

Budget Committee

Meeting No.	35	Contact	Matthew Green, Committee Administrator
Meeting Date	Friday, November 19, 2021	Phone	416-392-4666
Start Time	9:30 AM	E-mail	buc@toronto.ca
Location	Video Conference	Chair	Councillor Gary Crawford

BU35.6	ACTION	Adopted		Ward: All
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Operating Variance Report for the Nine Months Ended September 30, 2021

Committee Decision

The Budget Committee recommends that:

1. City Council approve the budget adjustments and any associated complement changes detailed in Appendix D1 to the report (November 19, 2021) from the Chief Financial Officer and Treasurer, to amend the 2021 Approved Operating Budget with no impact on the Net Operating Budget of the City, and approve the expenditure authority as detailed in Appendix D2 to the report (November 19, 2021) from the Chief Financial Officer and Treasurer.

Origin

(November 3, 2021) Report from the Chief Financial Officer and Treasurer

Summary

This is to advise that prior to Budget Committee on November 19, 2021, an Operating Variance Report for the nine months ended September 30, 2021, with additional analysis and recommendations will be submitted for consideration. Due to accelerating the agenda to ensure 2022 rate budget materials are publicly shared and to the additional complexity associated with analyzing financial implications of COVID-19 on operations, additional time is required to provide detailed review and analysis in advance of the Budget Committee meeting.

The Operating Variance Report will contain operating results for the nine months ended September 30, 2021 as well as projections to year-end. The report will also request City

Council's approval for required amendments to the 2021 Approved Operating Budget that have no impact on the City's 2021 Approved Net Operating Budget.

Background Information

(November 3, 2021) Report from the Chief Financial Officer and Treasurer on Operating Variance Report for the Nine Months Ended September 30, 2021
(<http://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-172817.pdf>)

6a Operating Variance Report for the Nine Months Ended September 30, 2021

Origin

(November 19, 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 nine months ended September 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 have been budgeted to a total \$1.596 billion for the City of Toronto's 2021 Operating Budget. COVID-19 funding support applied to the City's 2021 Budget, 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 \$1.521 billion in combined COVID-19 support funding, reflecting over 95 percent of budgeted COVID-19 funding requirements, reducing the 2021 year-end funding shortfall to \$74.5 million related to Transit.

In total, the City has benefited from approximately \$2.6 billion in intergovernmental COVID-19 relief funding since the start of the pandemic, ensuring continuation of the City's critical frontline services.

Table 1 below details the budgeted 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)	Budgeted Impacts	Funding Applied to 2021	2021 Net Funding Shortfall
Transit	796.4	721.9	(74.5)
Municipal*	459.7	459.7	
Shelter**	281.3	281.3	
Public Health**	59.0	59.0	
City Tax Supported Programs	1,596.4	1,521.9	(74.5)

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

** Based on Budgeted impacts and excludes greater impacts and associated funding experienced in 2021; as well as immunization costs for Public Health

While the City is currently reporting a 2021 budgeted funding shortfall of \$74.5 million related to Transit, over 95 percent of budgeted 2021 COVID-19 impacts have secured funding support from the Federal and Provincial governments through the first nine months of the year and staff continue to expect that 2021 COVID-19 impacts will be fully funded by year-end.

Tax Supported Programs:

The following table summarizes the projected year-end financial position of the City's Tax Supported Operations as of September 30, 2021. The projected unfavourable variance is directly attributed to the combination of a COVID-19 funding shortfall for Transit, unconfirmed intergovernmental funding for projected costs associated with the City's Refugee Response and additional pressures primarily related to the continued financial impacts of COVID-19 that are offset by favourable Municipal Land Transfer Tax revenue resulting in an overall \$98.6 million pressure projected for year-end for tax supported programs.

Table 2 - Tax Supported Operating Variance Summary

Variance (\$M) Favourable / (Unfavourable)	2021 September YTD			2021 Year-End Projection		
	Budget	Actual	Var	Budget	Actual	Var
Tax Supported Operating Variance Summary						
City Operations	1,963.4	1,806.5	156.9	2,800.0	2,700.3	99.8
Agencies	1,871.9	1,853.2	18.8	3,045.3	3,047.2	(2.0)

Corporate Accounts	(1,501.1)	(1,479.0)	(22.1)	(1,356.0)	(1,210.7)	(145.3)
Total Variance	2,334.3	2,180.7	153.6	4,489.3	4,536.8	(47.5)
Less Toronto Building	(11.7)	(26.1)	14.4	(16.1)	(49.3)	33.1
Less City Planning	6.4	(9.2)	15.6	13.3	(4.6)	17.9
Total Variance-Excluding Toronto Building/City Planning	2,339.6	2,216.0	123.6	4,492.1	4,590.6	(98.6)
Percent of Gross Budget			1.6 percent			-0.8 percent

Note 1: Rate supported programs and Toronto Community Housing Corporation variance information is not reflected in the table above, which details Tax Supported Programs only

Note 2: Due to technical reasons, Toronto Transit Commission's Second Quarter Year-to-Date result is used in this report

Nine Month Year-to-Date and Projected Year-End Spending Results:

As noted in Table 2 above, for the nine months ended September 30, 2021, Tax Supported Operations experienced a favourable net variance of \$123.6 million or 1.6 percent of planned expenditures adjusted for Toronto Building and City Planning. It is important to note that the September 30th experience is a snapshot in time and the year-end projection is based on current and expected COVID-19 impacts. The continued impact of COVID-19 and any deviation from expectations to year end will impact variance projections. Any changes will be reflected in variance reporting for the twelve months ending December 31, 2021.

- The variance is primarily attributable to underspending within City Divisions and Agencies that is partially offset by the timing of receipt of COVID-19 related Federal and Provincial funds through the first nine months of 2021, as compared to initial calendarization. The impacts on the year-to-date results are reflected in the following areas:

- City wide expenditure savings, some of which due to public health measures during the year contributed to the favourable year-to-date variance. For example, Parks Forestry and Recreation incurred underspending arising from the cancellation of recreation programming that was partially offset by revenue losses from registration sales; permit revenues; and other

user fees, all driven by the requirement for PFR to close community facilities and parks during the COVID-19 pandemic.

- Non-Program Revenues: An unfavourable year-to-date net variance of \$1.6 million due to a timing difference between budgeted and actual receipt of confirmed Safe Restart Agreement funding as well as impacts from COVID-19 have resulted in lower than planned revenues for Interest and Investment Earnings, Parking Tag Revenues and Casino Woodbine. This was partially offset by higher than anticipated Municipal Land Transfer Tax revenues from increased sales activity in the period.

Toronto Transit Commission - Conventional Service: A favourable year to date (Second Quarter) net variance of \$15.4 million is mainly attributable to continued expenditure management where possible, which was partially offset by underachieved revenue due to the impact of COVID-19 on ridership.

For year-end, the City is projecting an unfavourable variance of \$98.6 million or 0.6 percent of the 2021 Gross Operating Budget, adjusted for Toronto Building and City Planning. The unfavourable variance is primarily due to the COVID-19 funding shortfall for Transit related pressures and outstanding intergovernmental funding confirmation for the City's Refugee Response. The City is also anticipating that over performance of Municipal Land Transfer Tax from increased sales activity projected in 2021 with offset greater than expected COVID-19 impacts experienced through the year due to added waves and variants.

Rate Supported Programs:

Rate Supported Programs reported a favourable year-to-date net variance of \$31.0 million. The favourable variance is attributed to lower than budgeted expenditures primarily from Toronto Water and Solid Waste Management Services partially offset by lower than planned revenue across all rate programs. At year-end, a favourable projected net variance is anticipated to be \$37.3 million, again primarily driven by lower than budgeted expenditures from Toronto Water and Solid Waste Management Services.

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 September YTD			2021 Year-End Projection		
	Budget	Actual	Var	Budget	Actual	Var

Solid Waste Management Services	(7.8)	(27.1)	19.3	0.0	(14.0)	14.0
Toronto Parking Authority	2.0	(2.5)	4.5	2.2	(3.3)	5.6
Toronto Water	(16.6)	(23.8)	7.2	0.0	(17.8)	17.8
Total Variance	(22.4)	(53.4)	31.0	2.2	(35.1)	37.3

Background Information

(November 19, 2021) Report from the Chief Financial Officer and Treasurer on Operating Variance Report for the Nine Months Ended September 30, 2021

<http://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-173300.pdf>