

## Budget Committee

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

BU32.3	ACTION	Adopted		Ward: All
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### Operating Variance Report for the Four Months Ended April 30, 2021

#### Committee Decision

The Budget Committee recommends that:

1. City Council approve the budget adjustments and any associated complement changes detailed in Appendix D to the report (June 16, 2021) from the Chief Financial Officer and Treasurer, to amend the 2021 Approved Operating Budget, such adjustments to have no impact on the 2021 Approved Net Operating Budget of the City.

#### Origin

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

#### Summary

The purpose of this report is to provide City Council with the Operating Variance for the four months ended April 30, 2021 as well as projections to year-end. This report also requests City Council's approval for amendments to the 2021 Approved Operating Budget that have no impact on the City's 2021 Approved Net Operating Budget.

Since March of 2020, the City of Toronto has 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 are projected to total \$1.596 billion for the City of Toronto's 2021 Operating Budget. 2021 COVID-19 funding support from the Government of Canada and Province of Ontario in the form of Safe Restart Agreement, added Reaching Home funding and other funding programs total \$1.477 billion in combined COVID-19 support funding, reducing the 2021 year-end funding shortfall to \$119.8 million.

Table 1 below details the anticipated 2021 City-wide COVID-19 related financial impacts against secured and assured COVID-19 support funding; and the resulting financial position that is reflected in the year-end variance projections:

Table 1 - 2021 Projected COVID-19 Financial Impacts

Category (\$M)	Impacts	Funding	Net Impacts (Funding)
Transit	796.4	721.9	
Municipal*	459.7	467.2	
Shelter	281.3	228.5	
Public Health**	59.0	59.0	
City Tax Supported Programs	1,596.4	1,476.6	119.8

\* Includes Toronto Community Housing Corporation impact of \$37.5M

\*\* Excludes immunization costs

While the City is currently reporting a 2021 budgeted funding shortfall of \$119.8 million, 92.5 percent of budgeted 2021 COVID-19 impacts have secured funding support from the Federal and Provincial governments through the first four months of the year and staff continue to expect that 2021 COVID-19 impacts will be fully funded by year-end.

In addition to the COVID-19 related budgeted funding shortfall, staff are also reporting on a projected year-end unfavourable variance of an additional \$114.7 million comprised of the following elements:

- Unanticipated COVID-19 related impacts attributed to the third wave of COVID-19/variant restrictions; and additional mass immunization costs incurred by Toronto Fire projected to total \$16.3 million, including costs for efforts to vaccinate people experiencing homelessness, for which provincial reimbursement will be sought consistent with funding assurances received from the Province related to vaccination costs.

#### Tax Supported Programs:

The following table summarizes the anticipated year-end financial position of the City's Tax Supported Operations as of April 30, 2021 and the projection at year-end. This is driven through a combination of a COVID funding shortfall of \$119.8 million and additional pressures of predominantly revenue losses of \$114.7 million that is projected for 2021, resulting in an unfavourable projected variance of \$234.5 million at year-end for tax supported programs.

Table 2 - Tax Supported Operating Variance Summary

Variance (\$M) Favourable / (Unfavourable)	2021 April YTD			2021 Year-End Projection		
	Budget	Actual	Var	Budget	Actual	Var
Tax Supported Operating Variance Summary						
City Operations	821.4	740.9	80.5	2,831.4	2,798.7	32.7

Agencies	1,023.7	1,010.7	13.0	3,051.3	3,068.1	(16.9)
Corporate Accounts	(730.7)	(256.7)	(474.0)	(1,393.5)	(1,164.5)	(229.0)
Total Variance	1,114.4	1,494.9	(380.5)	4,489.2	4,702.3	(213.1)
Less Toronto Building	5.3	9.2	(3.9)	16.1	37.5	(21.4)
Total Variance-Excluding Toronto Building	1,119.7	1,504.1	(384.4)	4,505.3	4,739.8	(234.5)
Percentage of Gross Budget			-11.5 percent			-1.9 percent

Note - Rate supported programs and Toronto Community Housing variance information is not reflected in the table above, which details Tax Supported Programs only.

#### Four Month Year-to-Date and Projected Year-End Spending Results:

As noted in Table 2 above, for the four months ended April 30, 2021 Tax Supported Operations experienced an unfavourable net variance of \$380.5 million or 11.5 percent of planned expenditures. This is mainly driven by the timing of receiving COVID-19 related Federal and Provincial funding and higher than anticipated COVID-19 impacts through the first four months of 2021. The impact on the year-to-date results are reflected in the following areas:

- Non-Program Revenues: An unfavourable year-to-date net variance of \$477.0 million due to the remaining COVID-19 related funding shortfall as well as lower than planned revenues for Interest and Investment Earnings, Parking Tag Revenues and Casino Woodbine. A portion of this variance is also attributed to funding being secured and reflected in divisional results as opposed to Non-Program, where it had originally been budgeted. (e.g. SSHA variance detailed below)

- Shelter Support and Housing Administration: A favourable year to date net variance of \$34.9 million primarily attributable to the inclusion of Shelter Support and Housing Administration specific COVID-19 related funding within Shelter Support and Housing Administration actuals, which has been expected and budgeted within Non-Program Revenues given total funding had not yet been secured at time of budget approval.

- Toronto Transit Commission – Conventional: A favourable year to date net variance of \$8.0 million is mainly attributable to continued expenditure management resulting in deferred hiring and material purchases wherever possible. This was partially offset by underachieved revenue due to the impact of COVID-19 on ridership revenue. As of the week of April 26, revenue ridership is 26 percent of normal pre-pandemic levels.

For year-end, the City is projecting an unfavourable variance of \$234.5 million or 1.9 percent of the 2021 Gross Operating Budget, adjusted for Toronto Building. The unfavourable variance is primarily driven by the following:

- \$119.8 million – Remaining 2021 COVID-19 funding shortfall, where all but 7.5 percent

of budgeted COVID-19 have secured Federal and Provincial funding support or received assurances towards cost reimbursement.

- \$98.4 million – Greater than anticipated COVID-19 financial impacts, primarily within budgeted revenues such as corporate revenues (i.e. Investment Earnings and Parking Tags) and user fees (i.e. Zoo and Exhibition Place) resulting from required public health measures resulting from the third wave / COVID variants.

- \$16.3 million - Additional mass immunization costs incurred by Toronto Fire. Toronto Fire will be working with Public Health to seek reimbursement from the Province on immunization costs consistent with provincial funding assurances.

#### Rate Supported Programs:

Rate Supported Programs reported a favourable year-to-date variance of \$32.7 million. The favourable variance is attributed to lower than budgeted expenditures from Toronto Water and Solid Waste Management Services which is partially offset from lower than planned revenue in Toronto Parking Authority. At year-end, a favourable projected variance is anticipated to be \$14.7 million, again primarily driven by lower than budgeted expenditures from Toronto Water and Solid Waste Management Services by partially offset by Toronto Parking Authority.

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 Operating Variance Summary

Variance (\$M) Favourable / (Unfavourable)	2021 April YTD			2021 Year-End Projection		
	Budget	Actual	Var	Budget	Actual	Var
Solid Waste Management Services	(7.2)	(28.5)	21.3	0.0	(4.2)	4.2
Toronto Parking Authority	4.6	6.1	(1.5)	2.2	7.6	(5.4)
Toronto Water	(61.5)	(74.4)	12.8	0.0	(15.8)	15.8
Total Variance	(64.1)	(96.8)	32.7	2.2	(12.4)	14.7

#### Background Information

(June 16, 2021) Revised Report and Appendices A-E from the Chief Financial Officer and Treasurer on Operating Variance Report for the Four Months Ended April 30, 2021

<http://www.toronto.ca/legdocs/mmis/2021/bu/bqrd/backgroundfile-168306.pdf>

(June 15, 2021) Report and Appendices A-E from the Chief Financial Officer and Treasurer on

Operating Variance Report for the Four Months Ended April 30, 2021