

Budget Committee

Meeting No.	32	Contact	Matthew Green, Committee Administrator
Meeting Date	Thursday, June 17, 2021	Phone	416-392-4666
Start Time	9:30 AM	E-mail	buc@toronto.ca
Location	Video Conference	Chair	Councillor Gary Crawford

BU32.1	ACTION	Adopted		Ward: All
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Operating Variance Report for the Year Ended December 31, 2020

Committee Decision

The Budget Committee recommends that:

1. City Council approve the recommended adjustments as detailed in Table 4 in the Financial Impact statement, titled Recommended Adjustments - Tax and Rate Supported Programs and Agencies, in the report (June 16, 2021) from the Chief Financial Officer and Treasurer.

Origin

(June 16, 2021) Report from the Chief Financial Officer and Treasurer

Summary

The purpose of this report is to provide Council with the City of Toronto's Operating Variance results for the year ended December 31, 2020 and City's financial position before and after receiving Safe Restart Agreement funding.

Since March of 2020, the City of Toronto, consistent with other major Canadian and Greater Toronto and Hamilton Area municipalities have been experiencing significant financial impacts, both in the form of added costs and significant revenue losses as a direct result of the COVID-19 pandemic.

COVID-19 related financial impacts totalled \$1.635 billion in 2020 for the City of Toronto, prior to offsets achieved through a series of implemented mitigation strategies that focus on spending and workforce restraints and various in-year funding programs (\$558.5 million) and COVID-19 funding support from the Government of Canada and Province of Ontario in the form of Safe Restart Agreement and added Reaching Home funding totalling a combined \$1.077 billion in COVID-19 support funding applied to 2020, reducing the 2020 year-end shortfall to \$0.

- COVID-19 related financial impacts predominantly reflect revenue losses, which account for approximately 77 percent of total COVID impacts.

- Mitigation strategies coupled with non-Safe Restart Agreement/Reaching Home funding generated \$558.5 million in total 2020 offsets to COVID-19 impacts, with the majority

of offsets achieved through workforce restraints, spending constraints and cost avoidance.

- Workforce restraints including redeployment of staff to critical and essential service areas; implementing emergency and seasonal / part-time staff layoffs; the implementation of a hiring slowdown; and savings generated from labour negotiations.
 - Spending restraints such as reducing discretionary spending; and reviewing all services for criticality (prioritize critical, essential and priority services).
 - Cost avoidance arising from expenditure management and tracking and forecasting COVID-19 related savings
- Total Safe Restart Agreement and added Reaching Home funding the City of Toronto received and recognized in year 2020 is \$1.076 billion, comprised of the following:
- Municipal Transit Funding Phase 1 and 2 - \$639.8 million allocated to Toronto proportionately based on ridership.
 - Municipal Operating Funding Phase 1 and 2 - \$257.6 million allocated to Toronto proportionately based on households.
 - Social Services Relief Fund Phase 1 and 2 - \$150.1 million allocated to Toronto in addition to the \$14.7 million for Reaching Home and \$14.3 million for Public Health.

The table below details the 2020 City-wide COVID-19 related financial impacts; offsets from mitigation strategies and COVID-19 support funding; and the resulting financial position reflected in year-end reporting.

Table 1 - 2020 COVID-19 Financial Impacts, Offsets and Support Funding

Description \$Millions	COVID-19 Impacts	Savings / Offsets / Other Funding	Fed / Prov SRA / RH COVID-19 Funding	2020 Net Impacts
City Tax Supported Programs	1,569.0	(558.5)	(1,010.5)	0.0
Toronto Parking Authority	56.1		(56.1)	0.0
Toronto Community Housing	9.9		(9.9)	0.0
2020 Year-End Total	1,635.0	(558.5)	(1,076.5)	0.0

Tax Supported Programs:

The following table summarizes the year-end COVID-19 financial Impacts; offset from mitigations strategies and Federal/Provincial COVID-19 support funding; and the resulting

balanced financial position of the City's Tax Supported Operations for year ended December 31, 2020.

Table 2 - Tax Supported Operating Variance Summary

Variance (\$M) Favourable / (Unfavourable)	2020 Year-End		
	Budget	Actual	Var
City Operations	2,458.4	2,542.0	(83.6)
Agencies	2,166.6	2,777.5	(610.9)
Corporate Accounts	(200.6)	(50.7)	(149.8)
Total Variance *	4,424.5	5,268.8	(844.3)
Less Toronto Building and City Planning (Legislated / Council Directed)	16.1	61.1	(44.9)
COVID-19 Related Incurred Obligations / Deferred Costs		187.3	(187.3)
Total Adjusted Variance (Prior to Fed/Prov Safe Restart Agreement / Reaching Home Funding)	4,440.6	5,517.2	(1,076.5)
Safe Restart Funding – Transit Operations		(639.8)	639.8
Safe Restart Funding – Municipal Operations		(257.6)	257.6
Social Services Relief Fund / Reaching Home – Shelters		(164.8)	164.8
Safe Restart Funding – Public Health		(14.3)	14.3
Adjusted Variance	4,440.6	4,440.6	0

*Note to Table 2:

- The Total Variance excludes Safe Restart Agreement/Reaching Home funding, which are reflected later in the table.

- Appendix A of this report includes the combined \$179 million in COVID-19 funding for Shelter, Support and Housing Administration and Public Health within their divisional results.

- Expenses related to distribution of COVID-19 support funding to offset Toronto Community Housing Corporation and Toronto Parking Authority impacts are reflected in Corporate Accounts.

As noted in Table 1 above, for the year ended December 31, 2020 Tax Supported Operations experienced an adjusted unfavourable net variance of \$1.077 billion prior to Safe Restart Funding. This is mainly driven by COVID-19 related cost and revenue impacts experienced beginning mid-March onwards, including:

- Toronto Transit Commission - Conventional Service (\$634.8 million unfavourable net) primarily due to significant loss of ridership revenue from the impact of COVID-19. Ridership losses peaked at 88 percent below budget in late April. With a resurgence of COVID-19 cases in the fall, ridership retracted back to 35 percent of budget in October, and with the implementation of the grey lockdown fell to 30 percent of budget in December. Revenue losses were partially offset by the implementation of cost containment strategies and matching service capacity to demand.
- Seniors Services and Long-Term Care: (\$7.0 million unfavourable net) primarily due to increased salary and benefits and non-payroll expenditures for infection prevention and control measures including additional Personal Protective Equipment and cleaning supplies related to the COVID-19 response.
- Corporate Accounts (\$149.8 million unfavourable net) primarily due to the impact of COVID-19 resulted in losses in multiple revenue streams for the City including, Municipal Accommodation Tax, Parking Tag Enforcement, and Casino Woodbine.
- The above unfavorable net variances were partially offset by various expense savings from across the City's divisions and agencies as part of the expense mitigation strategies previously discussed.
- The remaining \$1.077 billion shortfall was addressed through Federal and Provincial funding support in the form of Safe Restart Agreement and added Reaching Home funding directed toward experienced COVID-19 financial impacts.

Rate Supported Programs:

Rate Supported Programs reported a favourable year-end variance of \$20.5 million. The favourable variance is attributed to lower than budgeted expenditures from Toronto Water, which is partially offset from lower than planned revenue in Toronto Parking Authority due to the impact of COVID-19.

Rate Supported Programs are funded entirely by the user fees that are used to pay for the services provided and the infrastructure to deliver them. Solid Waste Management Services and Toronto Water's respective year-end surpluses, if any, must be transferred to the Wastewater and Water Stabilization Reserves and Waste Management Reserve Fund, respectively, to finance capital investments and ongoing capital repairs and maintenance.

Table 3 - Rate Supported Net Variance Summary (\$ Millions)

Variance (\$M) Favourable / (Unfavourable)	2020 Year-End		
	Budget	Actual	Variance

Solid Waste Management Services	0.0	(7.1)	7.1
Toronto Parking Authority	(70.1)	(14.0)	(56.1)
Toronto Water	0.0	(69.5)	69.5
Total Variance	(70.1)	(90.6)	20.5

Background Information

(June 16, 2021) Revised Report and Appendices A-D from the Chief Financial Officer and Treasurer on Operating Variance Report for the Year Ended December 31, 2020

<http://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-168305.pdf>

(June 14, 2021) Report and Appendices A-D from the Chief Financial Officer and Treasurer on Operating Variance Report for the Year Ended December 31, 2020