



STAFF REPORT #T2021-08
Standing Committee 6/7/2021
Council 6/21/2021
Amendments: No

Submitted to: Strategic Initiatives Standing Committee | Council
Submitted by: Monica Quinlan, Treasurer
Subject: 2020 Financial Year End Memo

PURPOSE

The purpose of this report is to provide the 2020 year-end financial position of the Town's tax supported and non-tax supported departments, subject to any adjustments resulting from the year-end external audit. Additionally, this report serves as Council's review of the final surplus transfer in accordance with the Council approved Surplus Management Policy (FIN-004-01).

RECOMMENDATION

THAT Staff Report T2021-08, 2020 Financial Year End Memo be received for information;

AND FURTHER THAT Council approves the final surplus allocation to fund prior year's accumulated capital deficit in accordance with Policy (FIN-004-01).

AMENDMENTS

None

1. BACKGROUND

Over the past several months, treasury staff have been diligently working to complete the 2020 financial year end. This work includes among other items, ensuring all transactions are recorded appropriately, reconciling all balance sheet accounts, inventory counts, review of financial activities and preparation for the annual audit. This is a critical task, as it ensures the accuracy of reporting and provides both staff and members of Council the information it requires to make informed decisions.

The annual audit is currently in the final stages of completion and draft consolidated financial statements will be presented by the Town's auditors (Baker Tilly) at the July 5th, SIC Meeting.

2. INPUT FROM OTHER SOURCES

This report was reviewed by Department Heads on June 1st, and recommended to proceed to committee.

3. APPLICABLE POLICY OR LEGISLATION

N/A

4. ANALYSIS

Overall, 2020 was a very difficult year not only for the Town but also for our residents and businesses, due to the COVID-19 Pandemic. New ways of doing business, receiving information, constantly changing rules and even meeting became the forefront of the work that needed to be done so that life could resume. It was also a new financial environment given very unsteady markets, with interest rates at an all-time low and a relatively low CPI of just 0.7% in Ontario.

The Town was very fortunate in that the Province provided relief to assist in offsetting the financial impact of COVID-19 through the Covid Safe Restart funding (under both the operating and transit streams) \$1,330,328 in 2020. These funds were used mainly to offset the losses experienced in general user fee revenues, most notably in the Parks and Recreation departments and investment income, as well as the increased costs for cleaning and PPE.

Council and staff have been very responsive and proactive in addressing the COVID pandemic, including providing relief for businesses and residents who may be facing financial challenges. In total, the pandemic has resulted in an approximate \$1.37 million shortfall in revenue and additional unbudgeted expense of just over \$0.5 million. Council and staff recognized the urgent need to mitigate the impact of these losses and put mitigation measures in place including closure of facilities, redeployment of staff and the reduction of seasonal hiring.

The Town could be feeling effects of the pandemic into 2023 and sound financial management is imperative to a fiscally responsible government capable of weathering various financial challenges. Staff continue to monitor facilities and service levels, in consultation with Public Health, and will return to normal business operations when it is safe to do so.

2020 Operating Fund Financial Results

Overall, the Town of Collingwood is in a good financial position, despite the impacts of the pandemic. The financial stability of the Town has been supported through sound financial decisions and a healthy level of growth over the past several years. The year-end operating variance report provides information on the year-end position prior to the completion of the annual external audit and provides recommendations for the allocation of surplus/funding of deficits, in line with the Surplus Management Policy.

The final year-end (YE) Surplus that was generated for 2020 totals \$1,385,000, and is due primarily to favourable variances generated in:

- Taxation - Net Supplementary billings and PILS - \$860,511 (2019 - \$1,058,274);
- Contracted Services - \$364,764 (2019 - \$147,081) – mainly reduction in Policing costs;
- Salaries/Benefits - \$431,275 (2019 - (\$112,763)) – mainly delay and reduction of seasonal hiring;

- Studies - \$231,451 (2019 - \$261,608) – mainly timing of work;
- Official Plan Review - \$185,454 (2019 = \$100,000) – timing of work;
- Major Repairs/Corporate Contingency - \$135,000 (2019 = \$135,000) – due to the timing of expenses; and
- Legal Fees - \$118,671 (2019 = (\$139,050)).

These are offset by the unfavourable variance for the Judicial Inquiry – (\$1,156,480) – (2019 (\$3,655,584)) and as discussed previously the COVID-19 related expenses that were offset with the Safe Restart Provincial Funding.

The table below illustrates the net impact of each department on the YE surplus.

Department	Budget (in '000's)	YTD Actual (in '000's)	Variance \$ (in '000's)	Variance %
Taxation Revenue	\$ 35,590	\$ 36,450	\$ 861	2.42%
General Government	- 8,486	- 8,723	- 237	-2.80%
Protection Services	- 11,545	- 11,689	- 144	-1.25%
Transportation Services * (includes Parking Authority)	- 6,088	- 6,172	- 83	-1.37%
Environmental/Water Services *	- 4,525	- 5,349	- 824	0.00%
Affordable Housing	- 88	- 138	- 50	-56.33%
Recreation - Administration	- 605	- 599	6	0.93%
Parks Division	- 1,593	- 1,198	395	24.78%
Rec Facilities Division	- 1,700	- 1,617	83	4.89%
Recreation Services	- 355	- 364	- 9	-2.41%
Events	- 538	- 488	49	9.20%
The Station	- 323	- 238	85	26.27%
Arts & Culture	- 196	- 186	10	5.08%
Library	- 1,769	- 1,558	211	11.93%
Planning & Development	- 2,264	- 1,997	267	11.79%
Total **	-\$ 4,485	-\$ 3,866	\$ 619	
Non-Tax Supported Adjustments	\$ 4,485	\$ 5,376	\$ 891	
Transfer to Capital for Prior Year Accumulated Deficit	-	- 1,385	- 1,385	
Carryforward to 2021 (Capital Projects not yet completed)	-	- 152	- 152	
Prior Year's Operating Surplus		27	27	
Grand Total	\$ 0	-\$ 0	\$ -	

* Non-Tax Supported Adjustments represent the reversal of any budgeted transfers to/from reserves, to assist in the monitoring of the departments.

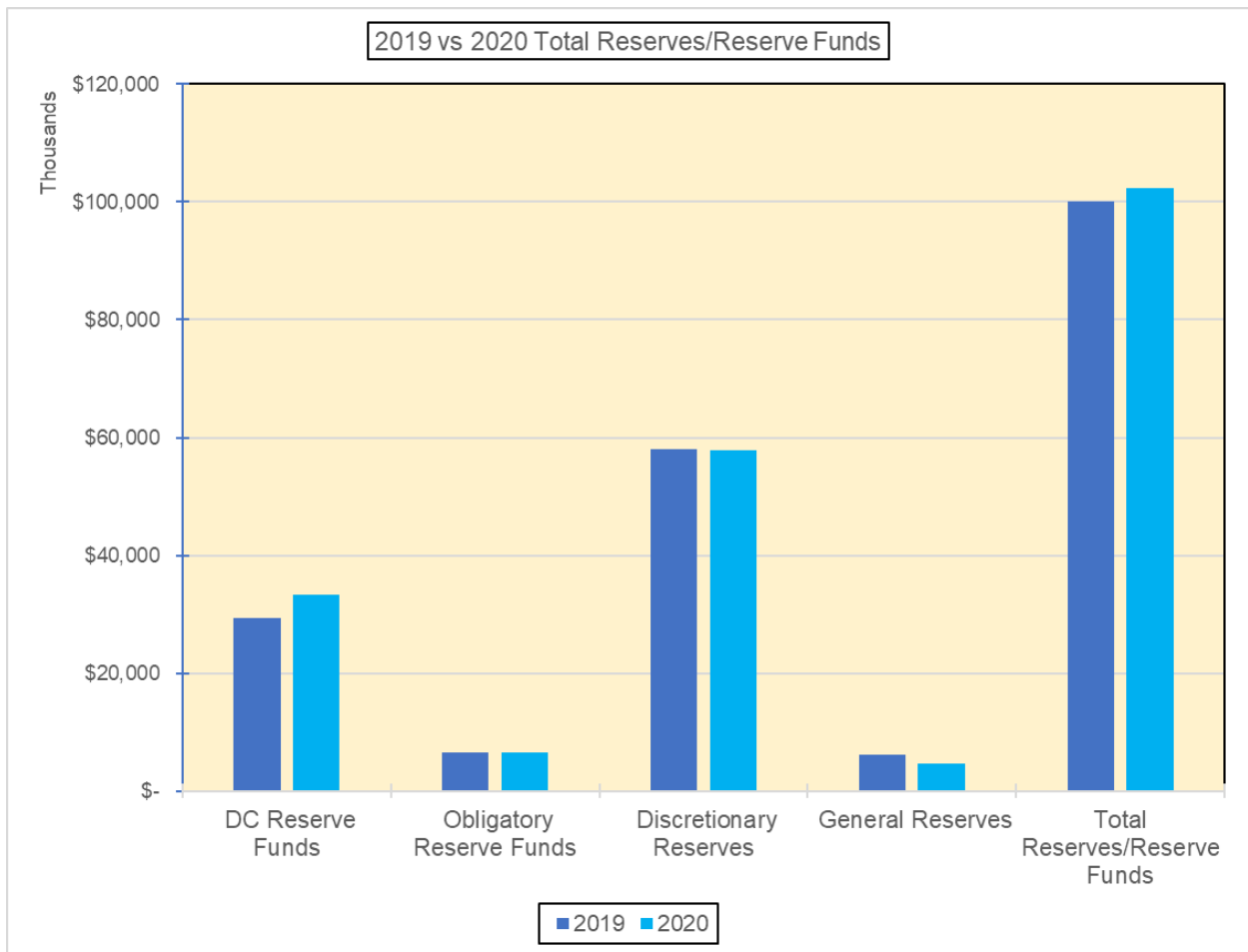
** (+) Indicates a Surplus (-) indicates a Deficit

Note that Environmental/Water Services are shown with a zero impact to tax, as these departments are non-tax supported or supported through user fees collected through the Water/Wastewater Billing. Similarly the Parking Authority (included in Transportation Services) is Non-Tax Supported.

As described in the table above \$1,385,000 was transferred to fund the accumulated prior year capital deficit (unfinanced capital projects); this leaves a balance of (\$307,414) in the unfinanced capital, which will be addressed in future years. It is important to note that as part of the operating

fund, the budgeted transfers to Reserve Funds for a total of \$1,762,000 occurred throughout the year. The graph and table below detail the balances in Reserves/Reserve Funds in comparison to 2019.

	2019	2020	Difference
DC Reserve Funds	\$ 29,369,813	\$ 33,272,992	\$ 3,903,179
Obligatory Reserve Funds	6,503,980	6,564,994	61,014
Discretionary Reserves	58,081,644	57,825,311	- 256,333
General Reserves	6,117,656	4,620,368	- 1,497,288
Total Reserves/Reserve Funds	\$ 100,073,094	\$ 102,283,666	\$ 2,210,572



2020 Capital Fund Financial Results

The 2020 Capital Budget included a total of \$33.4 million of projects of that \$510,000 was supported through taxation, with the remaining being supported through reserves/reserve funds, development charges, user fees and grants. The actual total spent on the capital program is \$15.7 Million. Many of the Capital Projects budgeted for 2020 were delayed due mainly to the pandemic, these include:

- Third/High Intersection improvements (Budget - \$3.1 Million – Actual - \$98k);
- Mountain Rd Upgrade (Budget - \$1.4 Million – Actual - \$186k); and
- Transit Bus Replacement (Budget - \$1.3 Million – Actual - \$0).

Department	Revenue (in '000's)	Expenses (in '000's)	Variance \$ (in '000's)	Variance %
General Government	\$ 1,657	\$ 120	\$ 1,537	92.77%
Protection Services	702	702	-	0.00%
Transportation Services	6,045	6,045	-	0.00%
Environmental/Water Services *	7,192	7,192	-	0.00%
Affordable Housing	-	-	-	0.00%
PRC	1,585	1,585	-	0.00%
Library	11	11	-	0.00%
Planning & Development	89	89	-	0.00%
Total **	\$ 17,280	\$ 15,743	\$ 1,537	
Transfer to Capital for Prior Year Accumulated Deficit	-	-	- 1,385	
Carryforward to 2021 (Capital Projects not yet completed)	-	-	- 152	
Prior Year's Operating Surplus	-	-	-	
Grand Total	\$ 17,280	\$ 15,743	\$ -	

* Non-Tax Supported

** + indicates a Surplus (-) indicates a Deficit

5. EFFECT ON TOWN FINANCES

The final year end surplus has been transferred to Unfinanced Capital Projects, reducing the prior years' accumulated capital deficit to \$307,414 (2019 - \$1,691,455). Additionally, the prior years' accumulated operating fund surplus has been brought to \$0 (2019 - \$26,856).

6. CONSIDERATIONS

Community Based Strategic Plan: N/A or Explain: Choose an item.
Climate Change / Sustainability: N/A or Explain: Choose an item.
Accessibility: N/A or Explain: Choose an item.
Communication / Engagement: N/A or Explain: Choose an item.
Accountability / Transparency: N/A or Explain: Enhances Accountability and Transparency

7. APPENDICES & OTHER RESOURCES

Resource A	2020 Final Budget
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SIGNATURES

Prepared by:		Department Head:
<i>Monica Quinlan, Treasurer</i>		
Town of Collingwood		Town of Collingwood