



TO: **GENERAL COMMITTEE**

SUBJECT: **2020 BUDGET AND BUSINESS PLAN YEAR-END REPORT**

WARD: **ALL**

PREPARED BY AND KEY CONTACT: **J. KUEHL, MANAGER OF BUSINESS PLANNING AND BUDGET**
C. MILLAR, DIRECTOR OF FINANCE AND TREASURER

SUBMITTED BY: **M. PROWSE, CHIEF ADMINISTRATIVE OFFICER**
D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES
A. MILLER, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT
R. JAMES-REID, EXECUTIVE DIRECTOR – ACCESS BARRIE
I. PETERS, DIRECTOR OF LEGAL SERVICES
C. MILLAR, DIRECTOR OF FINANCE AND TREASURER

CHIEF ADMINISTRATIVE OFFICER APPROVAL: **M. PROWSE, CHIEF ADMINISTRATIVE OFFICER**

RECOMMENDED MOTION

1. That Staff Report EMT002-21 concerning the 2020 Budget and Business Plan Year-End Report be received.
2. That the following budgeted transfers from reserves in the 2020 Operating Budget be eliminated in order to support the reserve balances for increased 2021 pressures:
 - a) Reinvestment Reserve: \$1,000,000;
 - b) Tax Rate Stabilization Reserve: \$1,000,000;
 - c) Growth Management Reserve: \$741,500; and
 - d) Provincial Gas Tax Reserve: \$2,150,000.
3. That \$3,045,924 in discretionary Development Charge discounts and exemptions granted during the year be recovered from the related rates as follows:
 - a) \$2,117,527 from the 2020 year-end Tax supported operating results;
 - b) \$314,948 from the 2020 year-end Water Rate operating results; and
 - c) \$613,449 from the 2020 year-end Wastewater Rate operating results.
4. That \$3,905,796 of Safe Restart Funding (Phase 1 Municipal Operations) be used in 2020 to offset COVID-19 pressures related to expenses and lost revenues associated with Tax Rate supported services.
5. That \$2,358,716 of Safe Restart Funding (Phase 1 Transit) be used in 2020 to offset COVID-19 pressures related to expenses and lost revenues associated with Transit Services.

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6. That \$868,674 of Safe Restart Funding (Phase 1 Municipal Operations) be used in 2020 to offset COVID-19 pressures related to expenses and lost revenues associated with Parking Services.
 7. That \$225,530 of Safe Restart Funding (Phase 1 Municipal Operations) be used in 2020 to fund the needs based COVID-19 relief program for elimination of fixed charges and waived overdue account penalties for Water Services (\$98,030) and Wastewater Services (\$127,500).
 8. That two reserves be established for Safe Restart Funding (Municipal Operations and Transit) and unused funds related to the Safe Restart agreements be allocated to the reserves as required.
 9. That after the tax related Safe Restart funding allocations and the transfer of \$2 million to the WSIB Reserve, the Tax Rate surplus of \$3,136,570 be allocated 70% to the Tax Capital Reserve and 30% to the Tax Rate Stabilization Reserve in accordance with the City's Financial Policies.
 10. That after the water related Safe Restart funding allocations, the Water Rate surplus of \$72,175 be allocated 70% to the Water Capital Reserve and 30% to the Water Rate Stabilization Reserve in accordance with the City's Financial Policies.
 11. That after the wastewater related Safe Restart funding allocations, the Wastewater Rate surplus of \$664,314 be allocated 70% to the Water Capital Reserve and 30% to the Water Rate Stabilization Reserve in accordance with the City's Financial Policies.
 12. That pursuant to Ontario Reg. 653/05 and the City's Capital Financing and Debt Management Policy, Staff Report EMT002-21 serve as the method for disclosing outstanding financing leases.

PURPOSE & BACKGROUND

Report Overview

13. Excluding the allocation of the Safe Restart Funding, this Report describes the 2020 year-end financial results that includes a Tax Rate supported operating deficit of \$759 thousand, Parking Rate operating deficit of \$869 thousand, Water Rate operating deficit of \$26 thousand and Wastewater Rate operating surplus of \$537 thousand.
14. This Report describes how \$5.0 million of the Safe Restart Funding (Phase 1 Municipal Operations) provided by the Province of Ontario is proposed to be used to offset COVID-19 pressures. These pressures included increased costs for waste collection services, long term care services provided by the County of Simcoe, lost revenues for enforcement services, lost interest and penalty revenues, and lost Municipal Accommodation Tax revenues among other revenue reductions and increased expenditures.
15. This Report also describes how \$2.4 million of the Transit Phase 1 Safe Restart funding from the Province of Ontario was utilized to address lost revenues and incurred expenses related to COVID-19.
16. Key Division Service Delivery Initiatives (KDSDIs) and Key Performance Indicators (KPIs) have not been included in this Report but instead will be provided in a memorandum later in April 2021.
17. The City's Financial Policies Framework requires the Director of Finance to issue quarterly memorandums and a year-end staff report on finances that compare year-to-date actual results to budget and the previous year. This Report reflects activity for the 12 months ended December 31, 2020.

18. The recommendations in this Report are reflective of the policies and principles documented in the current Financial Policies Framework.

ANALYSIS

COVID-19 CORPORATE IMPACTS

19. The pandemic changed many aspects of the City's operations in 2020. Recreation facilities were closed and re-opened later in the year with restrictions in place to follow public health guidelines, which limited capacity and usage. Some facilities typically available for rental were closed. Enforcement of paid parking was put on hold, and later resumed with a waterfront restriction to City pass holders and ongoing allowances to assist with curb-side pick-up and Dunlop Street construction in the downtown area. Transit fare collection was stopped, and later resumed with the installation of protective barriers and usage of the front doors of buses. Water and wastewater rebate programs were enacted in order to provide some relief to affected households. These changes and others resulted in significant reductions to various City revenues. To address this, spending was significantly reduced across The Corporation through intentional cost reductions. The reductions continued, but to a lesser extent, as some services became operational once again. Due to the proactive approach taken by the City prior to the announcement of Federal and Provincial relief funds, expense reductions offset most lost revenues and an operational surplus (before funding Development Charge Discounts) was achieved in 2020.
20. The following table shows the Safe Restart funding amounts for the City of Barrie to date. In order to support the community in response to COVID-19, Council approved the use of the general Phase 2 funding of \$1.3 million to offset the 2021 tax levy increase requirement in the 2021 Business Plan Staff Report.

	General (\$)	Timing of Use	Transit (\$)	Timing of Use
Safe Restart Phase 1	6,601,400	2020 - can carry forward unused to 2021	2,556,418	Apr 1 - Sept 30, 2020. Can carry forward unused funds to Mar 31, 2021.
Safe Restart Phase 2	1,322,000	2021	3,207,063	Oct 1, 2020 - Mar 31, 2021. Unused Phase 1 and 2 funds must be returned.
Safe Restart Phase 3	-		2,487,486	Apr 1 - Dec 31, 2021. Can request extension to Dec 31, 2022.
2021 COVID-19 Recovery Funding	3,519,652	2021 - can carry forward unused to 2022	-	
Total Funding	11,443,052		8,250,967	
Recommended to be used in 2020	(5,000,000)		(2,358,716)	
Approved in 2021 Budget	(1,322,000)			
Remaining to be used	5,121,052		5,892,251	

21. The 2020 and 2021 Safe Restart funding agreements with the Province stipulate that the funds are to be used to offset COVID-19 operating costs and pressures, with any unused funds to be placed into a reserve to be utilized in the subsequent year if necessary. The Province requires Municipalities to report back with two reports:

- a) An interim report in June 2021, which will include:
- i) Use of funds provided in 2020 under the Safe Restart Agreement – Operating funding stream; and
 - ii) 2021 estimated COVID-19 operating impacts and how your municipality plans to use the funding under the 2021 program.
- b) A final report back in the Spring 2022.
22. Of the \$9.2 million in Safe Restart Phase 1 funding specific to 2020, it is recommended that \$7.4 million be used in 2020 to offset COVID-19 related costs and lost revenue for the following rates which will be described in greater detail later in this Report:
- a) \$2.4 million of Transit specific Safe Restart funding;
 - b) \$3.9 million for other Tax Rate operations;
 - c) \$98 thousand for Water Rate operations;
 - d) \$127 thousand for Wastewater Rate operations; and
 - e) \$869 thousand for Parking Rate operations.

SUMMARY OF OPERATING RESULTS – TAX

23. Excluding the funds received by the City under the Safe Restart agreement, the 2020 year-end result was a \$759 thousand deficit. Development Charge (DC) discounts and exemptions granted throughout the year totalled a little over \$3 million in 2020, with \$2.1 million related to the Tax Rate. These discounts need to be reimbursed to the DC Reserves in accordance with legislation. Prior to adjusting for the discounts, the City had an operational Tax Rate surplus of \$1.4 million.
24. The City's revenues were \$4.2 million lower than budget, however, the lost revenues were offset by cost reductions of \$5.5 million. The following table summarizes the financial variances between planned and actual results by division for tax rate-based operations. Appendix "A" includes a breakdown of the tax rate-based variances by department and reflects the impact of paragraph 2 of the recommended motion.

	2019 Actual (\$)*	2020			
		Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Access Barrie	22,217,345	24,596,518	26,229,231	(1,632,713)	(6.6%)
CAO & Mayor's Office	5,179,804	6,307,051	5,329,046	978,005	15.5%
Community & Corporate Services	42,071,572	45,860,706	44,756,999	1,103,707	2.4%
Council & Committees	784,807	815,829	777,574	38,255	4.7%
Corporate Expenses	50,594,803	55,890,404	56,529,783	(639,379)	(1.1%)
Infrastructure & Growth Management	46,281,952	43,931,196	40,194,526	3,736,670	8.5%
Service Partners & Grants	82,178,630	87,101,021	85,178,390	1,922,631	2.2%
Total Net Expenditures	249,308,913	264,502,725	258,995,549	5,507,176	2.1%

	2019 Actual (\$)*	2020			
		Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Corporate Revenues	(249,254,819)	(264,502,725)	(260,353,989)	(4,148,736)	1.6%
Unadjusted: Tax Rate (Surplus)/Deficit	54,093		(1,358,440)		
Funding of Development Charge Discounts			2,117,527		
Adjusted: Tax Rate Deficit			759,087		

* Differences in the break-down of 2019 actuals from the 2019 Year-End Report are due to the 2020 reorganization.

25. COVID-19 was the major driver of variances in 2020. Some of the areas in The Corporation that were most affected by the pandemic due to lost revenues also cut expenses significantly or realized cost savings due to diminished operations. Examples include:
- a) Transit Services lost over 50% of budgeted user fees revenue (\$3.5 million), however reduced expenditures of \$1.1 million in gasoline and \$1.9 million in contracted services were realized;
 - b) Recreation and Culture Services Department lost over 60% of budgeted rental and user fees revenue (\$6.6M), however this was offset by expenditure reductions of \$4.7 million in staffing, and \$1.5 million for utilities and contracted services; and
 - c) Legislative and Court Services Department lost 35% of budgeted fines and penalties revenue (\$2.9 million), but this was offset by reductions of \$1.7 million in staff costs, \$684 thousand in contracted services, and \$552 thousand in transfers to external partners.
26. The Service Partners and Grants surplus of \$1.9 million was largely driven by the County of Simcoe. County Services were generally underspent resulting in a total surplus of \$2.2 million. However, this includes Long Term Care costs that were over budget by \$692 thousand and staff are recommending using Safe Start Funding to cover these direct COVID-19 cost pressures.

Staffing Reductions and Salary Gapping

27. The salary gapping provision approved by Council in the 2020 Business Plan is \$1.5 million. This amount includes both permanent staff and casual/part-time salary costs. The City typically implements a variety of techniques to achieve salary gapping targets, including delaying rehires when viable, managing overtime costs, and reducing the number of paid weeks for summer students. However, 2020 saw significant changes due to extraordinary circumstances. As a result of the global pandemic, many City facilities were shut down and various revenue generating activities were put on hold, forcing the City to make difficult staffing decisions which resulted in significant reductions to payroll costs across the City.
28. At year-end, the City realized \$9.9 million in staff reductions and salary gapping. When compared to the annual budget of \$1.5 million the result is a favourable variance of \$8.4 million. The vast majority of this variance is from savings as a result of staff layoffs, which have been used to offset the significant losses in revenues that resulted from the pandemic.
29. Staff reductions came into effect in late April, and while some layoffs ended, other areas continued to have a reduced workforce to the end of the year due to decreased level of services being offered.

Property Tax

30. At the end of the year, tax revenues were under budget by \$5.2 million, mainly due to higher ARB settlement costs than anticipated, and lower tax additions than budgeted. In 2020, ARB decisions totaled \$3.0 million related to eight commercial/industrial properties.

Development Charge (DC) Discounts

31. In 2020 DC discounts in the amount of \$3,045,924 were granted. The current City-Wide DC By-law 2019-055 includes discretionary discounts relating to non-residential development for non-profit institutions, accessory buildings to an existing industrial building, and a 40% discount of the development charges otherwise applicable for the first 1.5 million square feet of development for a list of targeted uses within the City.
32. Section 5(6)3. of the DC Act states: "If the development charge by-law will exempt a type of development, phase in a development charge, or otherwise provide for a type of development to have a lower development charge than is allowed, the rules for determining development charges may not provide for any resulting shortfall to be made up through higher development charges for other development." This means that in the case of discretionary discounts, the DC reserves must be replenished by an alternate funding source. It is recommended that the discounts be funded \$2,117,527 by the Tax Rate, \$314,948 by the Water Rate, and \$613,449 by the Wastewater Rate.

Safe Restart Funding Allocated to Tax Rate Supported Services and Transit

33. The recommended motion allocates \$6.3 million of the Safe Start Funding for Tax Rate supported services and Transit. The \$2.4 million of transit specific Safe Restart funding will be used in place of Provincial Gas Tax (PGT) funds. Doing so will allow increased flexibility in addressing the lingering effects of the pandemic in 2021 and future years. The \$3.9 million allocated to Tax Rate support services is being used to fund operational costs that were not directly offset by related savings. Some of the larger items include:
- a) \$1 million for waste collection services due to increased tonnages that resulted from more people at home, as well as lost revenue from free bag tags;
 - b) \$692 thousand for County of Simcoe Long Term Care costs related to additional staffing and sanitization protocols;
 - c) \$636 thousand related to Court Services and Enforcement Services lost revenue in fines and licensing;
 - d) \$379 thousand for lost interest and penalties on property tax arrears;
 - e) \$369 thousand for lost Municipal Accommodation Tax revenue;
 - f) \$327 thousand for lost Landfill revenue due to closure; and
 - g) \$265 thousand for Barrie Police Service costs related to COVID-19.

WSIB Reserve

34. WSIB expenses have increased in recent years due to legislation surrounding first responders. The WSIB Reserve has a deficit balance of \$1 million at year-end. It is recommended that \$2 million be transferred to this reserve out of the available operating surplus. This will provide an adequate reserve level to accommodate WSIB expenses for between 1 and 2 years, which will allow time to plan for regular reserve contributions in future budgets years. Based on Actuary analysis related to the draft 2020 Financial Statements, the annual WSIB costs are estimated at \$1.2 million a year.

Budgeted Reserve Transfers

35. The 2020 budget included draws from reserves for the purpose of funding specific City operations and/or growth-related costs. \$1 million from the Tax Rate Stabilization Reserve and \$1 million from the Reinvestment Reserve was intended to smooth the cost of growth in advance of the revenue from growth being realized. \$742 thousand from the Growth Management Reserve relates to certain positions across the City that directly support growth initiatives. \$2.2 million of Provincial Gas Tax funding was allocated for Transit operations. In light of the impacts of COVID-19 on economic activity and Transit operations, it is recommended that these transfers from reserves not be made in 2020. This will bolster the specific reserves mentioned and provide increased flexibility to accommodate growth and transit pressures in future years. The Safe Restart funds allocated to the City are more appropriate to be used in 2020 to offset pandemic related impacts to these areas.

Water & Wastewater

36. In response to COVID-19, motion 20-G-060 provided a needs-based relief program for residential customers that eliminated the fixed charge for water and wastewater customers for one bi-monthly billing cycle. The total amount available for the program was capped at \$500 thousand with funding from the water and wastewater stabilization reserves.
37. A total of 2,671 accounts received a credit of approximately \$69.40 for a total of \$185 thousand. Staff are recommending using the Safe Restart Funding to pay for this program as well as \$40 thousand of lost revenue associated with waiving overdue account penalties for 3 months of the year.

SUMMARY OF OPERATING RESULTS – WATER

	2020			
	Budget (\$)	Actual (\$)	Variance (\$)	%
Salaries and Benefits	8,097,191	7,591,317	505,874	6.2%
Operating Expenses	5,405,866	6,238,792	(832,926)	(15.4%)
Transfers to Reserves	6,792,699	6,697,805	94,894	1.4%
Corporate Support	7,714,484	7,702,525	11,959	0.2%
Total Net Expenditures	28,010,240	28,230,439	(220,199)	(0.8%)
Revenues	(28,010,240)	(28,519,533)	509,293	(1.8%)
Unadjusted: Surplus	0	(289,094)		
Funding of DC Discounts		314,948		
Adjusted: Deficit		25,854		

38. The Water Operations branch finished the year with an operating surplus of \$289 thousand before adjusting for DC Discounts. Net expenditures were \$220 thousand (0.8%) over budget and revenues were \$509 thousand (1.8%) over budget.

39. Operating expenses were over budget partially due to several larger equipment replacements required at the Surface Water Treatment Plant which included a large valve and actuator, a blower, and the associated electrical connections and programming work. There was also a focus of improving spare parts inventory to reduce downtimes during equipment failures. Groundwater Supply completed significant maintenance activities such as cleaning and disinfecting reservoirs and towers as well as repairs and replacement of well pumps and flow controls and meters.
40. Corporate support is based on actual work and staff time in support of Water Operations from various departments was on budget for 2020.
41. Water rate revenue is \$509 thousand above plan due to higher residential consumption year over year, as a result of more people working from home and a hot summer. Non-residential consumption dropped during the early months of shut down due to COVID but picked up later in the year.
42. It is recommended that \$98 thousand of Safe Restart Funding be used for the fixed charge relief program and lost revenue associated with waiving overdue account penalties for part of the year.

SUMMARY OF OPERATING RESULTS – WASTEWATER

	2020			
	Budget (\$)	Actual (\$)	Variance (\$)	%
Salaries and Benefits	4,687,776	4,435,996	251,780	5.4%
Operating Expenses	7,965,446	8,023,952	(58,506)	(0.7%)
Transfers to Reserves	15,848,640	15,728,481	120,159	0.8%
Corporate Support	7,395,892	7,203,851	192,041	2.6%
Total Net Expenditures	35,897,754	35,392,280	505,473	1.4%
Revenues	(35,897,754)	(36,542,543)	644,789	(1.8%)
Unadjusted: Surplus	0	(1,150,263)		
Funding of DC Discounts		613,449		
Adjusted: Surplus		(536,814)		

43. The Wastewater Operations branch finished the year with an operating surplus of \$1.2 million. Net expenditures were \$505 thousand (1.4%) under budget while Revenues were \$645 thousand (1.8%) over budget.
44. During this period, the enactment of Provincial Emergency Orders with restricted operational focus to essential work, and the suspension of recruitment activities, resulted in lower net operating expenditures. Higher revenues were the result of higher water consumption.
45. Corporate support is based on actual work and staff time in support of Wastewater Operations from various departments and was slightly under budget due to reduced facility related contracted services.

46. It is recommended that \$128 thousand of Safe Restart Funding be used for the fixed charge relief program and lost revenue associated with waiving overdue account penalties for part of the year.

SUMMARY OF OPERATING RESULTS – PARKING

	2020			
	Budget (\$)	Actual (\$)	Variance (\$)	%
Salaries and Benefits	404,712	350,391	54,320	13.4%
Operating Expenses	351,249	323,600	27,649	7.9%
Transfers to/(from) Reserves	(619,702)	(652,332)	32,630	(5.3%)
Corporate Support	2,099,102	2,100,792	(1,690)	(0.1%)
Total Net Expenditures	2,235,361	2,122,451	112,909	5.1%
Revenues	(2,235,361)	(1,253,777)	(981,584)	43.9%
Deficit	0	868,674		

47. Parking Operations finished the year with an operating deficit of \$869 thousand. This deficit is due to a shortfall in revenue of \$982 thousand (43.9%), offset slightly by reduced operating costs.
48. Reduced revenue was a result of the COVID-19 pandemic. Parking was made free in the downtown from April until early September to support relief measures. Despite parking rates being reintroduced on September 8th, revenue was still well below normal levels for the last quarter of the year.
49. It is recommended that the Parking deficit be funded by Safe Restart funding since the reduced revenues were a result of the pandemic.

FINANCING LEASES

50. Financing leases are agreements the City entered into for the purpose of obtaining long-term financing of capital undertakings, with contractual payments extending beyond the term of the approving Council.
51. The capital financing and debt management policy adopted by Council in March 2018, in accordance with Ontario Regulation 653/05, requires the Treasurer to disclose to Council any outstanding financing leases subsisting in the fiscal year and provide the following details:
- a) Estimates of the proportion of financing leases to the Corporation's total long-term debt;
 - b) A statement that in his or her opinion all financing leases were made in accordance with this Policy; and
 - c) Any other information that, in the Treasurers opinion, should be recorded.

52. The following table summarizes the list of outstanding financing leases and the proportion related to long term debt as of December 31, 2020:

Outstanding Financial Leases - Dec 31, 2020	Amount (\$)
Water Operations	1,993,440
Building and Facilities	2,816,905
Total Outstanding Financial Leases (TOFL)	4,810,345
Total Long-Term Debt (LTD)	311,589,070
TOFL to LTD ratio	1.54%

53. In the opinion of the Treasurer, all lease financing agreements entered into by the City, since the adoption by Council of the capital financing and debt management policy, were in accordance with said policy.

CAPITAL PLAN STATUS AT DECEMBER 31, 2020

54. The Capital Plan presented in Appendix "B" is a high-level summary of activity as of December 31, 2020. The total capital budget for 2020 was \$350.9 million, including carryover from prior years and new projects. The projected year-end spending forecast done in the spring was \$129.6 million. Actual spending was \$105.4 million for the year which represents 30% of the total capital budget for 2020, and 81% of the spring spending forecast.

RATE STABILIZATION RESERVES

55. The December 31, 2020 Rate Stabilization Reserve balances affected by the recommendations in this Report are as follows:

	Balance at Dec. 31, 2020 (\$)	Commitments (\$)	Recommended Motion (\$)	Non-Committed Balance at Dec. 31, 2020 (\$)	2020 Minimum Target Balance (\$)
Tax Rate Stabilization Reserve	5,649,543	(724,594)	1,919,252	6,844,201	30,571,158
Wastewater Rate Stabilization Reserve	2,530,674	(55,334)	199,294	2,674,634	3,648,764
Water Rate Stabilization Reserve	3,127,216	(70,336)	21,653	3,078,533	2,846,463

* 2020 Minimum Expected Balance as per the Financial Policies Framework

56. Stabilization reserves are maintained in order to fund unexpected one-time, non-recurring expenditures, and to address any potential deficits. As per the Financial Policies Framework, the target range is 10% to 15% of total own source revenues for Stabilization Reserves. These reserves provide Council with the flexibility to stabilize the impact of economic volatility on City programs. In the absence of healthy stabilization reserve balances, the tax levy and user rates feel the impact of unforeseen events, one-time expenditures and revenue shortfalls. The non-committed balance at December 31, 2020 shows that reserve balances currently fall well short of their minimum expected level with the exception of the Water Rate Stabilization Reserve.

57. Included as part of the “Recommended Motion” column of the table above are contributions to or draws from reserves after the various adjustments recommended in this report. These contributions or draws come from the allocation of year-end surpluses, or the funding of year-end deficits. The allocations for surpluses are as prescribed by the City’s Financial Policies (30% for rate stabilization reserves). The amounts are as follows:

- a) \$919,252 to the Tax Rate Stabilization Reserve;
- b) \$199,294 to the Wastewater Rate Stabilization Reserve; and
- c) \$21,653 to the Water Rate Stabilization Reserve.

CAPITAL, DEVELOPMENT CHARGE, AND OTHER RESERVES

58. The December 31, 2020 capital, DC, and other reserve balances affected by the recommendations in this report are as follows:

	Balance at Dec. 31, 2020 (\$)	Commitments (\$)	Recommended Motion (\$)	Non-Committed Balance at Dec. 31, 2020 (\$)
Tax Capital Reserve	48,200,104	(49,555,117)	2,144,922	789,909
Wastewater Rate Capital Reserve	55,582,924	(18,318,646)	465,020	37,729,298
Water Rate Capital Reserve	19,399,469	(9,707,932)	50,523	9,742,060
Development Charge Reserves	(38,959,288)	(57,915,851)	3,045,924	(93,829,215)
WSIB Reserve	(999,313)	0	2,000,000	1,000,687
Tourism Reserve	265,277	(54,118)	368,855	580,014
Reinvestment Reserve	10,460,094	(326,645)	1,000,000	11,133,449
Growth Management Reserve	(672,704)	0	741,500	68,796
Provincial Gas Tax Reserve	941,113	0	2,150,000	3,091,113

*Capital Commitments are based on approved capital spending for the current and prior years as at year-end. Future year approved capital spending is not included, and the reserve balance does not include potential future contributions to the reserve.

59. The City’s Financial Policy Framework targets a minimum threshold cash balance in the Tax Capital Reserve equivalent to one year’s worth of the 5-year average of the non-growth tax-supported capital expenditure requirements which is currently estimated at \$27 million. This ensures that one year of tax-based funding is available in reserves to maintain liquidity. Currently, based on the level of commitments, the Tax Capital Reserve is not only short of target, but has essentially no uncommitted funds available.

60. Included as part of the “recommended motion” column of the table above, are contributions to reserves resulting from the allocation of year-end surpluses after the various adjustments recommended in this report. The allocations are as prescribed by the City’s Financial Policies (70% for capital reserves).

The amounts are as follows:

- a) \$2,144,922 to the Tax Capital Reserve;
- b) \$465,020 to the Wastewater Capital Reserve; and
- c) \$50,523 to the Water Capital Reserve.

61. The table below summarizes activities within the City's Development Charge Reserves for 2020 compared to budget. Development charges collected for 2020 were lower than planned by \$37.8 million. Expenditures were also significantly lower than budget, however the budget number includes \$68.8 million of carry forward commitments from previous years; only \$56.3 million is specific to 2020. Development, and the associated revenues, continues to lag the anticipated rate.

	2020 Actuals	2020 Budget*	Variance
Opening Balance, January 1 (Deficit)	(\$12,626,351)	(\$36,026,309)	\$23,399,958
DC Revenues	\$24,859,511	\$62,743,239	(\$37,883,728)
Expenditures	(\$48,146,524)	(\$125,132,083)	\$76,985,559
Closing Balance, December 31, (Deficit)	(\$35,913,364)	(\$98,415,153)	\$62,501,789

* 2020 Budget Expenditures line includes \$68.8M carry forward commitments from previous years. \$56.3M is the 2020 budget year amount.

62. On a consolidated basis, the City's Financial Policy Framework targets a positive balance for Development Charge Reserves. At year end December 31, 2020 after the recommended motion in this report, the City's Development Charge Reserves are in a deficit position of \$35,913,364. In addition, the City's Development Charge Reserves have additional funding commitments of \$58 million at year-end, before considering commitments for 2021 and future years. Development charge commitments include City led projects and projects in the Salem and Hewitt's Secondary Plan Area that are being led by developers and financed through Development Charge Credits.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

63. There are no environmental and/or climate change impact matters directly related to the recommendation.

ALTERNATIVES

64. The following alternatives are available for consideration by General Committee.

Alternative #1

General Committee could alter the proposed recommendation in paragraph 9 by directing staff to allocate the adjusted surplus in some other manner.

This is not recommended for the following reasons:

- A.) The WSIB reserve has a negative balance of \$1M as of December 31, 2020. The annual cost of existing WSIB claims is estimated at \$1.2 million per year. The City's current budget only includes funding of \$250 thousand to this reserve.
- B.) The current Financial Policies Framework specifies that year-end surpluses will be split 70/30 between capital reserves and rate stabilization reserves. In the 2021 budget, Council reduced the Dedicated Infrastructure Renewal Capital Contribution which will significantly reduce funds available in the Capital reserve to fund the City's record high Capital Plan. Allocating 70% of the adjusted surplus to the Tax Capital reserve will help to replace lost contributions to this reserve.

FINANCIAL

65. The information in the analysis section explains the impact of the recommendations in this Report as they relate to the Tax, Water, Wastewater, and Parking Reserves, as well as the compliance of those recommendations with the financial policies set out in the current Financial Policies Framework.

LINKAGE TO 2018-2022 STRATEGIC PLAN

66. The recommendation in this Report is operational and is not specifically related to the goals identified in the 2018-2022 Strategic Plan.

APPENDIX "A"

Tax Supported Operating Budget Variance by Department as of December 31st, 2020

	Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Access Barrie	24,596,518	26,229,233	-1,632,713	-6.6%
Access Barrie Admin	344,976	293,464	51,513	14.9%
Customer Service	1,172,925	1,065,109	107,817	9.2%
Information Technology	8,274,871	7,545,478	729,393	8.8%
Innovation	343,041	281,349	61,692	18.0%
Marketing & Communication	998,010	1,222,422	-224,411	-22.5%
Transit & Parking Strategy	13,462,694	15,821,411	-2,358,717	-17.5%
CAO & Mayor's Office	6,307,051	5,329,046	978,004	15.5%
Human Resources	3,135,528	2,617,657	517,871	16.5%
Internal Audit	344,259	376,013	-31,754	-9.2%
Legal Services Department	1,855,472	1,634,647	220,825	11.9%
Office of the CAO	675,653	454,154	221,499	32.8%
Office of the Mayor	296,139	246,574	49,565	16.7%
Community & Corporate Services	45,860,706	44,756,999	1,103,707	2.4%
Barrie Fire & Emergency Services	27,019,779	26,719,619	300,160	1.1%
Facilities Department	2,210,857	2,063,522	147,335	6.7%
Finance Department	4,037,303	3,649,143	388,160	9.6%
GM of Community & Corporate Services	375,669	455,394	-79,725	-21.2%
Legislative & Court Services	2,218,522	2,220,659	-2,137	-0.1%
Recreation & Culture Services	9,998,577	9,648,663	349,914	3.5%
Council & Committees	815,829	777,574	38,255	4.7%
City Council	739,699	763,923	-24,224	-3.3%
Committees	76,130	13,652	62,478	82.1%
Infrastructure & Growth Management	43,931,196	40,194,526	3,736,670	8.5%
Building Services	49,514	49,514	0	0.0%
Business Performance & Environmental Sustainability	1,532,102	1,167,458	364,644	23.8%
Corporate Asset Management	872,711	832,925	39,786	4.6%
Development Services	2,434,270	1,783,819	650,451	26.7%
Economic & Creative Development	1,941,598	1,996,478	-54,880	-2.8%
Environmental Services	0	0	0	0.0%
GM Infrastructure & Growth Management	509,320	397,154	112,166	22.0%
Infrastructure Department	1,240,384	985,846	254,538	20.5%
Operations	35,351,297	32,981,333	2,369,965	6.7%



	Budget (\$)	Actual (\$)	Variance (\$)	Variance (%)
Other Expenses	55,890,404	56,529,783	-639,379	-1.1%
Corporate Expenses	55,890,404	56,529,783	-639,379	-1.1%
Total Net City Services	177,401,704	173,817,161	3,584,544	2.0%
Service Partners & Grants	87,101,021	85,178,390	1,922,632	2.2%
Total Net Expenditures	264,502,725	258,995,549	5,507,176	2.1%
Corporate Recoveries	-5,348,121	-5,380,082	31,962	-0.6%
Corporate Revenues	-30,000	-1,205,047	1,175,047	-3916.8%
Investment Revenue	-4,260,232	-4,236,491	-23,741	0.6%
Net Taxation for own purposes	-252,788,073	-247,568,733	-5,219,340	2.1%
Payments in Lieu of Taxes	-2,076,300	-1,963,636	-112,664	5.4%
Total Revenue	-264,502,725	-260,353,989	-4,148,736	1.6%
Total Operating Surplus	0	-1,358,440		



APPENDIX "B"

Capital Plan Progress Update by Division as of December 31st, 2020

Summary of Capital Plan & Forecast	2020 Capital Budget			Performance Reporting Q4					Annual Deferred Budget
	Carryover from Prior Year Budgets	New Projects Approved in 2020 Budget	2020 Total Budget including Transfers	Projected YTD Spending Forecast	Actual 2020 Spending	Variance to 2020 Projected	% of Spending Forecast Achieved	% of 2020 Total Budget Spent	
Access Barrie	\$ 7,266,966	\$ 9,773,846	\$ 17,040,812	\$ 8,873,407	\$ 7,603,564	\$ 1,269,844	85.7%	44.6%	\$ 9,437,249
Community & Corporate Services	\$ 16,130,368	\$ 22,880,161	\$ 39,010,529	\$ 18,601,180	\$ 16,205,284	\$ 2,395,896	87.1%	41.5%	\$ 22,805,245
Developer Built Projects	\$ 54,665,214	\$ 2,716,956	\$ 57,382,170	\$ 233,625	\$ 201,596	\$ 32,029	86.3%	0.4%	\$ 57,180,574
Infrastructure & Growth Management	\$ 141,741,459	\$ 95,714,324	\$ 237,455,783	\$ 101,865,311	\$ 81,382,263	\$ 20,483,048	79.9%	34.3%	\$ 156,073,520
Total	\$ 219,804,008	\$ 131,085,287	\$ 350,889,295	\$ 129,573,524	\$ 105,392,707	\$ 24,180,817	81.3%	30.0%	\$ 245,496,588