

Subject: 2020 Year-End Operating Budget Variance Report - City Wide

Reference:

Date to Council: May 3, 2021

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Financial Planning

Report Date: March 29, 2021

Clerk's File #: AF2021

To: Mayor and Members of City Council

Recommendation:

1. THAT Council **RECEIVE FOR INFORMATION** the 2020 Year-End Operating Budget Variance Report.
2. THAT the final 2020 Property Tax Levy Operating Budget surplus of \$5,805,949 (net of the \$1,000,000 approved by City Council on April 19, 2021 to be transferred to capital for traffic calming initiatives) **BE TRANSFERRED** to the Budget Stabilization Reserve.
3. THAT COVID Municipal Safe Restart Funding totalling \$24,876,977 **BE TRANSFERRED** from Reserve F224 to the following entities to offset the 2020 COVID financial impacts in each respective area:
 - a. City of Windsor Municipal Budget - \$15,092,977
 - b. Windsor Detroit Tunnel - \$6,130,000
 - c. Windsor Airport (YQG) - \$3,178,000
 - d. Roseland Golf & Curling - \$476,000
4. THAT an amount of \$300,000 of the remaining (100% provincially funded) COVID Municipal Safe Restart Funding **BE APPROVED** to fund various employee resiliency initiatives to support staff in their continued work in providing services and programs to the community during the ongoing pandemic and in the recovery period post-pandemic.
5. THAT COVID Transit Municipal Safe Restart Funding totalling \$6,187,618 **BE TRANSFERRED** from Reserve F225 to Transit Windsor operations to offset the 2020 COVID financial impacts.

6. THAT in order to avoid the need to re-budget for various items, Council **APPROVE** \$2,240,985 in budget carryovers as detailed in Appendix C: 2020 Budget Carry-Forwards.
7. THAT Council **APPROVE** the balancing of and transfers from Capital Projects, as detailed in Appendix D: 2020 Capital Closeouts.
8. THAT Council **APPROVE** the attached Development Charges 2020 Income Statement Schedule (Appendix E).
9. THAT Council **APPROVE** the attached Development Charge Reserve Fund Statement – Listing of Credits (Appendix F).
10. THAT Council **APPROVE** the creation of 5 new reserve funds as required under the Development Charges Act to separately track the revenues and expenditures for Engineered Services for the area specific rates in the Sandwich South Planning District, and city wide sewage treatment costs as follows:
 - a. SSPD – Roads & Related
 - b. SSPD – Sanitary Sewer
 - c. SSPD – Storm Sewer & Municipal Drains
 - d. SSPD – Water
 - e. Sewage Treatment
11. THAT Council **APPROVE** the creation of a County Recycling Contract reserve account whereby annual reconciled net variances related to the annual contract will be deposited or withdrawn as required at each year-end for the life of the contract.
12. THAT Council **APPROVE** the transfer of \$15,148 realized from the sale of the bus used for resident therapeutic outings at Huron Lodge to the Resident Service Equipment Replacement capital project (7219000).
13. THAT in light of the large projects to repair and restore Windsor-Essex Community Housing Corporation aging infrastructure, as well as the development of new affordable housing units at Meadowbrook lane in Windsor, the City Treasurer **BE AUTHORIZED** as part of the 2020 year-end process, to provide Windsor-Essex Community Housing Corporation with a one-time 2020 subsidy amount to be transferred from the City Social Housing Reserve fund (Fund 216) in the amount of \$931,477 for their family portfolio to be applied to repay an outstanding cash flow loan in the City of Windsor's financial records that was advanced several years ago in conjunction with the amalgamation of the various Housing Entities.
14. THAT Council **APPROVE** the following housekeeping items and various transfers to/(from) the various reserve accounts/funds:
 - a. \$223,920 to Fund 180 – Building Permit Reserve;
 - b. \$177,387 to Account 1743 – County Recycling Contract;

- c. \$69,955 to Account 1763 - Class Reserve – Parks & Recreation;
- d. \$38,331 to Account 1799 – Flood Protection Education Program;
- e. \$9,581 to Account 1770 – Educational Assistance Reserve;
- f. \$7,675 to Account 1755 – Reserve for Fire Education;
- g. \$1,124 to Account 1771 – Mapping Reserve Account;
- h. (\$130) from Account 1777 – Riverfront Brick Program;
- i. (\$1,782) from Account 1756 – Tree Planting Reserve;
- j. (\$26,162) from Account 1781 – Fire – Small Fleet Reserve;
- k. (\$173,603) from Account 1762 – Municipal Elections Reserve
- l. (\$212,526) from Account 1785 – BIA Maintenance-PW Operations
- m. (\$222,509) from Funds 114-128 – Development Charge Reserves
- n. (\$509,325) from Fund 160 – Capital Expenditure Reserve

Executive Summary:

Once all available 2020 COVID financial relief funding is applied to address the impacts of the pandemic on the City, the Corporation has ended the 2020 fiscal year with an overall non COVID related operating surplus of \$5,805,949. As per normal practice, it is recommended that this surplus (net of the \$1,000,000 approved by City Council for traffic calming initiatives on April 19th, 2020) be transferred to the Budget Stabilization Reserve (BSR). This will replenish the reserve to fund future one-time costs, avoid potential future property tax rate spikes, and offset any additional COVID related variances in 2021 that may remain unfunded. In addition, given the positive year-end results, the corporate contingency amount of \$1,500,000 was not required in 2020 and as such has also been transferred to the BSR at year-end. It should be noted that these financial results are still subject to finalization of the annual external audit, which is currently underway by the City's external auditors KPMG.

The 2020 year-end financial implications of the City's response to the COVID-19 Pandemic are summarized in the following chart. Once the relief grant funding received by senior levels of government is factored in, the total 2020 municipal financial impact due to the pandemic has been fully offset. Due to the extraordinary circumstances in 2020 resulting from the pandemic, this year's year-end report also includes the financial impacts for various Government Business Enterprises (GBEs), namely the Windsor Detroit Borderlink Limited (WDBL) / Windsor Detroit Tunnel Corporation (WDTC) and YQG Windsor International Airport. The significant financial impacts to these entities caused by the COVID travel restrictions are being funded by the City's successful receipt of the Safe Restart Municipal Phase 2 funding submission to the Province.

Forgone revenues totalling \$39.5M, when combined with additional costs resulting from the COVID pandemic of \$11.9M, result in a total financial impact to the City in 2020 of \$51.4M. This amount has been offset by reduced expenditures, resulting from mitigation measures taken by the City of \$22.0M as well as from grant funding from senior levels of government totalling \$29.4M, thereby resulting in the 2020 pandemic related financial impacts having been completely offset. It is noted that some 2020 funding from senior levels of government remain in reserves and deferred revenue pending guidance from the respective federal and provincial ministries on its potential use to further offset 2021 COVID challenges. These funds, along with any new grants, will be further reported to Council as part of the regular 2021 variance reporting.

Given the significant personal and mental health impacts on City employees that continued to provide both front line life-sustaining and support services throughout this past year of the global pandemic, Administration is recommending allocating \$300,000 of the remaining 2020 Provincial Municipal Safe Restart funding to resiliency initiatives. This program will be administered by Human Resources and will include supports for mental health and other employee wellness initiatives required to maintain staff resilience during this difficult period.

Summary of 2020 COVID Variance (Millions)

City of Windsor (Includes: Off Street Parking & Sewer Surcharge)			
	July (Estimate)	October (Estimate)	Year-End (Final)
Forgone Revenue	35.9	39.4	39.5
Additional Expenses	16.1	16.7	11.9
Total COVID Impact	52.0	56.1	51.4
Less:			
Reduced (Mitigated) Expenditures	16.7	17.9	22.0
Provincial / Federal Grants	5.6	28.7	29.4
COVID Deficit to be Offset	29.7	9.5	0.0
Less:			
Non-Covid 2020 Y/E Positive Surplus	n/a	9.1	5.8
Total Municipal Y/E Variance	n/a	(0.4)	5.8
Government Funded Enterprises (Windsor Airport & Windsor-Detroit Tunnel)			
	July (Estimate)	October (Estimate)	Year-End (Final)
Forgone Revenue	n/a	13.0	13.0
Additional Expenses	n/a	0.0	0.0
Total COVID Impact	n/a	13.0	13.0
Less:			
Reduced (Mitigated) Expenditures	n/a	3.7	3.7
Provincial / Federal Grants	n/a	0.0	9.3
COVID Deficit to be Offset	n/a	9.3	0.0

Background:

Annual operating budgets for all City departments are set at the beginning of the calendar year based on Council direction. Professional estimates, the current legislative environment, macroeconomic trends (such as currency fluctuations, commodity prices, unemployment figures and business investment, etc.) and other local information available at the time are significant inputs to the operating budget recommended to City Council by administration.

For 2020, the significant unanticipated variable was the impact of the COVID 19 global pandemic. Since January 2020, the pandemic has spread around the world causing significant uncertainty, and impacting human behaviour and the world's economy.

It important to note that the Province and City are still dealing with the uncertainty of the pandemic in 2021 and the US Border restrictions have been extended to at least May 21, 2021. Furthermore, the City of Windsor, along with the rest of the province is currently in its third shutdown, requiring increased restrictions on all daily activities.

As a result of this continuing crisis, many of the City's operations were suspended, altered, continued with major restrictions, or increased to meet the demands resulting from the pandemic in 2020. This report to Council provides 2020 year-end results on the COVID 19 financial challenges and other Non-COVID related Y/E variances for each area.

All departments monitor revenues and expenditures on an ongoing basis and undertake projections through to the end of the year to ensure they remain at, or as close to, their approved budget as possible. This assists in mitigating all material variances as effectively as possible. As is typical with most forecasts, accuracy tends to increase as the year progresses and more information and data becomes available. This was especially true in 2020 because of the uncertainty surrounding the pandemic.

In addition to the City's operating budget, which is primarily funded by the property tax levy, certain expenditures are funded by specific non-property tax levy sources such as Legislated Building Permits, On/Off Street Parking Operations and the Sewer Surcharge Operating Fund. It is noted that for this report, YQG and Windsor Tunnel operations have also been included in the variance projections given the magnitude of 2020 financial impacts these two entities faced because of the COVID 19 travel restrictions. The discussion section of this report provides additional detail for the year-end variances for all departments.

Discussion:

Property Tax Supported Variance

Table A below provides a summary of the budgets and year-end variances for City Departments, Agencies, Boards & Committees and Other Funding Sources for 2020. The year-end variances have been sorted from largest deficit to largest surplus (in dollars).

The Corporation ended the 2020 fiscal year with an operating surplus of \$5,805,949. This figure is net of budget carryovers in the amount of \$2,240,985 and does not take into account the previously noted \$1.5M contingency amount, which will also be transferred to the budget stabilization reserve. Administration recommends transferring this entire operating surplus (net of the \$1,000,000 recently approved for traffic calming initiatives) to the Budget Stabilization Reserve to assist in offsetting any unfunded COVID related variances which may remain in 2021.

(The report continues on the following page)

Table A: 2020 Corporate Variance Summary

CORPORATE SUMMARY						
DEPARTMENT	2020 Gross Budget	2020 Net Budget	Year-End COVID Variance	Year-End Non-COVID Variance	Year-End Overall Variance	% of Gross Budget
CITY DEPARTMENTS						
Public Works	\$59,855,262	\$29,225,856	(\$1,043,526)	(\$364,082)	(\$1,407,608)	(2.4%)
Recreation & Culture	\$25,364,844	\$13,350,466	(\$1,127,473)	(\$234,922)	(\$1,362,395)	(5.4%)
Fire & Rescue	\$51,947,069	\$50,465,903	(\$287,593)	(\$265,780)	(\$553,373)	(1.1%)
Legal	\$17,542,706	\$6,776,133	(\$569,593)	\$243,941	(\$325,652)	(1.9%)
Engineering	\$26,928,097	\$1,803,675	(\$149,951)	\$9,806	(\$140,145)	(0.5%)
Council Services	\$11,098,636	\$7,699,385	(\$305,704)	\$243,959	(\$61,745)	(0.6%)
Finance	\$11,632,943	\$6,698,016	(\$405,481)	\$351,904	(\$53,577)	(0.5%)
Mayor's Office	\$905,235	\$905,235	\$0	\$0	\$0	0.0%
Windsor Public Library	\$9,276,250	\$8,204,629	\$58,600	(\$58,600)	\$0	0.0%
Information Technology	\$8,224,564	\$6,949,125	(\$89,662)	\$122,398	\$32,736	0.4%
Human Resources	\$6,296,537	\$5,632,658	\$36,310	\$0	\$36,310	0.6%
City Council	\$1,031,469	\$846,469	\$48,836	\$0	\$48,836	4.7%
CAO's Office	\$1,336,637	\$1,336,637	\$0	\$114,810	\$114,810	8.6%
Parks & Facilities	\$41,450,753	\$27,937,707	(\$724,600)	\$965,204	\$240,604	0.6%
Planning & Building	\$11,386,647	\$4,869,545	(\$94,000)	\$558,081	\$464,081	4.1%
Transit Windsor	\$36,294,433	\$15,119,343	\$0	\$658,202	\$658,202	1.8%
Huron Lodge	\$24,747,809	\$7,797,303	\$498,490	\$534,840	\$1,033,330	4.2%
Housing & Children Services	\$121,172,301	\$23,767,957	(\$177,508)	\$1,842,133	\$1,664,625	1.4%
Employment & Social Services	\$116,969,007	\$8,086,562	\$1,318,038	\$355,659	\$1,673,697	1.4%
Corporate Accounts	\$242,097,940	\$24,349,243	\$4,259,572	(\$611,407)	\$3,648,165	1.5%
Sub-Total: City Depts	\$825,559,139	\$251,821,847	\$1,244,755	\$4,466,146	\$5,710,901	0.7%
AGENCIES, BOARDS & COMMITTEES						
Agencies	\$19,996,396	\$19,895,798	(\$283,295)	\$1,339,803	\$1,056,508	5.3%
Police Services	\$109,490,813	\$92,126,606	\$571,091	\$0	\$571,091	0.5%
Sub-Total: ABC's	\$129,487,209	\$112,022,404	\$287,796	\$1,339,803	\$1,627,599	1.3%
Net Operating Budget Variance	\$955,046,348	\$363,844,251	\$1,532,551	\$5,805,949	\$7,338,500	0.8%
OTHER FUNDING SOURCES						
Off Street Parking Reserve	\$2,844,276	\$0	(\$1,411,697)	\$256,529	(\$1,155,168)	(40.6%)
Sewer Surcharge Reserve	\$76,817,726	\$0	(\$120,854)	(\$463,395)	(\$584,249)	(0.8%)
Building Permit Reserve	(\$169,408)	\$0	\$0	\$223,919	\$223,919	132.2%
Sub-Total: OFS's	\$79,492,594	\$0	(\$1,532,551)	\$17,053	(\$1,515,498)	(1.9%)
Total	\$1,034,538,942	\$363,844,251	\$0	\$5,823,002	\$5,823,002	0.6%

Table B provides a five-year historical picture of the City's year-end operating variances for the Corporation, as well as the percentage variance to the annual gross budget inclusive of the budget stabilization contingency account.

Table B: 5-Year Historical Year-End Operating Variance

Year	2016	2017	2018	2019	2020
Variance Surplus / Deficit	\$3,934,036	\$1,629,760	\$2,466,375	\$1,954,982	\$5,805,949
As a % of Gross Budget	0.47%	0.19%	0.27%	0.21%	0.61%

Operational & Economic Statistics

Appendix B includes a list of relevant operational and economic statistics (extracted from various sources) that have been presented in previous variance reports to Council. The data is provided as background information and is depicted graphically for the current quarter, along with each of the preceding nine years for ease of reference and comparison purposes. It is important to note that many of the operational and economic statistics are showing significant variances as compared to historical trends because of the COVID pandemic. It is expected that these measures will return to more historical levels as we recover from the pandemic over the next few years. Administration will continue to monitor and report on this statistics as part of the regular variance reporting to Council.

Budget Carry-Forwards

Appendix C includes a list of the recommended budget carry-forwards that relate to 2020. These are budgeted items that, due to timing, were committed but not expended in 2020 and as a result, the related budgets for those items have been carried forward into 2021. These expenditure line items are expected to be paid out in 2021 or beyond.

Capital Closeouts

Appendix D contains a summary of capital projects that were either closed, completed or consolidated during 2020. The Corporation does not budget for any variance with respect to capital closeouts. Surplus balances normally offset deficits in other projects provided that consistent funding guidelines are being followed. Usual practice calls for surpluses to be returned back to the original funding source(s) and deficits drawn from their original funding source, where such funds are available. If funding is not available, alternate funding sources are identified and reported to City Council.

Development Charge Reserve Income Statements

The final two appendices (**Appendix E & Appendix F**) provide City Council with detailed revenues and expenses for all of the development charge reserves in 2020, as required by the Development Charges Act, along with a listing of outstanding development charge credits at year-end.

In conjunction with the recent approval of a new Development Charges Bylaw, Administration is recommending the creation of five new reserve funds to track activity for Engineered Services specifically approved as part of the new DC Bylaw for the Sandwich South Planning District (SSPD). This will allow for the segregation of the area specific charges for the SSPD from the City Wide DCs, and the segregation of citywide sewage treatment costs as recommended in the Development Charges Act.

County Recycling Contract Reserve

On December 1, 2020, the City of Windsor entered into a contract with the Essex Windsor Solid Waste Authority (EWSWA) to provide County recycling collection services for a three year period. A new reserve account was established, #1743, where annual reconciled net variances related to the annual contract will be deposited or withdrawn as needed at each year-end for the life of the contract. The recommendation in this report seeks to obtain formal approval from City Council for the establishment of this reserve.

Sale of Bus for Resident Therapeutic Recreation Outings (Huron Lodge)

The bus that was used for resident therapeutic recreation outings by Huron Lodge was sold for \$15,148 and is therefore requested that the proceeds from the sale be transferred from Operating (dept id 0202102 Resident Services) to Capital (Project 7219000 Resident Services Equipment Replacements). The department is now using a third party transportation service provider and has found it to be a more efficient and effective model for delivering this service.

Miscellaneous Housekeeping Transfer To/From Reserves

Throughout the course of the year, costs related to certain initiatives are captured in operating accounts/funds and then transferred at year-end to/from various specific reserves consistent with past practice. The following miscellaneous housekeeping transfers have occurred and a summary is provided in **Table C** on the following page.

Table C: Summary of Transfers To / (From) Reserve Accounts / Funds

RESERVE FUND / ACCOUNT	AMOUNT
FUND 180 - Building Permit Reserve	\$223,920
ACCOUNT 1743 - County Recycling Contract	\$177,387
ACCOUNT 1763 - Class Reserve – Parks & Recreation	\$69,955
ACCOUNT 1799 - Flood Protection Education Program	\$38,331
ACCOUNT 1770 - Educational Assistance Reserve	\$9,581
ACCOUNT 1755 - Reserve for Fire Education	\$7,675
ACCOUNT 1771 - Mapping Reserve Account	\$1,124

ACCOUNT 1777 - Riverfront Brick Program	(\$130)
ACCOUNT 1756 - Tree Planting Reserve	(\$1,782)
ACCOUNT 1781 - Fire - Small Fleet Reserve	(\$26,162)
ACCOUNT 1762 - Municipal Elections Reserve	(\$173,603)
ACCOUNT 1785 - BIA Maintenance-PW Operations	(\$212,526)
FUNDS 114-128 - Development Charge Reserves	(\$222,509)
FUND 160 - Capital Expenditure Reserve	(\$509,325)
FUND 216 - City Housing Reserve	(\$931,477)
FUND 224 – Safe Restart Reserve for Municipal Operations	(\$15,092,977)
FUND 224 – Safe Restart Reserve for Windsor Detroit Tunnel	(\$6,130,000)
FUND 224 – Safe Restart Reserve for YQG Windsor Airport	(\$3,178,000)
FUND 224 – Safe Restart Reserve for Roseland Golf Course	(\$476,000)
FUND 225 – Transit Safe Restart Reserve for Transit Windsor	(\$6,187,618)

Risk Analysis:

The largest risk by far this year has been the implications of the COVID 19 Pandemic and its impact on City operations.

Administration has attempted to quantify and mitigate the impact of the COVID pandemic to the City's finances throughout 2020. The 2020 COVID related financial impacts totalling \$51.4M were completely mitigated by \$22M in reduced corporate expenditures and \$29.4 in financial assistance from Provincial & Federal grants.

As the situation continues to change daily due to COVID 19, it is extremely difficult to provide any degree of certainty as to the full financial impacts to the Corporation going forward into 2021 and beyond. Administration is closely tracking the estimated financial impacts of the pandemic for 2021 and will update City Council in conjunction with the upcoming quarterly variance reporting. There remain many variables, including:

1. The length of the crisis. It is still unknown when the restrictions will be fully lifted or if additional restrictions will need to be reinstated. There remain significant uncertainties as to the recovery from the COVID 19 crisis.
2. The length of the transition period for things to return to "normal". In some cases, entire seasons may be lost even if all restrictions are lifted.
3. The residents' hesitation to return to their normal activities once the restrictions are lifted may further delay the financial recovery for the City.

4. The additional requirements and regulations that the City and others must follow as we transition and eventually return to a normal state.
5. The amount of additional senior level government funding that will be made available to municipalities to offset the financial burden of the COVID Pandemic in 2021 and future budget years.

As usual in a normal year, there are a number of other potential risks that can impact the year-end financial results as follows:

1. The Net Tax Additions/Reductions account is extremely difficult to project with certainty. There are still some significant appeals in progress and any variances in this account will vary dramatically based on the outcomes and timing of the settlements. There may also be unique pressures resulting from the pandemic that the City may need to fund going forward.
2. Current macro and micro economic conditions such as changes to local unemployment rates, volatility of energy costs, commodity prices and interest rates, as well as supply and demand for products and services.
3. Seasonal variability with respect to revenues (e.g. Recreation Fees) and expenses (e.g. winter control).
4. Potential increases in staffing costs due to factors such as sick call replacement, modified duties (particularly in mandated or 24/7 operational areas), WSIB, joint job evaluation or other arbitration decisions, and health benefit usage (Green Shield). Some of these costs may be covered by corporate provisions/reserves.
5. Potential increase to unavoidable expenditures such as unavoidable repairs and maintenance, along with related purchases of materials and supplies, legal expenses, streetlight maintenance, etc.
6. The significant use of estimates, historical knowledge and judgement in developing budgets and projecting actual expenses for the year implies that actual year-end revenues and expenditures may differ significantly from quarterly projections. One way to mitigate this risk and help to offset any unexpected or one-time variances is by way of the annual \$1.5 million corporate contingency account. It is noted that this contingency amount has been increased by \$2M in 2021 to mitigate on-going uncertainties surrounding the COVID-19 pandemic and to provide a source of funding for matching capital grants.

Climate Change Risks

Climate Change Mitigation:

Climate Change Mitigation initiatives are budgeted throughout the corporation and any variances form part of the departmental and ABC variance descriptions.

Climate Change Adaptation:

Climate Change Adaptation initiatives are budgeted throughout the corporation and any variances form part of the departmental and ABC variance descriptions.

Financial Matters:

Refer to **Appendix A** for detailed descriptions to support the departmental year-end variances separated between COVID 19 and Non COVID 19 impacts, along with any mitigating measures.

Consultations:

All City Departments, ABCs, and GBEs provided comments to augment and clarify the analysis performed by the Finance Department.

Conclusion:

Overall, the Corporation of the City of Windsor ended the 2020 fiscal year with an operating surplus of \$5,805,949, with Administration recommending that the entire amount (less the \$1,000,000 recently approved for traffic calming) be transferred to the Budget Stabilization Reserve to assist in mitigating and remaining COVID variances in 2021 and beyond.

Planning Act Matters:

N/A

Approvals:

Name	Title
David Soave	Manager, Strategic Operating Budget Development & Control
Tony Ardovini	Deputy Treasurer, Financial Planning
Joe Mancina	Chief Financial Officer & City Treasurer
Jason Reynar	Chief Administrative Officer

Notifications:

Name	Address	Email

Appendices:

Appendix A: 2020 Operating Budget Variance

Appendix B: 2020 Operational & Economic Statistics

Appendix C: 2020 Budget Carry-Forwards

Appendix D: 2020 Capital Project Closeouts for Year-End

Appendix E: 2020 Development Charges Reserve Fund Income Statement

Appendix F: 2020 Statement of Activity – Development Charge Credits