



**City of Kingston
Report to Council
Report Number 21-098**

To: Mayor and Members of Council
From: Desiree Kennedy, Chief Financial Officer & City Treasurer
Resource Staff: Lana Foulds, Director of Financial Services
Scarlet Eyles, Manager of Financial Planning
Date of Meeting: May 18, 2021
Subject: 2020 Fourth Quarter Operating Budget Report

Council Strategic Plan Alignment:

Theme: Financial measures/budget

Goal: See above

Executive Summary:

This report provides Council with information on the 2020 fiscal year-end financial results. From a fiscal perspective, 2020 has been an unprecedented year. Continued changes to the scope of various City services, the resulting loss of user fee revenues and the incremental costs incurred as a result of the COVID-19 pandemic have all put significant pressure on the City's financial circumstances.

As projected in [Council Report Number 20-168](#), COVID-19 Response and Recovery – Year End Projections, the City initially projected a \$9.3M deficit before consideration for any further federal or provincial government support. Actual 2020 year-end financial results report total revenue losses of approximately \$24M, expenditure savings available to offset revenue losses of approximately \$13M and the use of Safe Restart Funding to achieve a balanced 2020 net operating position.

As identified in Council Report 20-168, a number of funding strategies had been developed in the absence of any general emergency assistance funding from senior levels of government to mitigate the fiscal impact of the projected pandemic-related deficit. However, details with respect to Safe Restart Funding envelopes for both general municipal and transit operations as well as

May 18, 2021

Page 2 of 16

additional phases of the Social Services Relief Funds were subsequently confirmed thereby changing the composition of funding strategies.

Confirmation of the Safe Restart and Social Service Relief funding provided the opportunity to revisit a number of strategies for addressing the impact of the pandemic with the objective of optimizing an integrated solution that would not only address the 2020 operating deficit, but consider 2021 budget implications, maintain reserve balances in order to mitigate 2021 pandemic related pressures and preserve longer-term municipal capital funds for their planned use. This report summarizes the various strategies that have been utilized as part of finalizing the year-end financial reporting process and provides further details on the 2020 year-end financial results.

The attachments, which include the year-end financial schedules as prepared by the Financial Services Department for audit purposes, report that the municipal utilities' have generated a surplus for 2020. The report recommends that the surpluses from the municipal utilities' operations be allocated to their respective capital reserve funds to support longer-term capital funding strategies in accordance with policy.

The annual audited financial statements will be presented to the Administrative Policies Committee upon completion of the external audit process later this year.

Recommendation:

That Council receive the 2020 fourth quarter operating budget status report; and

That the net surplus generated from the municipal utilities operations in the amount of \$6,242,898 be allocated to the following utility reserve funds:

| | |
|------------------------------------|--------------|
| a. Water Capital Reserve Fund | \$ 3,132,114 |
| b. Wastewater Capital Reserve Fund | \$ 2,491,002 |
| c. Municipal Capital Reserve Fund | \$ 579,738 |
| d. Appliance Rental Reserve Fund | \$ 40,044 |

May 18, 2021

Page 3 of 16

Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL
OFFICER & CITY TREASURER

**Desiree Kennedy, Chief
Financial Officer & City
Treasurer**

ORIGINAL SIGNED BY CHIEF
ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Community Services

Peter Huigenbos, Commissioner, Business, Environment & Projects

Brad Joyce, Commissioner, Corporate Services

Jim Keech, President & CEO, Utilities Kingston

Sheila Kidd, Commissioner, Transportation & Public Works

May 18, 2021

Page 4 of 16

Options/Discussion:

The financial information provided in this report is derived from the financial accounting records of the Corporation as at December 31, 2020. The report reflects 2020 actual revenue and expenditure information together with the approved operating budget. Three exhibits are attached, reported by group and summarized by department. Agency transfers and municipal utilities are summarized as well. Exhibit A reflects the net operating information (revenues less expenditures). Exhibits B and C reflect gross revenues and gross expenditures respectively. Gross revenues as reported on Exhibit B reflect a loss of revenues in several departments, as previously projected. Exhibit C reflects expenditure savings in most departments which helped to offset the shortfall in revenues.

Additionally, Exhibits D, E and F provide information on building permit fees, height and density bonusing provisions and cash-in-lieu of parkland fees in accordance with legislative requirements for annual reporting.

Changes to City services and loss of service revenues as a result of the COVID-19 pandemic put significant pressure on the City's fiscal circumstances. On September 15, 2020, Council was presented with [Council Report Number 20-168](#), COVID-19 Response and Recovery – Year End Projections, which provided departmental projections to year-end and reported an overall 2020 operating deficit of approximately \$9.3M prior to the application of additional funding strategies and further government support. Council Report Number 20-168 also authorized the Chief Financial Officer & City Treasurer to implement various measures to address the 2020 projected deficit including maximizing potential provincial funding.

Staff implemented several measures throughout 2020 to manage the budget challenges related to the pandemic including deferral of new and replacement hires for non-critical services, redeploying staff, issuing temporary notices of work shortage, suspending the summer student program and reducing discretionary spending wherever possible. Additional fiscal measures, implemented by the Chief Financial Officer & City Treasurer as part of the year-end reporting process are summarized later in this report.

2020 Service Levels

The financial information in Exhibits A-C reflect those departments whose service levels were significantly impacted by the pandemic. The 2020 fiscal year-end results highlight significant reductions in user fee revenues for a number of front-line departments as a result of the various pandemic-related restrictions in place throughout the year. Year-end results also reflect cost-saving measures across a number of departments in an attempt to mitigate the impact of reduced user fee revenues.

Significant departmental variances and related service level information are explained below. Further details supporting year-end budget variances by revenue and expenditure category are provided later in the report.

May 18, 2021

Page 5 of 16

Transit

Total transit ridership in 2020 of approximately 3.4M was 50% less than the previous year. During the period of March 26th to August 31st fare collection was suspended, and ridership decreased by approximately 60% during the same period. Total revenue losses of \$4.6M were offset by a reduction in direct service costs, including the cost of fuel, of \$4.1M. Funding strategies that incorporated both the Provincial Gas Tax and Safe Restart Funds - Transit Stream were utilized to offset a 2020 operating deficit.

Parking

Included in Transportation Services, Parking revenues were less than budget by approximately \$4.8M and were offset by \$1.3M of expenditure savings. The annual budgeted transfer to the Parking Reserve Fund of \$3.6M was made to ensure that funding is available to address future capital plans and asset management requirements.

Recreation

Recreation revenues reported a loss of user fee revenues of \$4.7M, offset by direct cost savings, primarily in wages and contracted services of \$1.7M.

Ice rentals were 47% less than budget, a loss of \$1.7M as a result of facility closures and capacity constraints when services resumed in the fall. Staff minimized the fiscal impact by leaving some facilities closed for the season.

Culture

Culture revenues reported a loss of ticket and program revenues of \$1.8M offset by direct cost savings, primarily in wages, supplies and artists fees of \$2.1M.

Airport

Air travel was limited during the first six months of the pandemic, resulting in the loss of the major air carrier. The last quarter of the year saw some limited revenue recovery through a pilot program with the FLYGTA Airline, but revenues were close to 70% below budget at the end of the year. A total revenue loss of \$1.2M was offset by a reduction of \$500K in direct costs related to wages and contracted services. Staff continue to develop strategies to restore air service when travel is deemed safe. A request for proposal for regional air service was launched at the end of the fourth quarter of 2020 in order to rebuild regional air connectivity that is critical to supporting tourism, corporate travel and economic development growth more broadly.

Housing and Social Services

A significant portion of housing and social services expenditures are offset by subsidies from other levels of government. As a result, program revenues are proportionate to the level of expenditures incurred for Ontario Works, housing and childcare programs. Revenue and

May 18, 2021

Page 6 of 16

expenditure variances reported on Exhibits B and C reflect lower than projected costs and related subsidies of \$4.7M in Ontario Works due to the availability of other pandemic-related client support and \$4.8M in childcare programs due primarily to daycare closures for part of the year. These variances were offset by approximately \$2.5M in pandemic related costs and associated funding.

Support Services

The majority of the support service departments reported surpluses at the end of the year as a result of corporate cost saving strategies and focused efforts to minimize discretionary costs. The Information Systems & Technology department reports net operating costs of \$1.1M over budget as a result of deferring the budgeted recovery of wage costs from respective capital projects. As discussed further below, resourcing efforts were refocused on immediate operational requirements and this funding strategy will ensure that capital resources continue to be available to fund these capital projects in the future.

Pandemic impacts continue into 2021, particularly due to provincial restrictions currently in place with respect to the stay-at-home order. As vaccines roll out and the focus on recovery efforts continues, it is difficult to project how and at what pace municipal services will return to more typical levels. Staff continues to monitor the 2021 financial results and the continued impact of the pandemic on municipal operations.

Operating Revenues by Source

Exhibit B illustrates a net shortfall in municipal operating revenues of \$12.7M at December 31, 2020 after incorporating \$12.5M of revenues from the Safe Restart Funds - Municipal Operating Stream and \$3.5M from the Safe Restart Funds - Transit Stream. The following information provides Council with further detail of the year-end financial results by revenue category.

Transit revenues – Kingston Transit operated without fare collection until the end of August with monthly passes extended until the end of September.

At December 31st, transit revenues were approximately \$4.6M lower than budget including cash fares and monthly passes, the Employer Transpass program and the impact of terminated agreements with Queen's University and St. Lawrence College student associations. Provincial gas tax revenues of \$3.2M were deferred in 2020 and offset with Safe Restart - Transit Stream funding. Gas tax funds will be available in 2021/2022 as necessary to support the ongoing impact of the pandemic on transit revenues.

Transit has been operating at reduced service levels since March 2020, which has helped to offset the loss of revenues with lower than budgeted expenditures for staffing and fuel costs.

Parking revenues – Parking revenues totalled \$5.2M, representing 52% of the annual \$10M budget. Some short-term parking areas had hourly fees reinstated in June; further reinstatements of monthly permit rates and enforcement commenced in October. Revenues

May 18, 2021

Page 7 of 16

continued to be lower than budget for the remainder of the year due to reduced demand as a result of travel restrictions and work from home arrangements.

Engineering revenues – Engineering reported total revenue shortfalls of \$165K due primarily to reduced revenues in design and review services, cut permits and municipal consent fees. These revenues are recognized based on the timing of work completed. Patio license fees of \$66K were also waived for 2020.

Solid Waste revenues – Revenues exceeded budget by \$280K due to higher than projected revenues for sale of recyclables and garbage bag tags.

Planning and Development fees – Application fees were \$285K or approximately 26% under budget at year-end. Revenues were down as a result of temporary closures and provincial restrictions impacting the construction industry in 2020.

Building permit fees – Building revenues were trending lower in the first half of 2020 due to Covid restrictions but gradually increased throughout the remainder of the year. Building permit revenues totalled \$3.2M or 98% of the annual budget. Cost savings, due primarily to staff vacancies, resulted in a year-end transfer to the Building Permit Stabilization Reserve Fund of \$317K. Building-related surpluses, net of expenditures are transferred to the Building Permit Stabilization Reserve Fund in accordance with policy. Exhibit D to this report provides further details.

Recreation and sport field revenues – Recreation & Leisure Services reflect revenue losses of \$4.7M at year-end, including \$1.0M in membership and registration fees, \$1.7M in ice rental revenues, and \$0.5M in marina revenues and other user fees. Sports field revenues, reported under Public Works, were underbudget by \$160K.

Also included in Recreation & Leisure Services is a loss of revenue of \$550K representing the Leon's Centre annual net operating income payment from its operator, ASM Global, pursuant to the agreement. Also pursuant to the agreement, the City applied \$486K in Safe Restart Funds to pay for building related operating costs in 2020.

Cultural revenues – Revenue shortfalls in ticket and facility revenues due to facility closures and service level reductions were \$1.8M underbudget.

Provincial Offences revenues – POA revenues were impacted by the pandemic due to the reduction of tickets issued, the closure of courthouses and suspension of court services. Total POA revenues were under budget by \$756K. Net revenues from the POA function are reported in Fiscal Services. After accounting for direct expenditure savings, the net revenue contribution to Fiscal Services was \$475K less than budgeted. Revenue loss is shared by the County of Frontenac based on a weighted assessment proportion of approximately 20%.

Airport revenues – With the cancellation of Air Canada services and reduced airport operations, airport revenues, including passenger, terminal and landing fees and parking revenues, were \$1.2M under budget at year-end.

May 18, 2021

Page 8 of 16

Other revenues – Other revenue losses included \$170K in licensing revenues as well as \$194K in commercial leasing revenues as a result of rent reductions provided to City tenants that were not otherwise eligible for rent support under provincial/federal subsidy programs.

Operating Expenditures by Type

Exhibit C illustrates net savings in municipal operating expenditures of \$12.7M at December 31, 2020. Further detail by expenditure category is provided below.

As outlined in [Council Report Number 20-128](#), a number of CAO authorized operational strategies and Council endorsed additional strategies were implemented by senior leadership to address the challenges with revenue shortfalls. The financial impact of these measures is reflected in the December 31, 2020 results.

Wages and benefit cost savings - Cost savings of \$12.2M were recognized in wage and benefit costs reflecting a number of cost mitigation strategies including the suspension of the summer student and interim programs, a reduction in part-time hours and temporary staffing, deferral of hiring new and replacement staff in non-essential service areas, and temporary work shortage notices issued early in the pandemic.

These savings are offset by reductions of \$4.3M in salaries recovered from capital projects, as a result of the deferral of capital works including \$1.1M in Information Systems & Technology, \$800K in Facilities, \$525K in Transportation Services, and \$415K in Recreation & Leisure Services. Staff were redeployed to other operating activities with related costs appropriately reallocated to the operating budget.

Fuel savings – Costs reductions in fuel from lower than expected price and volume usage, resulted in cost savings of \$2.0M in 2020. These cost savings are reported primarily in Transit, with savings also noted in Public Works and Solid Waste.

Utility savings – With the temporary closure and reduced usage of most City buildings, utility cost savings of \$1.5M were realized, with most of the savings reported in Facilities Management.

Service reductions and discretionary spending – Expenditure savings of approximately \$4.8M have been realized as a result of service level reductions and ongoing control of discretionary costs. Direct program cost savings such as materials and contracted services have been realized in departments such as transit, parking, recreation, culture, and airport, where services have been reduced and programming and events cancelled as a result of the pandemic. Departments have also been diligent in managing discretionary spending where possible in order to help offset the fiscal impact of the pandemic.

Deferral of service expansion – Included in the 2020 operating budget were service enhancements in Transit and Communication and Customer Experience. Transit plans included the addition of new local route service to the Woodhaven subdivision area and improvements to address neighbourhood route issues in the west end of the City. Communication and Customer

May 18, 2021

Page 9 of 16

Experience plans included the implementation of a responsive multi-channel service delivery model. Total investment of approximately \$400K for these initiatives were deferred as a result of the pandemic.

Additional pandemic related costs – \$5.8M of incremental COVID-19 response costs were incurred during in 2020. In addition to costs incurred for personal protective equipment and cleaning materials, total pandemic related costs included \$970K for pandemic pay and wage enhancements, \$475K in emergency childcare services, \$461K in additional costs to support long-term care residents and over \$2.0M in additional costs to respond to the needs of the more vulnerable sectors including the integrated care hub and other housing initiatives.

Housing staff in conjunction with community agencies responded quickly to the needs of the homeless population by arranging additional shelter space to support social distancing and isolation where required.

The City also worked with licensed childcare providers to offer emergency childcare to eligible health care and other frontline staff with costs fully funded by the province. The year-end financial results also include costs related to temporary pandemic pay and wage enhancement pay for frontline workers fighting COVID-19.

The majority of these costs were recovered from the Social Services Relief Fund and other provincial funding.

Corporate Accounts

Fiscal Services

Fiscal Services and Capital Levy as reported on Exhibit A reported a net surplus of \$7.7M. Fiscal Services includes \$12.5M of the Safe Restart Funds that were utilized to offset municipal operating pressures.

The use of Safe Restart funding for corporate related expenditures are also included in Fiscal Services including \$500K previously approved by Council to be transferred to Tourism Kingston to be invested in a Fall/Winter program and marketing campaign as well as approximately \$485K to address pandemic-related operating costs incurred as part of ongoing capital projects.

Revenues from the Municipal Accommodation Tax (MAT) and related transfers to tourism agencies and the Destination Marketing Reserve are reported as flow throughs in Fiscal Services. MAT revenues were originally expected to be in the range of \$3.0M in 2020, however, the tourism and the hotel industry were significantly impacted by the pandemic. As a result, total MAT revenues collected in 2020 were approximately \$1.2M and the revenue shortfall was offset by Safe Restart Funds. Fiscal Services expenditures include \$1.0M transferred to the Destination Marketing Reserve, as per the municipal accommodation tax (MAT) agreement, from MAT revenues recovered from Safe Restart Funds as well as \$0.7M transferred to the Destination Marketing Reserve to replenish monies used to cover tourism pandemic related costs as previously approved by Council.

May 18, 2021

Page 10 of 16

Investment and bank interest at December 31, 2020 is \$767K under budget, representing 51% of the annual \$1.5M budget as a result of reduced cashflow and lower interest rates. Fiscal Services also includes the budgeted loss in the net revenue contribution of \$475K from the Provincial Offences function noted above as well as a \$400K transfer to the working fund reserve to reflect the provincial education tax room utilized as part of the 2020 taxation levy.

Fiscal Services' revenues include payroll benefit rebates of \$968K resulting from a reduction in the projected cost of claims. Benefit costs are budgeted and recognized annually based on estimated premiums for these plans. To manage fluctuations in claims experience, rebates and other benefit surpluses are transferred to the Payroll Benefits Stabilization Reserve to address future benefit cost variability from claims experienced as well as projected increases in future benefit costs.

As shown in Exhibit B and C, higher than budgeted revenues and expenses are offset within Fiscal Services which is used as a flow through mechanism to record land sales and any unanticipated provincial or federal funding that is received and subsequently transferred to the applicable reserves, reserve funds or capital funds.

Taxation Revenues

The taxation revenue budget reported a net deficit of \$977K on Exhibit A made up of the following variances:

- Supplementary tax revenues were higher than projected by approximately \$350K including supplementary tax revenues received for the Cataraqui Bay wastewater treatment plant.
- Expenses for other tax assistance and Brownfield programs were approximately \$400K lower than projected.
- A loss of approximately \$150K in penalty and interest revenues on taxes, includes the fiscal impact of the pandemic relief measures that included waiving of interest for five months on 2020 interim tax levies, a deferral of the final property tax billing and an application-based deferral program for small business.
- An adjustment of \$1.0M to reflect the anticipated risk of assessment appeals including those on large retail properties. As reported previously, larger than estimated settlements for large retail store appeals that had been outstanding for a number of years and continue to be realized as these appeals are resolved.

Taxation revenue includes budgeted amounts transferred for the repayment of Development Charges and Impost Fee exemptions as well as amounts for properties in the Brownfield incentive programs. As approved by Council, the City Treasurer is given delegated authority to consider applying additional amounts to the repayment of Development Charges and Impost Fee exemptions based on any surplus resulting from assessment growth in the year. This will accelerate the allocation of the tax incremental financing program and ultimately recognize

May 18, 2021

Page 11 of 16

revenues from assessment growth sooner. An additional \$580K of Development Charges and Impost Fee exemptions were repaid in 2020.

Agencies and Boards

Except for the return of funds from Kingston Access Services as noted below, the financial results to December 31, 2020 reflect actual approved transfers to the agencies and boards. City staff worked with agencies throughout the year to monitor the operational impacts of the pandemic and as reported during the 2021 budget deliberations, agencies were able to manage the financial impacts of the pandemic with no impact to City 2020 budget allocations. Budget variances for Kingston Police and Kingston Frontenac Public Library Board are incorporated into the City's financial results.

- Kingston Police reported a small surplus of \$3K as a result of a reduction in government grants that was managed by lower than projected fuel costs and other discretionary cost savings.
- Kingston, Frontenac Library Board reported a surplus of \$607K, as a result of facility closures and related savings in staffing costs. This surplus has been transferred at year-end to the Library Capital Reserve Fund to address future capital requirements.
- Kingston Access Services (KAS) is projecting a pre-audited surplus for 2020 and has returned an estimated \$400K back to City. These funds have been transferred to the Kingston Access Bus Capital Reserve Fund to address future operating budget challenges and capital requirements.

Deficit Funding Strategies

As recommended in [Report Number 20-168](#), COVID-19 Response and Recovery – Year End Projections, Council delegated authority to the Chief Financial Officer & City Treasurer to implement various measures to address the 2020 projected deficit, maximize provincial funding, minimize the impacts of the pandemic on city operating budgets and preserve long-term municipal funds for their intended use. A summary of the funding strategies implemented as part of the year-end reporting process are provided below.

- The Public Works department experienced a lower than average winter control season resulting in a net winter control surplus of \$715K; this surplus was transferred to the Working Fund Reserve in accordance with the policy for managing fluctuations in these annual budgets.
- As per past practice, the Kingston Frontenac Library Board Surplus of \$607K was transferred to the Library Capital Reserve Fund, to address future capital requirements.
- The Kingston Access Services surplus of \$400K was transferred to the KAS Capital Reserve Fund to address future operating budget challenges and capital requirements.

May 18, 2021

Page 12 of 16

- Transferred \$400K of the 2020 final tax levy to the Working Fund Reserve, representing the additional education tax room, levied to offset future budget pressures as approved by Council.
- Recorded the additional Council-approved 2020 County of Frontenac budget allocation of \$755K as a 2020 operating expense and reversed funding from the Working Fund Reserve.
- Transferred \$1.0M to the Destination Marketing Reserve, as per the municipal accommodation tax (MAT) agreement, from MAT revenues recovered from Safe Restart Funds and transferred \$0.7M to the Destination Marketing Reserve to replenish monies used to cover tourism pandemic related costs as previously approved by Council.
- Amended previously approved funding for the Integrated Care Hub (ICH) and other initiatives by exchanging \$546K from Social Services Relief funds and \$545K from Municipal housing reserves for funding from Safe Restart funds.
- Deferred \$3.3M of Provincial Gas Tax funding to allow for the optimal use of Safe Restart Funds; gas tax funds will be available in 2021/2022 to support the ongoing impact of the pandemic on transit operations.
- Capital funding amendment made to change the approved funding allocation for the purchase of 805 Ridley Drive by replacing \$500K of Social Housing Capital Reserve Funds with Social Services Relief funding. In total, \$1.6M of Social Services Relief monies were used to fund a portion of the capital purchase of 805 Ridley Drive.

Pandemic Response Funding

The 2020 year end results reflect the following federal and provincial pandemic response funding:

- \$3.5M of Phase 1 Safe Restart Funds - Transit Stream was utilized to offset a 2020 operating deficit in Transit. A total of \$12M was received from the Province (Phase 1 and 2) to support Transit operations to March 31, 2021. The City will be required to report back to the Province later in 2021 with details of the financial impacts that are being offset by Phase 1 and 2 funding. It is estimated that a portion of these funds will not be required and will need to be returned to the Province. Phase 3 funding in the amount of \$5.2M has been confirmed to support transit related costs between April 1 and December 31, 2021.
- \$12.5M of Safe Restart Funds - Municipal Operating Stream was utilized to offset municipal operating pressures. The City received a total of \$12.6M for Phase 1 and 2 of this funding stream to be used by December 31, 2020 and will be returning \$150K to the Province. Phase 3 funding in the amount of \$1.4M has been incorporated into the 2021

May 18, 2021

Page 13 of 16

operating budget and an additional \$1.8M has been received under the new 2021 COVID Recovery Funding Program to support any future pandemic-related costs and pressures.

- \$1.4M of Social Services Relief (SSRF) Phase 1 funding was utilized in 2020 to offset costs incurred for shelters, the Integrated Care Hub and other costs incurred in addressing the needs of our vulnerable populations. As noted above an additional \$1.6M of SSRF Phase 2 funding was used to fund a portion of the capital purchase of 805 Ridley Drive. An additional \$3.9M of SSRF Phase 2 and Phase 3 funding envelopes are available for use in 2021 of which \$2.6M is committed for funding the Integrated Care Hub operations to December 31, 2021.

2020 Year-End Results Summary

The table below provides a summary of year-end projections, as previously reported in the September 15, 2020 Council Report 20-168, and the December 31, 2020 actuals. Actual year-end results reflect the use of Safe Restart Funding to achieve a balanced 2020 net operating position.

| Financial Results | Projected Year-End Deficit (Surplus) | Year-End Actuals at Dec 31, 2020 | Variance |
|---|---|---|-----------------|
| Total revenue loss | \$22,870,500 | \$ 25,189,147 | \$(2,318,647) |
| Total expenditure savings | (13,539,950) | (12,738,684) | (801,266) |
| 2020 deficit before Safe Restart Funds | \$ 9,330,550 | \$ 12,450,463 | \$(3,119,913) |
| Safe Restart Funding - Municipal Stream Phase 1 | | (7,240,800) | 7,240,800 |
| Safe Restart Funding - Municipal Stream Phase 2 | | (5,209,663) | 5,209,663 |
| 2020 net operating balance | \$ 9,330,550 | \$ - | \$ 9,330,550 |

Municipal Operations Managed by Utilities Kingston

The operations of these municipal utilities are funded entirely by rate revenues based on established charges approved by Council during budget deliberations. Depending on the nature of the usage, often impacted by weather, as well as operational decisions made by Utilities Kingston management, annual surplus/deficits will result.

May 18, 2021

Page 14 of 16

As these operations are capital intensive, it is appropriate practice to allocate year end surplus amounts to respective capital reserve funds. Excess funds will be factored into future capital budget financing and will allow for additional infrastructure work or reduced debt issuance.

Water Operations

Water operations resulted in a net operating surplus of \$3.1M for 2020. The water utility experienced a slight decrease in consumption however revenues increased in line with the January 1 rate increase. Operating expenses for the water utility were lower than budgeted due to a corporate wide effort to reduce overall spending to mitigate the impacts of the global COVID-19 pandemic. Spending was less than budgeted in the main break repair program due to fewer breaks than projected in 2020 and in the valve and hydrant maintenance programs. It is recommended that the water surplus be allocated to the Water Capital Reserve Fund.

Wastewater Operations

Wastewater operations resulted in a net operating surplus of \$2.5M for 2020. As with the water utility, the wastewater utility also experienced a slight decrease in consumption however revenues increased in line with the January 1 rate increase. Operating expenses for the wastewater utility were lower than budgeted due to a corporate wide effort to reduce overall spending to mitigate the impacts of the global COVID-19 pandemic. Spending was lower than expected in initiatives such as the preventative plumbing program which provides financial assistance to homeowners to prevent damage from local flooding. It is recommended that the wastewater surplus be allocated to the Wastewater Capital Reserve Fund.

Gas Distribution and Appliance Rental Operations

Gas distribution operations resulted in a total operating surplus of \$580K and appliance rental operations reported a total operating surplus of approximately \$40K for 2020. The gas utility experienced reduced consumption over previous years. Operating expenses for the gas utility were lower than budgeted due to a corporate wide effort to reduce overall spending to mitigate the impacts of the global COVID-19 pandemic. It is recommended that the surplus from gas operations be transferred to the Municipal Capital Reserve Fund in accordance with policy. It is recommended that the surplus from the appliance rental operations be transferred to the Municipal Capital Reserve Fund.

Gross revenues and expenditures for gas distribution, as reported on Exhibits B and C, show actual revenues of approximately \$23M in comparison to a budget of approximately \$36M and expenditures of \$22M in comparison to a budget of \$36M. Included in the gas distribution operations are estimates for the commodity cost of gas which are dependent on volume projections and commodity market conditions. The gas commodity charge is reported as a flow-through and therefore included in both revenues and expenditures to reflect the actual cost of the gas that is passed directly on to the customer. Gross revenue and expenditure budgets are normally set at a level that reflects any possible risk of higher commodity rates and/or usage.

May 18, 2021

Page 15 of 16

Audited financial statements for the year ended December 31, 2020 for the operations of 1425445 Ontario Limited (operating as Utilities Kingston) and for Kingston Hydro Corporation have been prepared by Utilities Kingston management and will be presented for approval to their respective Board of Directors.

Section 7(4) of the Ontario Building Code Act

Section 7(4) of the *Building Code Act* requires that the municipality publish an annual report on building fees. This report must be published within three months of the year end and must be made available to anyone seeking this information.

The *Building Code Act* requires that building permit fees not exceed the cost of providing the service and that surplus fees be placed in a permit "Stabilization Reserve Fund" to ensure that a municipality does not suffer any negative financial impacts that would otherwise occur during slow times in the often volatile construction industry. This would also ensure that a municipality is able to retain the resources necessary to handle subsequent building booms. The 2020 Report on Building Fees, attached as Exhibit D, was made available on March 31, 2021.

Sections 37 and 42 of the Planning Act - Treasurer's Financial Statements

Section 37(7) of the *Planning Act* requires that the municipality publish an annual financial statement relating to the special account for height and density bonusing provisions. This statement must include the opening and closing balances and funds received and spent as part of Section 37 height and density agreements with respect to development projects. The 2020 Financial Statement for height and density bonusing provisions is attached as Exhibit E.

Section 42(17) of the *Planning Act* requires that the municipality publish an annual financial statement relating to the special account for cash-in-lieu of parkland fees. This statement must include the opening and closing balances of the Cash-In-Lieu of Parkland Reserve Fund as well as any amounts received and spent from these funds. The 2020 Financial Statement for Cash in Lieu of Parkland is attached as Exhibit F.

Existing Policy/By-Law:

[By-Law Number 2020-15](#), "A By-Law to Adopt the 2020 General Municipal Operating Budget" and related policies.

Notice Provisions:

None

Accessibility Considerations:

The City's [Accessibility Standards Policy](#) indicates that the City of Kingston shall, upon request, and in consultation with the person making the request, provide or make arrangements to provide accessible formats and communication supports for persons with disabilities.

May 18, 2021

Page **16** of **16**

The Exhibits to this report are system generated or derived from the extensive spreadsheets used to develop and maintain the City's budgets. The Exhibits to this report will be provided in an alternate format upon request.

Financial Considerations:

Included in the body of the report.

Contacts:

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Scarlet Eyles, Manager, Financial Planning 613-546-4291 extension 2262

Other City of Kingston Staff Consulted:

Laura Deak, Manager of Finance, Utilities Kingston

Exhibits Attached:

Exhibit A - Net Operating as at December 31, 2020

Exhibit B - Gross Revenue as at December 31, 2020

Exhibit C - Gross Expenditures as at December 31, 2020

Exhibit D - 2020 Report on Building Fees

Exhibit E - 2020 Financial Statement - Height and Density Bonusing Provisions

Exhibit F - 2020 Financial Statement - Cash-In-Lieu of Parkland Fees

City of Kingston**Net Operating as at December 31, 2020**

| | Actuals Year to Date | Annual Budget | Variance \$ | YTD=100% Actual to Budget % |
|--|---------------------------------|--------------------------|------------------------|--|
| Transit Services | 17,525,232 | 17,525,232 | 0 | 100.00% |
| Fleet & Asset Management | 0 | 0 | 0 | 0.00% |
| Transportation Services | 5,210,784 | 1,441,674 | (3,769,110) | 361.44% |
| Engineering Services | 2,318,162 | 2,064,030 | (254,132) | 112.31% |
| Public Works Services | 23,276,539 | 23,406,986 | 130,447 | 99.44% |
| Solid Waste Services | 9,022,471 | 8,839,356 | (183,115) | 102.07% |
| Transportation & Public Works | 57,353,188 | 53,277,278 | (4,075,910) | 107.65% |
| Planning & Development | 1,462,511 | 1,255,183 | (207,328) | 116.52% |
| Building & Enforcement Services | 1,253,273 | 1,132,474 | (120,799) | 110.67% |
| Long Term Care | 5,606,648 | 5,804,431 | 197,783 | 96.59% |
| Commissioner's Office | 340,400 | 305,577 | (34,823) | 111.40% |
| Community Services | 8,662,832 | 8,497,665 | (165,167) | 101.94% |
| Major Projects | 0 | 0 | 0 | 0.00% |
| Business, Real Estate & Environment | 887,770 | 863,709 | (24,061) | 102.79% |
| Recreation & Leisure Services | 10,385,947 | 7,459,644 | (2,926,303) | 139.23% |
| Cultural Services | 4,244,882 | 4,566,910 | 322,028 | 92.95% |
| Climate Leadership Division | 258,143 | 277,800 | 19,657 | 92.92% |
| Commissioner's Office | 321,787 | 317,000 | (4,787) | 101.51% |
| Business, Environment, & Projects | 16,098,529 | 13,485,063 | (2,613,466) | 119.38% |

| | Actuals Year to Date | Annual Budget | Variance \$ | YTD=100% Actual to Budget % |
|---|-------------------------|----------------------|------------------|-----------------------------------|
| Legal Services | 1,203,522 | 1,468,635 | 265,113 | 81.95% |
| Office of the City Clerk | 1,501,891 | 1,879,556 | 377,665 | 79.91% |
| Facilities Management & Construction Services | 3,221,545 | 3,815,095 | 593,550 | 84.44% |
| Communications & Customer Experience | 1,942,150 | 2,216,207 | 274,057 | 87.63% |
| Information Systems & Technology | 5,261,942 | 4,126,957 | (1,134,985) | 127.50% |
| Fire & Rescue | 25,184,274 | 25,531,561 | 347,287 | 98.64% |
| Human Resources & Organization Development | 2,918,977 | 3,258,150 | 339,173 | 89.59% |
| Commissioner's Office | 339,128 | 308,870 | (30,258) | 109.80% |
| Corporate Services | 41,573,429 | 42,605,031 | 1,031,602 | 97.58% |
| Airport | 749,889 | 9,479 | (740,410) | 7911.06% |
| Housing & Social Services | 16,766,183 | 17,255,165 | 488,982 | 97.17% |
| Mayor, Council, & CAO | 1,818,827 | 1,934,787 | 115,960 | 94.01% |
| Financial Services | 1,966,151 | 2,041,135 | 74,984 | 96.33% |
| Finance & Administration | 21,301,050 | 21,240,566 | (60,484) | 100.28% |
| Agency Transfers | 76,829,061 | 75,960,787 | (868,274) | 101.14% |
| Fiscal Services & Capital Levy | 32,589,157 | 40,318,049 | 7,728,892 | 80.83% |
| Agency and Board Transfers & Fiscal Services | 109,418,218 | 116,278,836 | 6,860,618 | 94.10% |
| Taxation Revenue | (254,407,245) | (255,384,438) | (977,193) | 99.62% |
| Total Net Operating - Municipal Operations | \$ - | \$ - | \$ - | 0.00% |

| | Actuals | Annual | Variance | YTD=100% |
|--|-----------------------|---------------|---------------------|------------------|
| | Year to Date | Budget | \$ | Actual to |
| | | | | Budget % |
| Water | (3,132,114) | - | 3,132,114 | 0.00% |
| Wastewater | (2,491,002) | - | 2,491,002 | 0.00% |
| Gas | (579,738) | - | 579,738 | 0.00% |
| Appliance Rental | (40,044) | - | 40,045 | 0.00% |
| Total Net Operating - Municipal Utilities | \$ (6,242,898) | \$ - | \$ 6,242,898 | 0.00% |

City of Kingston

Gross Revenue as at December 31, 2020

| | Actuals Year to Date | Annual Budget | Variance \$ | YTD=100% Actual to Budget % |
|--|-------------------------|---------------------|--------------------|-----------------------------------|
| Transit Services | (8,434,266) | (12,609,638) | (4,175,372) | 66.89% |
| Fleet & Asset Management | (93,272) | 0 | 93,272 | 0.00% |
| Transportation Services | (5,264,424) | (10,029,021) | (4,764,597) | 52.49% |
| Engineering Services | (376,125) | (540,920) | (164,795) | 69.53% |
| Public Works Services | (342,216) | (686,917) | (344,701) | 49.82% |
| Solid Waste Services | (3,647,950) | (3,365,245) | 282,705 | 108.40% |
| Transportation & Public Works | (18,158,253) | (27,231,741) | (9,073,488) | 66.68% |
| Planning & Development | (815,984) | (1,101,250) | (285,266) | 74.10% |
| Building & Enforcement Services | (4,149,750) | (4,554,950) | (405,200) | 91.10% |
| Long Term Care | (13,507,398) | (12,357,464) | 1,149,934 | 109.31% |
| Community Services | (18,473,132) | (18,013,664) | 459,468 | 102.55% |
| Major Projects | (457,941) | (476,200) | (18,259) | 96.17% |
| Business, Real Estate & Environment | (146,837) | (366,287) | (219,450) | 40.09% |
| Recreation & Leisure Services | (4,090,858) | (8,772,270) | (4,681,412) | 46.63% |
| Cultural Services | (714,924) | (2,534,084) | (1,819,160) | 28.21% |
| Business, Environment, & Projects | (5,410,560) | (12,148,841) | (6,738,281) | 44.54% |

| | Actuals Year to Date | Annual Budget | Variance \$ | YTD=100% Actual to Budget % |
|---|-------------------------|----------------------|---------------------|-----------------------------------|
| Legal Services | (1,171,018) | (2,019,266) | (848,248) | 57.99% |
| Office of the City Clerk | (154,399) | (152,146) | 2,253 | 101.48% |
| Facilities Management & Construction Services | (3,084,934) | (3,295,035) | (210,101) | 93.62% |
| Communications & Customer Experience | (913,779) | (1,128,411) | (214,632) | 80.98% |
| Information Systems & Technology | (1,134,767) | (1,150,527) | (15,760) | 98.63% |
| Fire & Rescue | (379,115) | (665,947) | (286,832) | 56.93% |
| Human Resources & Organization Development | (217,348) | (292,348) | (75,000) | 74.35% |
| Corporate Services | (7,055,360) | (8,703,680) | (1,648,320) | 81.06% |
| Airport | (560,579) | (1,822,460) | (1,261,881) | 30.76% |
| Housing & Social Services | (51,710,561) | (59,532,786) | (7,822,225) | 86.86% |
| Mayor, Council, & CAO | (638,385) | (705,836) | (67,451) | 90.44% |
| Financial Services | (1,047,020) | (1,424,695) | (377,675) | 73.49% |
| Finance & Administration | (53,956,545) | (63,485,777) | (9,529,232) | 84.99% |
| Agency Transfers | (1,779,999) | (2,910,596) | (1,130,597) | 61.16% |
| Fiscal Services & Capital Levy | (25,245,800) | (10,439,284) | 14,806,516 | 241.83% |
| Agency and Board Transfers & Fiscal Services | (27,025,799) | (13,349,880) | 13,675,919 | 202.44% |
| Taxation Revenue | (260,941,116) | (260,825,866) | 115,250 | 100.04% |
| Total | (391,020,765) | (403,759,449) | (12,738,684) | 96.84% |

YTD=100%

**Actual to
Budget %**

| | Actuals Year to Date | Annual Budget | Variance \$ | Actual to Budget % |
|----------------------------|---------------------------------|--------------------------|------------------------|-------------------------------|
| Water | (30,398,726) | (29,584,192) | 814,534 | 102.75% |
| Wastewater | (35,079,921) | (34,070,297) | 1,009,624 | 102.96% |
| Gas | (22,827,459) | (35,597,279) | (12,769,820) | 64.13% |
| Appliance Rental | (3,106,732) | (2,889,301) | 217,431 | 107.53% |
| Municipal Utilities | (91,412,838) | (102,141,069) | (10,728,231) | 89.50% |
| Total Net Operating | \$ (482,433,603) | \$ (505,900,518) | \$ (23,466,915) | 95.36% |

City of Kingston

Gross Expenditures as at December 31, 2020

| | Actuals Year to Date | Annual Budget | Variance \$ | YTD=100% Actual to Budget % |
|--|-------------------------|-------------------|------------------|-----------------------------------|
| Transit Services | 25,959,498 | 30,134,870 | 4,175,372 | 86.14% |
| Fleet & Asset Management | 93,272 | 0 | (93,272) | 0.00% |
| Transportation Services | 10,475,208 | 11,470,695 | 995,487 | 91.32% |
| Engineering Services | 2,694,287 | 2,604,950 | (89,337) | 103.43% |
| Public Works Services | 23,618,755 | 24,093,903 | 475,148 | 98.03% |
| Solid Waste Services | 12,670,421 | 12,204,601 | (465,820) | 103.82% |
| Transportation & Public Works | 75,511,441 | 80,509,019 | 4,997,578 | 93.79% |
| Planning & Development | 2,278,495 | 2,356,433 | 77,938 | 96.69% |
| Building & Enforcement Services | 5,403,023 | 5,687,424 | 284,401 | 95.00% |
| Long Term Care | 19,114,046 | 18,161,895 | (952,151) | 105.24% |
| Commissioner's Office | 340,400 | 305,577 | (34,823) | 111.40% |
| Community Services | 27,135,964 | 26,511,329 | (624,635) | 102.36% |
| Major Projects | 457,941 | 476,200 | 18,259 | 96.17% |
| Business, Real Estate & Environment | 1,034,607 | 1,229,996 | 195,389 | 84.11% |
| Recreation & Leisure Services | 14,476,805 | 16,231,914 | 1,755,109 | 89.19% |
| Cultural Services | 4,959,806 | 7,100,994 | 2,141,188 | 69.85% |
| Climate Leadership Division | 258,143 | 277,800 | 19,657 | 92.92% |
| Commissioner's Office | 321,787 | 317,000 | (4,787) | 101.51% |
| Business, Environment, & Projects | 21,509,089 | 25,633,904 | 4,124,815 | 83.91% |

| | Actuals | Annual | Variance | YTD=100% |
|---|---------------------|--------------------|--------------------|------------------|
| | Year to Date | Budget | \$ | Actual to |
| | | | | Budget % |
| Legal Services | 2,374,540 | 3,487,901 | 1,113,361 | 68.08% |
| Office of the City Clerk | 1,656,290 | 2,031,702 | 375,412 | 81.52% |
| Facilities Management & Construction Services | 6,306,479 | 7,110,130 | 803,651 | 88.70% |
| Communications & Customer Experience | 2,855,929 | 3,344,618 | 488,689 | 85.39% |
| Information Systems & Technology | 6,396,709 | 5,277,484 | (1,119,225) | 121.21% |
| Fire & Rescue | 25,563,389 | 26,197,508 | 634,119 | 97.58% |
| Human Resources & Organization Development | 3,136,325 | 3,550,498 | 414,173 | 88.33% |
| Commissioner's Office | 339,128 | 308,870 | (30,258) | 109.80% |
| Corporate Services | 48,628,789 | 51,308,711 | 2,679,922 | 94.78% |
| Airport | 1,310,468 | 1,831,939 | 521,471 | 71.53% |
| Housing & Social Services | 68,476,744 | 76,787,951 | 8,311,207 | 89.18% |
| Mayor, Council, & CAO | 2,457,212 | 2,640,623 | 183,411 | 93.05% |
| Financial Services | 3,013,171 | 3,465,830 | 452,659 | 86.94% |
| Finance & Administration | 75,257,595 | 84,726,343 | 9,468,748 | 88.82% |
| Agency Transfers | 78,609,060 | 78,871,383 | 262,323 | 99.67% |
| Fiscal Services & Capital Levy | 57,834,957 | 50,757,333 | (7,077,624) | 113.94% |
| Agency and Board Transfers & Fiscal Services | 136,444,017 | 129,628,716 | (6,815,301) | 105.26% |
| Taxation Revenue | 6,533,871 | 5,441,428 | (1,092,443) | 120.08% |
| Total | 391,020,766 | 403,759,450 | 12,738,684 | 96.84% |

| | Actuals | Annual | Variance | YTD=100% |
|----------------------------|-----------------------|-----------------------|----------------------|------------------|
| | Year to Date | Budget | \$ | Actual to |
| | | | | Budget % |
| Water | 27,266,612 | 29,584,192 | 2,317,580 | 92.17% |
| Wastewater | 32,588,919 | 34,070,297 | 1,481,378 | 95.65% |
| Gas | 22,247,721 | 35,597,279 | 13,349,558 | 62.50% |
| Appliance Rental | 3,066,688 | 2,889,301 | (177,387) | 106.14% |
| Municipal Utilities | 85,169,940 | 102,141,069 | 16,971,129 | 83.38% |
| Total Net Operating | \$ 476,190,706 | \$ 505,900,519 | \$ 29,709,813 | 94.13% |

2020 Report on Building Fees

In accordance with the *Building Code Act (BCA)*, S.O. 1992, c. 23, Section 7 (4)

(A) Fees

| | |
|--|-----------------------|
| Revenues | \$ <u>3,193,529</u> |
| Expenditures: | |
| 1. Direct costs - administration & enforcement | \$ (2,053,364) |
| 2. Direct costs - other related service costs | (437,859) |
| 3. Indirect costs - for support & overhead | (385,199) |
| 4. Transfer to Permit Stabilization Reserve Fund | <u>(317,107)</u> |
| | <u>\$ (3,193,529)</u> |

(B) Permit Stabilization Reserve Fund

(Per 2006 Ontario Building Code Regulations, Division C, Part 1, Section 1.9.1.1. (1) (d))

| | |
|-----------------------------------|---------------------|
| Opening balance, January 1, 2020 | \$ 6,432,967 |
| Add: | |
| Interest earned on fund | 132,168 |
| Transfer from operating | 317,107 |
| Less: | |
| Funding for capital purposes | <u>(77,803)</u> |
| Ending balance, December 31, 2020 | <u>\$ 6,804,439</u> |

Planning Act - Section 37
Special Account for Height and Density Bonusing Provisions

Financial Statement as of December 31, 2020

| | |
|----------------------------------|-------------------|
| Opening Balance January 1, 2020 | <u>\$ 230,030</u> |
| No transaction during 2020 | |
| Ending Balance December 31, 2020 | <u>\$ 230,030</u> |

**Planning Act - Section 42
Special Account for Cash in Lieu of Parkland**

Financial Statement as of December 31, 2020

Cash-In-Lieu of Parkland Reserve Fund:

| | |
|----------------------------------|---------------------|
| Opening Balance January 1, 2020 | \$ 546,536 |
| Add: | |
| Interest earned on fund | 7,452 |
| Contribution from Developers | <u>447,093</u> |
| Ending Balance December 31, 2020 | <u>\$ 1,001,081</u> |