

# Memorandum

*Office of the City Clerk*  
**Fax: 623-5468**  
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**TO:** Members of Council  
**FROM:** Dana Earle, Deputy City Clerk  
**DATE:** Thursday, October 29, 2020  
**SUBJECT: Additional Information**  
**Committee of the Whole – November 2, 2020**

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## COMMITTEE OF THE WHOLE

### Additional Information

1. 10<sup>th</sup> Annual Mayor's Community Safety Awards brochure. (**Copies available at City Hall**)
2. Report No. R 122/2020 (Corporate Services & Long-Term Care – Financial Services) Financial Implications of COVID-19 Pandemic & Budget Variance Report #3.
  - a. Deputation request from Mr. H. Wojak relative to the above noted report.
3. Attachment A - Appropriation No. 21 relative to Report No. R 128/2020 (Infrastructure & Operations – Engineering & Operations) Marina Overpass.

/gs

# Corporate Report

<b>DEPARTMENT/ DIVISION</b>	Corporate Services & Long Term Care - Financial Services	<b>REPORT NO.</b>	R 122/2020
<b>DATE PREPARED</b>	10/20/2020	<b>FILE NO.</b>	
<b>MEETING DATE</b>	11/02/2020 (mm/dd/yyyy)		
<b>SUBJECT</b>	Financial Implications of COVID-19 Pandemic & Budget Variance Report #3		

## **RECOMMENDATION**

With Respect to Report No. R 122/2020 (Corporate Services & Long Term Care - Financial Services), we recommend that the report be received;

AND THAT Appropriation No. 14 be approved (Attachment A);

AND THAT any necessary by-laws be presented to City Council for ratification.

## **EXECUTIVE SUMMARY**

On a quarterly basis, Administration reviews year-to-date revenues and expenditures and completes a forecast of the City's financial position to year-end – December 31, 2020. The forecast is compared to the 2020 approved budget and presented to City Council.

This report provides an update on the financial impact of the COVID-19 pandemic separately from the non-pandemic related projected variances.

The projections related to the pandemic use the Phase 3 Provincial Framework for Reopening (Phase 3) and assume facilities currently not operating as of September 30, such as Volunteer Pool & Community Centre and the Fort William Gardens, remain closed for the rest of the year. If COVID-19 did not exist, Administration would be projecting a favourable tax supported variance of \$1.0 million for non-pandemic operations. The net unfavourable impact of COVID-19 on tax supported operations is \$5.0 million.

The \$5.0 million COVID-19 shortfall will be funded by Federal-Provincial Safe Restart Municipal Operating Phase 1 funding (\$2.1 million), Federal-Provincial Safe Restart Municipal Transit Phase 1 funding (\$2.2 million), COVID-19 funding received from the Province for Long Term Care (\$0.4 million) and funding for Municipal Child Care (\$0.2 million). This is based on projections and assumptions through to the end of December 2020.

If COVID-19 did not exist, Administration would be projecting a favourable rate supported variance in Solid Waste (\$0.1 million), favourable in Wastewater (\$0.1 million) and favourable in Waterworks (\$0.3 million). The impact of COVID-19 on rate supported operations is projected to be unfavourable in Solid Waste (\$1.4 million) and favourable in Waterworks (\$0.1 million) with no significant variance for Wastewater.

The Solid Waste net unfavourable variance (\$1.3million) will be funded from Federal-Provincial Safe Restart Municipal Operating Phase 1 funding.

A total \$3.4 million (\$2.1 million for tax supported plus \$1.3 million for Solid Waste) of the \$6.2 million Federal-Provincial Safe Restart Municipal Operating Phase 1 funding is estimated to be required to offset 2020 COVID-19 pressures. As required by the Province, the excess funding (\$2.8 million) will be transferred to the Stabilization reserve fund to be accessed to support COVID-19 operating pressures in 2021.

## ***DISCUSSION***

Variance reporting within each Department includes reviewing year-to-date actual results and projecting those results to year-end (December 31) focusing on the impact of the cyclical nature of some business areas within the Corporation. The projected year-end revenues and expenses are compared to the approved 2020 Operating Budget and action plans are developed to deal with any significant negative budget variances identified.

In light of the evolving situation with COVID-19 and the unprecedented measures taken to date, this report provides the financial impact of the pandemic separately from non-pandemic related projected variances.

The projections previously reported to Council on July 27, 2020 (Financial Implications of COVID-19 Pandemic & Budget Variance Report #2) have been refined to reflect Council decisions on re-openings and cost containment included in the reports on Phase 1 & Phase 2 Summer 2020 Operations service level changes, Phase 1 and Phase 2 Fall 2020 Operations Services Level Changes, Report R 72/2020 (Update on Cost Containment-COVID-19 Pandemic) and Federal and Provincial announcements on Pandemic funding. In addition, Administration has updated projections on services that have continued to operate throughout the pandemic.

Most notable non-COVID-19 changes from the July 2020 report are as follows:

- Increase in vacancy savings (\$0.4 million)
- Recovery of projected Building Permit Revenue (\$0.3 million)
- Savings in utilities (\$0.5 million)

Most notable tax supported COVID-19 changes from the July 2020 report are as follows:

- Reduction in foregone revenues (\$2.0 million) primarily within Recreation due to reopening of facilities
- Federal-Provincial Safe Restart Municipal Operating Phase 1 funding (\$6.2million)
- Federal-Provincial Safe Restart Municipal Transit Phase 1 funding (\$3.2 million)

**FINANCIAL IMPLICATION**

The following chart summarizes the projected tax supported budget variances by department to the end of December 2020, specific to COVID-19. This forecast shows tax budget pressures of \$5.0 million. The tax supported COVID-19 pressures will be offset in 2020 by Federal-Provincial Safe Restart Municipal Operating funding (\$2.1 million), Federal-Provincial Safe Restart Municipal Transit funding (\$2.2 million) along with pandemic funding received from the Province to support Long-term Care (\$0.4 million) and Municipal Child Care (\$0.2 million).

<b>2020 Projected COVID-19 Costs and Budget Impacts up to December 31, 2020 (\$000's)</b>				
<b>Tax Supported</b>	<b>Foregone Revenue</b>	<b>Additional Costs</b>	<b>Avoided Costs</b>	<b>Net Impact</b>
Mayor & Council	-	(21.6)	46.6	25.0
City Manager's Office	(61.7)	(33.2)	387.7	292.8
Community Services (Excluding Transit)	(3,871.6)	(33.0)	4,533.5	628.9
Transit	(3,259.5)	-	1,037.9	(2,221.6)
Corporate Services & Long Term Care	(1,416.8)	(2,075.7)	1,025.7	(2,466.8)
Development & Emergency Services	(297.9)	(721.8)	280.6	(739.1)
Infrastructure & Operations	(540.5)	(260.6)	560.4	(240.7)
Corporate Expenditures / Revenues	(2,471.7)	(21.5)	1,923.8	(569.4)
Capital	-	-	1,081.7	1,081.7
Thunder Bay Police Service	(132.0)	(246.3)	359.5	(18.8)
Thunder Bay Public Library	-	-	250.0	250.0
Community Economic Development Commission (CEDC)	(43.2)	(67.1)	36.1	(74.2)
Parking Authority	(1,142.9)	(24.3)	186.7	(980.5)
Victoriaville Centre	-	(11.2)	61.6	50.4
<b>Total Tax Supported</b>	<b>(13,237.8)</b>	<b>(3,516.3)</b>	<b>11,771.8</b>	<b>(4,982.3)</b>
Federal-Provincial Safe Restart Municipal Operating funding				2,119.0
Federal-Provincial Safe Restart Municipal Transit funding				2,221.6
COVID-19 Funding for Long-term Care				442.8
COVID-19 Funding for Municipal Child Care				198.9
<b>Total COVID-19 funding to be applied to 2020</b>				<b>4,982.3</b>

The projected tax supported COVID-19 deficit consists of \$13.2 million in foregone revenue, \$3.5 million in additional costs and \$11.8 million in costs avoided, resulting in a net impact before additional funding of \$5.0 million.

## **Foregone Revenue**

The City's most significant financial impact related to COVID-19 is lost revenues. The current forecast to the end of December 2020 estimates a reduction of revenue of \$13.2 million with the majority of the forecasted lost revenues coming from transit, recreation, casino, child care, parking and court services.

### Transit

The forecast estimates an unfavourable variance of \$3.3 million in Transit revenues due to COVID-19 related health and safety measures that included stopped collection of fares from March 21 until July 20 and reduced ridership estimates going forward.

### Recreation

The temporary closure of recreation facilities and reduced capacity upon reopening is expected to result in \$2.6 million in lost revenues. A number of assumptions were used related to facilities that recently reopened with limited information to analyze including the Canada Games Complex. Facilities currently projected to remain closed include Volunteer Pool & Community Centre and Fort William Gardens.

### Casino Revenues

Casino revenues are forecasted to be \$1.7 million unfavourable in 2020. Casinos were closed by the Province of Ontario effective March 16, 2020 and have been allowed to open with restrictions under Phase 3. Gateway's Thunder Bay casino reopened October 10. Given the recent reopening and lack of available data on attendance, actual results in 2020 may vary significantly from forecast.

### Child Care

The temporary closure of city-run childcare centres and subsequent reduced capacity upon reopening is expected to result in \$1.2 million in lost revenues.

### Parking

Lost parking meter revenue, fine revenue and reduced parkade and surface lot rental revenues are expected to be \$1.1 million by the end of the year.

### Provincial Offences Court Services

Reduced court services fine revenues are expected to result in a \$1.0 million unfavourable variance. Beginning September 28<sup>th</sup>, non-trial POA proceedings resumed remotely by audio conferencing, however, all in-person Provincial Offences Act (POA) matters scheduled from March 16, 2020 through to Friday January 22, 2021 will be rescheduled to a later date.

Other

Other foregone revenues include an estimated \$0.4 million in reduced supplementary taxes, \$0.2 million in reduced investment income, \$0.2 million less penalties and interest, and \$1.5 million in various other user fees, sales and licenses.

Municipal Accommodation Tax

A projected \$1.0 million decrease in the Municipal Accommodation Tax (MAT) revenue is not included in the above projections as MAT revenue is transferred equally to the CEDC and the Indoor Turf Facility Reserve Fund. This projection assumes MAT revenues remain at 35% of prior year levels for October through December.

**Additional Costs**

Total incremental costs associated with COVID-19 are projected to be \$3.5 million. Additional costs include personal protective equipment (PPE), cleaning costs, and additional staffing and overtime.

Long Term Care and Senior Services

\$1.3 million in pandemic related costs are estimated in long-term care by the end of the year. The majority of these costs are wages for redeployed and additional staff required for screening, cleaning, resident social and wellbeing, and Meals on Wheels delivery.

Corporate Pandemic Supplies

Pandemic specific supplies including masks, gloves and sanitizer have been obtained for distribution throughout the corporation. Incremental spending in this category is projected to be \$0.7 million.

Emergency Services

Superior North EMS (SNEMS), Thunder Bay Fire Rescue and Thunder Bay Police Service are projecting \$0.9 million in incremental costs associated with COVID-19. These costs are primarily due to labour associated with cleaning and isolation requirements as well as additional material costs including PPE and cleaning supplies.

Other

Other pandemic related costs of \$0.6 million include a variety of items including cleaning costs, signage, security, telecommunication, hardware and software associated with working remotely, and wages and extra vehicle usage needed to maintain physical distancing.

Community, Youth and Cultural Funding Program

The allocation of \$235,000 emergency funding through the Community, Youth, & Cultural Funding Program is not included in the above projections as it is funded from the Stabilization Reserve Fund.

### N95 Mask Sterilization Unit

In an effort to decrease future pandemic costs the City purchased and installed an N95 Mask Sterilization Unit at a cost of \$173,000.

Appropriation #14 is attached to this report. Administration is recommending funding this purchase through the Stabilization reserve fund as capital purchases are not eligible under the Federal-Provincial Safe Restart funding.

### **Avoided Costs**

Avoided costs, currently estimated at \$11.8 million to December 2020, mainly include temporary staff vacancies (\$4.8 million), reduced materials, supplies, utility and fuel costs (\$2.7 million), released capital (\$1.1 million), savings in health benefits (\$0.8 million), travel & training savings (\$0.6 million), savings from forgoing the general increase to non-affiliate, non-union and managerial staff (\$0.5 million), reduced transfers to reserve funds (\$0.4 million), and reduction of the Thunder Bay Library 2020 levy (\$0.3 million).

Administration continues to follow our reopening principles, which includes the “Value for Money” principle, where priority is on reopening programs and services that deliver highest value at best cost under the current circumstances and identify opportunities to cancel or defer reopening or adjust services to support cost containment.

### **Additional Revenue**

The City received \$9.4 million in 2020 Federal-Provincial Safe Restart Funding made up of \$3.2 million for municipal transit COVID-19 pressures and \$6.2 million for municipal operating COVID-19 pressures. Based on current projections, \$2.2 million from the transit stream will be required for 2020, leaving \$1.0 million available to support 2021. There are timing restrictions on the use of carryforward funds from the transit stream, which can only be applied to Transit COVID-19 pressures incurred between January 1, 2021 and March 31, 2021.

The projected use of the Federal-Provincial Safe Restart Municipal Operating funding is \$3.4 million to fund the negative COVID-19 tax and rate supported variance (discussed below). Based on this projection, approximately \$2.8 million will be available to support 2021 pressures.

The City also received \$0.2 million in additional funding to assist in covering pandemic costs related to Municipal Child Care and \$0.4 million to assist in Long Term Care and Senior Services. This projection does not include funding for the temporary pandemic pay, emergency child care, and Superior North EMS COVID-19 Assessment Centre operations as the funding is expected to fully cover associated costs.

**Projected Tax Supported Budget Surplus (Non-pandemic related)**

Excluding the financial impacts of the COVID-19 pandemic, as of September 30, 2020, Administration is projecting a favourable variance of \$1.0 million for 2020 within tax-supported general municipal operations.

This favourable variance is largely due to vacancy savings in City departments (\$1.3 million), utility savings (\$0.5 million), savings in Thunder Bay Police Services mainly related to vacancies (\$0.6 million), savings in corporate expense mainly due to WSIB (\$0.6 million), additional penalties and interest on tax (\$0.4 million), reduced insurance claims (\$0.3 million) and reduced debenture charges due to lower interest rates (\$0.1 million).

This is partially offset by an unfavourable variance in tax write offs (\$1.4 million), SNEMS mainly due to WSIB (\$0.7 million), winter control costs in the Roads Division (\$0.4 million), reduced interest income (\$0.1 million) and corporate arbitration costs (\$0.1 million).

**Projected Rate Supported Budget Variance (Non-COVID-19 and COVID-19)**

The following chart summarizes the projected rate supported budget variances by division to the end of December 2020. Boater Services has reported no significant variances.

**Table 2: 2020 Projected Rate-Supported Variance  
up to December 31, 2020 (\$000's)**

	<b>Non-COVID-19 Variance</b>	<b>COVID-19 Variance</b>	<b>Net Variance Favourable/ (Unfavourable)</b>
Waterworks	336.0	142.8	478.8
Wastewater	121.0	(37.7)	83.3
Solid Waste	81.0	(1,356.7)	(1,275.7)

**Waterworks**

Administration is projecting \$0.3 million Non-COVID variance in waterworks due to vacancy savings as well as additional savings in discretionary spending and reduced financing costs partially offset by increased contracted services.

The COVID-19 variance is estimated at \$0.1 million favourable primarily due to vacancies savings and reduced utilities, offset partially by foregone revenues. Overall Waterworks is projecting a net favourable variance that will be transferred to the Waterworks reserve fund.

**Wastewater**

The \$0.1 million favourable Non-COVID-19 variance in wastewater is due to savings in discretionary spending, reduced financing costs, and vacancy savings partially offset by sewer cleaning expenses. Wastewater is projecting foregone revenues of \$0.4 million due to COVID-19 and avoided costs of \$0.4 million resulting in no significant variance.



Overall, Wastewater is projecting a net favourable variance that will be transferred to the Sewer Rate (wastewater) reserve fund.

#### Solid Waste

The project favourable Non-COVID-19 variance of \$0.1 million for solid waste is due primarily to decreased financing costs. The COVID-19 projected unfavourable variance of \$1.4 million is due to foregone revenues from commercial user fees. The net unfavourable variance for Solid Waste of \$1.3 million will be offset by Federal-Provincial Safe Restart Municipal Operating funding.

### **CONCLUSION**

It is concluded that Appropriation No. 14 be approved and this Report be received for information purposes and that Administration continue to closely monitor operating results, and through the work of the Emergency Response Team (ERT) develop and implement action plans to mitigate the impact of the pandemic on the Corporation's 2020 Budget.

### **BACKGROUND**

The Operating Budget for the fiscal year January 1, 2020 to December 31, 2020 was approved by City Council on February 10, 2020.

On March 17, 2020, the Province of Ontario declared an Emergency related to the COVID-19 outbreak. As a result of the widespread closure of businesses and declaration of a state of emergency by the Province of Ontario due to the COVID-19 pandemic, many City of Thunder Bay businesses are closed and residents are being financially impacted.

On April 20, 2020, City Council approved financial relief measures to businesses and residents. These measures included:

- Deferring the interim tax levy installment from May 6, 2020 to July 8, 2020.
- Waiving water penalties for water bills due April 14, May 15 and June 15, 2020.
- Waiving fee for non-sufficient funds (NSF) related to tax and water payments for 90 days.
- Extending the deadline to apply for the tax and water credit program for low-income seniors and low-income persons with disabilities and the tax and water credit for low-income persons to September 1, 2020.
- Extending payment terms for general accounts receivable invoices generated in April, May, and June 2020 from 30 days to 90 days.
- Ceasing all collection work outside of legislative requirements until September 30, 2020.
- Waiving business related permit and licenses fees for a 3 month period in 2020.
- Reducing sign permit fees by 25% for a period of one year.
- Waiving fees associated with re-issuing of marriage licenses and commissioning services for a 3 month period.

- Establishing an emergency fund of \$235,000 for Community, Youth and Cultural Funding Program recipients.

On May 4, 2020 City Council received for information Report No. R 38/2020 Financial Implications of COVID-19 Pandemic & Budget Variance Report #1 which projected a tax and rate pandemic financial impact of \$5.2 million to May 31<sup>st</sup>, 2020.

On May 11, 2020, City Council directed Administration to report back on June 15, 2020 relative to the savings that have already been identified as cost containment measures and other potential savings that have been identified as potential cost mitigation measures.

On June 1, Council approved Phase 1 Summer 2020 Operations service level changes (Report 65/2020 – Phase 1 Summer 2020 Operations Service Level Changes – Community Services, Recreation and Culture) which included: closures of outdoor pools, campgrounds, and the Port Arthur Stadium; the cancellation of group fitness classes offered through the Canada Games Complex and the Adventurers Summer Camp; and, the cancellation of amusement rides, City and community special events until July 31, 2020, and deferral of the City’s assumption of responsibility for the West Arthur Community Centre. This solidified over \$545K in net savings.

At the June 15, 2020 Committee of the Whole meeting (Report 72/2020 – Corporate Services and Long Term Care - Update on Cost Containment-COVID-19 Pandemic), Council approved the release of a number of tax supported capital budgets, extended summer closure of the 55 Plus Centre until August 31<sup>st</sup>, 2020, elimination of the 2020 budgeted transfer to Renew Thunder Bay Reserve Fund and reduction to the budgeted transfer to Clean, Green & Beautiful Reserve Fund. This resulted in \$1.5 million in savings.

At the June 22, 2020 Committee of the Whole meeting (Report 76/2020 – Community Services – Recreation and Culture - COVID-19: Phase 2 Summer 2020 Operations Service Level Changes) Council approved the reopening of specific programs with modifications, including summer camps, Playgrounds Program, Junior Inclusion Services, neighbourhood splash pads, Sandy Beach, and the Algoma Child Care Centre. Council approved the closure of Fort William Stadium for summer 2020.

At the July 20, 2020 Committee of the Whole meeting (Report 81/2020 – Community Services – Recreation and Culture - COVID-19: Phase 3 Summer 2020 Operations Service Level Changes) Council approved the reopening of specific programs with modifications, including Grace Remus Care Centre, Churchill Pool, Community Centres, one Indoor Rink and Outdoor Sports fields. Council approved the closure of the Splash Pad at Prince Arthur’s Landing, and the Baggage Building Arts Centre.

On July 27, 2020 City Council received for information Report No. R 83/2020 Financial Implications of COVID-19 Pandemic & Budget Variance Report #2. The report projected an unfavourable variance within tax supported operations of \$0.9 million for non-pandemic operations and \$7.0 million due to the pandemic. Rate supported operations projected an unfavourable variance of \$1.1 million for non-pandemic and estimated \$0.8 million favourable for pandemic financial pressures.

At the August 24, 2020 Committee of the Whole (Report 103/2020 – Community Services – Recreation and Culture – COVID-19: Phase 1 Fall 2020 Operations Services Level Changes) Council approved the reopening of the Canada Games Complex, Ogden and Woodcrest Child Care Centres, and the Baggage Building Art Centre. In addition, Council approved the reopening of additional arenas (subject to ice demand), the 55 Plus Centre/West Arthur Community Centre, Neighbourhood Recreation Program, Community Centres, and Fort William Stadium subject to the successful review by the City’s Emergency Response Team of the reopening plan for these facilities. The reopening of Mariners’ Hall and City events were deferred.

***REFERENCE MATERIAL ATTACHED:***

Attachment A: Appropriation No. 14

***PREPARED BY: EMMA WESTOVER, DIRECTOR FINANCIAL SERVICES***

THIS REPORT SIGNED AND VERIFIED BY: (NAME OF GENERAL MANAGER)  Linda Evans, GM Corporate Services & Long Term Care, City Treasurer	DATE:  October 28, 2020
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**The City of Thunder Bay**

DATE: Sept 21, 2020

DEPARTMENT:  
Development & Emergency Services

**REQUEST FOR APPROPRIATION CHANGE**

14
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DIVISION:  
Superior North EMS

**REQUEST FOR ADDITIONAL APPROPRIATION**

APPROP NO.

WBS ELEMENT	DESCRIPTION	BUDGET AVAILABLE	INCREASE	DECREASE	ADMIN USE	
					IM Position	Fund Code
PAN-EMS-200001-01-01	N95 Mask Sterilization Unit		173,000		8.2.1	37
	Stabilization Reserve Fund			173,000		37
			173,000	173,000		

EXPLANATIONS/REASONS:

N95 Mask Sterilization Unit  
(not eligible to be funded by Safe Restart Funding)

EFFECT ON LEVEL OF SERVICE:

DECREASE	INCREASE	MAINTAINED
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

DATE: November 2, 2020

RECOMMENDED/APPROVED

L EVANS  
CITY TREASURER

N GALE  
CITY MANAGER

**PREPARED BY:** M. GALLAGHER for B. CLINE

**REVIEWED BY:** M SMITH (GM - Development & Emergency Services)

**VERIFIED BY**

**FINANCE:** M GALLAGHER  
Moira Gallagher, CPA, CMA  
Budget & Planning Accountant  
Corporate Services & Long Term Care Department

**COMMITTEE OF THE WHOLE**

APPROVED	NOT APPROVED
<input type="checkbox"/>	<input type="checkbox"/>

DATE: \_\_\_\_\_

Hello,

Please note the following response to Speak to City Council has been submitted at Tuesday October 27th 2020 3:44 PM with reference number 2020-10-27-800.

- **Please state what agenda item you would like to speak about:**  
Financial Implications of COVID-19 Pandemic & Budget Variance Report #3 Report No. R 122/2020
- **If you would like to speak to City Council about another topic not associated with an agenda item, please state topic here (if applicable):**  
n/a
- **What are you requesting from Council?**  
other:
- **If other:**  
That council create a Thunder Bay Police service Reserve Fund for any favourable variances in their budgets. That any amount of the favourable variance in the police service budget this year be transferred to it.
- **Have you already been in contact with City Administration in regards to the subject matter of your deputation request?**  
No
- **Please select the date of the meeting:**  
Committee of the Whole - Monday, November 2nd
- **First name:**  
Henry
- **Last name:**  
Wojak
- **Email:**  
[valhenry@tbaytel.net](mailto:valhenry@tbaytel.net)
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