Recreation are partially offset the lost revenues. In addition, Waste Collection has been impacted by the need to hire contracted services to cover for COVID-19 related staff absences along with increased pricing for these services.

Municipal Parking has an unfavourable variance of \$441,000, a result of lower than budgeted demand for paid parking in the downtown. Parking revenues are slowly rebounding however this shortfall is anticipated to carry through to year end.

Development Services are forecasting a favourable variance of \$786,000, primarily due to vacancies and higher than budgeted Site Plan Application Fees and Planning Application Fee Revenue.

Due to the COVID-19 seating restrictions in early 2022, the Tribute Communities Centre is forecasting a shortfall of \$220,000 at the end of 2022.

Corporate Expenditures are anticipated to be unfavourable by \$53,000 at year end, primarily a result of increased credit card fees and bank fees.

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

It is important to note that, as outlined in Report FIN-22-31, major world events are significantly affecting inflation and increasing commodity prices which is occurring in virtually all market sectors. The COVID-19 pandemic recovery, the Russian-Ukrainian conflict, global supply chain issues and other influences will see these economic trends continue at least into the short and medium-terms.

Not unlike other municipalities, these issues are resulting in several Requests for Tender and Requests for Proposals coming in over budget.

In addition to inflation and increases in commodity prices, key drivers affecting the bid pricing received by the City include:

- Global supply chain issues including shortages of equipment and materials;
- Logistical disruptions resulting in longer lead times;
- Increased manufacturing costs primarily driven by the costs of raw materials and shortage of skilled labourers;
- Higher demand for equipment;
- Rising fuel and energy prices.

These factors have affected the City's 2022 capital budget, which has resulted in additional funding requirements, primarily reserves, to complete these projects. Some capital projects were deferred due to funding constraints.

Should the remainder of the year be on budget, the year-end surplus is estimated to be approximately \$341,000, which is primarily a result of vacancy savings in most departments partially offset by lost revenues across the corporation.

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.



Tracy Adams, Commissioner,
Corporate Services Department



Ron Diskey, Commissioner,
Community Services Department



Warren Munro, Commissioner,
Development Services Department



Stephanie Sinnott, Commissioner,
Finance Services