

To: **COUNCIL**

Meeting Date: **10/19/21**

Subject: **2021 Operating Financial Update – August Forecast**

Submitted By: **Sheryl Ayres, Chief Financial Officer**

Prepared By: **Victoria Terella, Supervisor of Financial Planning**

Report No.: **21-239 (CRS)**

File No.: **C1101**

Recommendation(s)

THAT report 21-239 (CRS) re: Operating Financial Update – August Forecast be received;

AND THAT operating forecast changes for the August 2021 reporting period that are reportable to Council under the Budget Control By-Law be approved;

AND FURTHER THAT transfers to and from reserve and reserve funds as identified in report 21-239(CRS) be approved.

Executive Summary

Purpose

- As per the City's budget control by-law, Council is to be provided with regular updates related to operating budget variances. This report is an update on the City's operations for 2021, both tax-supported and in the water and wastewater operations.

Key Findings

- The tax-supported operations are forecasting a year end surplus for 2021 of \$616,344. This is a combination of the previously reported April surplus of \$92,517 and \$523,827 in savings through August forecast changes.
- The main drivers of the August forecasted surplus for tax-supported operations include:
 - Savings unrelated to COVID-19 that total \$523,827, mostly attributable to gapping.

- A reduction in the need for funding from the Safe Restart Agreement of \$372,510 as a result of additional cost containment savings (\$1,191,240) and a reduction in the forecasted expenses directly related to COVID-19 (\$139,400), offset by further losses in revenues (\$958,130).
- The water utility operations are forecasting a year end surplus of \$924,037 for water operations and \$2,434,270 for wastewater operations.
- The main drivers of the forecasted surplus for water utility include:
 - Higher than anticipated water billing revenue of \$1.5 million as a result of higher water consumption by the public and less than anticipated water loss, partially offset by the corresponding increase need to purchase water from the region for \$750,000.
 - Additional savings of \$271,000 were seen in water and wastewater debt charges as a result of a planned delay in issuing debt due to capital project delays in expenditures.
 - Better than anticipated inflow and infiltration is resulting in lower treatment purchase for savings of \$1.8 million and higher sewer billings of \$657,000. These savings are partially offset by \$150,000 increase in sewer pumping station maintenance.

Financial Implications

- The following table summarizes the forecasted surplus as it relates to the COVID-19 pandemic and the City's operations:

Tax-Supported Operating Financial Update	Update as at April 30th	August Forecast Changes	Total Revised Forecast
COVID-19 Related Impacts:			
Loss in revenues	\$ 752,300	\$ 958,130	\$ 1,710,430
Additional expenses related to COVID-19	\$ 1,457,400	\$ (139,400)	\$ 1,318,000
Savings related to Cost Containment strategies	\$ (549,437)	\$ (1,191,240)	\$ (1,740,677)
Total COVID-19 Related Impacts	\$ 1,660,263	\$ (372,510)	\$ 1,287,753
Less: Safe Restart Funding	\$ (1,660,263)	\$ 372,510	\$ (1,287,753)
Net Impact to Property Taxes	\$ -	\$ -	\$ -
Other Forecast Changes:			
Variances unrelated to COVID-19	\$ 37,483	\$ (523,827)	\$ (486,344)
Idea Exchange Savings	\$ (130,000)	\$ -	\$ (130,000)
Net Forecasted Surplus	\$ (92,517)	\$ (523,827)	\$ (616,344)

Background

Economic Outlook

The Bank of Canada's recent press release¹ on September 8th indicates that while the economic recovery in Canada continued through the second quarter and had solid momentum heading into the third quarter, supply chain disruptions are holding things back in some goods sectors. These disruptions, and the rising number of COVID-19 cases in many regions, pose a risk to the strength of the global recovery.

In Canada, Gross Domestic Product (GDP) – the measure of all the goods and services produced in the economy – contracted by about 1 percent in the second quarter, weaker than anticipated in the Bank of Canada's earlier projections. Housing market activity pulled back from recent high levels, largely as expected. However, consumption, business investment and government spending all contributed positively to growth.

Employment rebounded through June and July, with hard-to-distance sectors hiring as public health restrictions eased. This is reducing unevenness in the labour market, however some groups, particularly low-wage workers, are still disproportionately affected.

The Bank of Canada continues to expect the economy to strengthen in the second half of 2021, although the fourth wave of COVID-19 infections and ongoing supply bottlenecks could weigh on the recovery.

The Consumer Price Index (CPI), a key measure of inflation in the economy, remains above 3 percent, largely reflecting the effects of higher gasoline prices and pandemic-related supply bottlenecks. These factors pushing up inflation are expected to be temporary, but their persistence and magnitude are uncertain and will be monitored closely.

Safe Restart Funding

On July 16, 2020 the federal government announced the Safe Restart Agreement which would provide funding to help provinces and territories safely restart their economies and for municipalities to continue to deliver essential services. As part of the Phase 1 funding allocation, the City of Cambridge received \$3,069,100 based on a per household basis to support COVID-19 operating costs and pressures.

Subsequently, in December 2020 the City received notification of an additional \$1,298,000 in safe restart funding. As per the Minister of Municipal Affairs and Housing, "This joint funding will help Ontario's municipalities recover from the impacts of COVID-19 faster, by helping them to enter into 2021 without operating deficits from this year, by ensuring our municipal partners are in a sound financial position to begin the new year,

¹ <https://www.bankofcanada.ca/2021/09/fad-press-release-2021-09-08/>

they can focus on keeping their capital projects on track while continuing to provide the critical services their residents rely on."

Additionally, the City was provided \$2,491,652 on March 4, 2021 in safe restart funding based on the proportion of COVID-19 cases in the Public Health Unit for our respective Municipality during the period of January 1, 2021 to February 18, 2021.

The table below summarizes the City's share of the Safe Restart Agreement and the forecasted use as of the August reporting period.

Funding Commitments from Province:		
Date	Program	Amount
August 12, 2020	Phase 1 Safe Restart	\$ 3,069,100
December 6, 2020	Phase 2 Safe Restart	1,298,000
March 4, 2021	COVID-19 Recovery Funding	2,491,652
		\$ 6,858,752
Funding Allocation		
Date	Initiative	Amount
December 2, 2020	2021 Budget (including Idea Exchange \$116,500)	\$ 2,773,800
April 30, 2021	Spring/Summer Program Reinstatement (21-123(CD)) & Other COVID-19 Variances	1,660,263
July 27, 2021	A/00794-10 Council Chamber Audio Video Replacement as per report 21-224(CRS)	264,000
August 31, 2021	Reallocate \$125k for Bishop St Parking as per 21-123(CD) out of Operating and into Capital A/01241-40	125,000
August 31, 2021	August Operating Forecasting (includes reduction of \$125k for Bishop St Parking moving out of operating)	(372,510)
		\$ 4,450,553
Remaining Balance of Safe Restart Funding as at August 31, 2021		\$ 2,408,199

Analysis

Strategic Alignment

PEOPLE To actively engage, inform and create opportunities for people to participate in community building – making Cambridge a better place to live, work, play and learn for all.

Goal #2 - Governance and Leadership

Objective 2.5 Focus on the responsible management of financial resources, ensuring transparency and accountability.

Providing updates to council on the operating budget supports responsible oversight of financial resources. It also ensures program managers and departments are held accountable for the programs they manage and provide transparency as to where public dollars are spent.

Comments

Tax-Supported Variance

The COVID-19 pandemic continues to provide unprecedented challenges to the City's operations and service delivery. Staff remain resilient and adaptive to the changing restrictions to ensure the correct balance of services are being provided to the community while managing financial sustainability.

The following table summarizes the forecasted surplus as it relates to the COVID-19 pandemic and the City's operations:

Tax-Supported Operating Financial Update	Update as at April 30th	August Forecast Changes	Total Revised Forecast
COVID-19 Related Impacts:			
Loss in revenues	\$ 752,300	\$ 958,130	\$ 1,710,430
Additional expenses related to COVID-19	\$ 1,457,400	\$ (139,400)	\$ 1,318,000
Savings related to Cost Containment strategies	\$ (549,437)	\$ (1,191,240)	\$ (1,740,677)
Total COVID-19 Related Impacts	\$ 1,660,263	\$ (372,510)	\$ 1,287,753
Less: Safe Restart Funding	\$ (1,660,263)	\$ 372,510	\$ (1,287,753)
Net Impact to Property Taxes	\$ -	\$ -	\$ -
Other Forecast Changes:			
Variances unrelated to COVID-19	\$ 37,483	\$ (523,827)	\$ (486,344)
Idea Exchange Savings	\$ (130,000)	\$ -	\$ (130,000)
Net Forecasted Surplus	\$ (92,517)	\$ (523,827)	\$ (616,344)

Loss of Revenues

The COVID-19 pandemic has continued to disrupt services and has resulted in additional revenue losses of \$958,130 forecasted in August. The extended closures and reduced in-person capacity have impacted recreational activities resulting in reduced revenues of \$276,580 of which \$213,100 was Camps alone. Parks and arenas projected a further loss of \$165,150 mainly in outdoor bookings. Additional losses in revenues are seen in investment income (\$194,900), permit revenues (\$170,000), parking enforcement fines (\$100,000), parking lot revenues (\$30,000), and mail and printshop revenues (\$20,000).

COVID-19 Direct Costs

The additional costs relating to COVID-19 have been revised down by \$139,400. Included in this amount is a reduction of \$125,000 to move funds out of Operating and into Capital for the Bishop Street Operations Centre parking lot. This funding had previously been approved through report 21-123(CD) Spring/Summer Program Reinstatement and had been included in Operating as part of the April 2021 forecast. However, since the work will lead to a tangible capital asset, a capital project (A/01241-40) was created to track the work and the funding is therefore being reallocated out of Operating and into Capital.

Cost Containment Plan

Staff continue to focus on cost containment strategies in 2021 and have included forecasted savings related to cost containment of \$1,191,240 for the August reporting period. On the flip side of the reduction to recreational revenues due to COVID-19, savings can be seen in part-time wages of \$656,640 and program supplies of \$68,500 as a result of reduced recreational activities due to the earlier closures. The extended building closures have also reduced building maintenance and utility needs by \$137,500. Additional savings are forecasted for the reduced need in part-time wages for both Service Cambridge (\$196,700) and Crossing Guards (\$57,600) and for reduced supply needs in mail and printshop (\$40,000).

Safe Restart Funding

The city is forecasting to reduce the draw from the Safe Restart Funding by \$372,510 to offset the net of the reduced COVID-19 expenses, cost containment savings and the loss in revenues.

Variances Unrelated to COVID-19

Additional variances unrelated to COVID-19 total \$523,827 in savings. The main driver being gapping savings of \$650,473. These vacancy savings were seen in Fire Services (\$646,500), Service Cambridge (\$99,300), Recreation and Culture (\$70,473), Technology Services (\$51,000) and Infrastructure Services Administration (\$28,200). Correspondingly corporate gapping savings of \$245,000 were eliminated as the savings were realized within each of the City's departments. Adding to the surplus are savings for debt charges (\$60,548) and increased revenues in By-Law (\$30,000), Traffic and Transportation (\$30,000) and Fire Services (\$25,000). Offsetting the savings are increased overtime in Fire of \$195,300 and increased maintenance needs in Operations of \$92,210.

Variance Analysis by Department

The following summary shows the variance between the annual Council approved budget and year to date actuals for each department, for tax-supported operations:

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATE D BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Mayor and Council	\$1,180,700	\$0	\$1,180,700	\$0	\$0	\$1,180,700	\$642,545	54.4%
Office of the City Manager	\$2,279,100	\$0	\$2,279,100	\$0	\$0	\$2,279,100	\$1,396,224	61.3%
Corporate Services	\$43,127,900	\$30,400	\$43,158,300	\$219,100	(\$480,700)	\$42,896,700	\$28,241,434	65.8%
Corporate Enterprise	\$7,440,700	(\$540,200)	\$6,900,500	(\$44,950)	(\$263,000)	\$6,592,550	\$3,540,446	53.7%
Community Development	\$9,169,600	\$89,700	\$9,259,300	(\$212,235)	(\$594,626)	\$8,452,439	\$4,471,321	52.9%
Infrastructure Services	\$19,253,500	(\$258,800)	\$18,994,700	\$283,475	\$271,950	\$19,550,125	\$13,106,102	67.0%
Corporate Expenditures	(\$90,077,500)	\$678,900	(\$89,398,600)	(\$207,907)	\$542,549	(\$89,063,958)	(\$95,195,120)	106.9%
Library	\$7,626,000	\$0	\$7,626,000	(\$130,000)	\$0	\$7,496,000	\$5,790,621	77.2%
Total City of Cambridge Tax Supported	\$0	\$0	\$0	(\$92,517)	(\$523,827)	(\$616,344)	(\$38,006,427)	

The 2021 tax-supported operations are reporting a year end surplus of \$616,344. The August forecast results in savings of \$523,827 adding to the previously reported surplus of \$92,517 in the April forecast report.

Further details on the variance by department are provided below.

Mayor and Council

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATE D BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Mayor and Council								
Mayor and Council	\$1,180,700	\$0	\$1,180,700	\$0	\$0	\$1,180,700	\$642,545	54.4%
Total Mayor and Council	\$1,180,700	\$0	\$1,180,700	\$0	\$0	\$1,180,700	\$642,545	54.4%

The Mayor and Council area is not projecting a year-end surplus or deficit for this reporting period.

Office of the City Manager

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATE D BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Office of the City Manager								
Admin. City Manager	\$499,900	\$0	\$499,900	\$0	\$0	\$499,900	\$320,669	64.1%
Corporate Communications	\$861,200	\$0	\$861,200	\$0	\$0	\$861,200	\$529,311	61.5%
Legal Services	\$918,000	\$0	\$918,000	\$0	\$0	\$918,000	\$546,244	59.5%
Total Office of the City Manager	\$2,279,100	\$0	\$2,279,100	\$0	\$0	\$2,279,100	\$1,396,224	61.3%

The Office of the City Manager is not projecting a year-end surplus or deficit for this reporting period.

Corporate Services

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATE D BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Corporate Services								
Admin. Corporate Services	\$467,400	\$0	\$467,400	\$0	\$0	\$467,400	\$272,887	58.4%
City Clerk	\$2,818,800	\$0	\$2,818,800	\$278,800	\$316,300	\$3,413,900	\$2,210,103	64.7%
Emergency Mgmt & Business Continuity	\$408,800	\$0	\$408,800	\$0	\$0	\$408,800	\$290,620	71.1%
Financial Services	\$3,380,000	\$0	\$3,380,000	\$5,300	(\$347,000)	\$3,038,300	\$2,390,418	78.7%
Fire Services	\$26,820,100	\$0	\$26,820,100	(\$65,000)	(\$394,000)	\$26,361,100	\$16,847,369	63.9%
Human Resources	\$2,530,800	\$0	\$2,530,800	\$0	(\$15,000)	\$2,515,800	\$1,472,252	58.5%
Technology Services	\$6,702,000	\$30,400	\$6,732,400	\$0	(\$41,000)	\$6,691,400	\$4,757,785	71.1%
Total Corporate Services	\$43,127,900	\$30,400	\$43,158,300	\$219,100	(\$480,700)	\$42,896,700	\$28,241,434	65.8%

Corporate Services department is projecting a year end surplus of \$261,600. Savings reported in August of \$480,700 are a result of vacancy savings in Fire Services (\$646,500), Service Cambridge (\$296,000) and Technology Services (\$51,000), additional revenue in By-Law (\$30,000) and Fire (\$25,000) and supply savings in the mail and printshop (\$40,000). This is partially offset by increased overtime in Fire Services of \$195,300 and decreased revenues due to COVID-19 for permits (\$170,000), parking enforcement fines (\$100,000) and mail and printshop (\$20,000). Additionally, staffing costs in By-Law of \$191,200 are part of the transition to an in-house security program and are offset from savings in contract services within By-Law of \$80,000 and within Facilities of \$105,000 as noted below under Corporate Enterprise. The department previously reported \$219,100 deficit in the April forecast report.

Corporate Enterprise

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATE D BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Corporate Enterprise								
Admin. Corporate Enterprise	\$366,400	\$0	\$366,400	(\$650)	(\$7,400)	\$358,350	\$231,142	64.5%
Building Design and Construction	\$301,100	\$0	\$301,100	\$0	\$0	\$301,100	\$190,693	63.3%
Corporate Strategy	\$550,300	\$0	\$550,300	(\$3,600)	\$0	\$546,700	\$299,879	54.9%
Economic Development	\$925,000	\$0	\$925,000	(\$4,100)	(\$5,400)	\$915,500	\$516,185	56.4%
Facilities	\$5,022,100	(\$540,200)	\$4,481,900	(\$36,000)	(\$250,000)	\$4,195,900	\$2,121,760	50.6%
Risk and Compliance	\$275,800	\$0	\$275,800	(\$600)	(\$200)	\$275,000	\$180,787	65.7%
Total Corporate Enterprise	\$7,440,700	(\$540,200)	\$6,900,500	(\$44,950)	(\$263,000)	\$6,592,550	\$3,540,446	53.7%

The forecasted year end surplus in the Corporate Enterprise department is \$307,950 of which \$44,950 was previously reported in April due to COVID-19 cost savings in Facilities. The main driver of the \$263,000 August operating surplus is primarily due to further COVID-19 cost savings from reduced building maintenance and utilities as a

result of extended building closures for \$137,500. Additional savings of \$105,000 are related to the transition to an in-house security program, these savings offset the increased staffing costs in By-Law as mentioned above.

Community Development

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATED BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Community Development								
Admin. Community Development	\$598,700	(\$53,100)	\$545,600	\$0	\$0	\$545,600	\$274,332	50.3%
Building Services	(\$860,000)	\$0	(\$860,000)	\$0	\$0	(\$860,000)	(\$897,446)	104.4%
Engineering and Transportation Services	\$3,836,000	\$58,800	\$3,894,800	\$21,548	(\$75,043)	\$3,841,305	\$2,900,181	75.5%
Planning Services	\$1,672,400	\$0	\$1,672,400	\$0	\$0	\$1,672,400	\$791,544	47.3%
Recreation and Culture	\$3,922,500	\$84,000	\$4,006,500	(\$233,783)	(\$519,583)	\$3,253,134	\$1,402,710	43.1%
Total Community Development	\$9,169,600	\$89,700	\$9,259,300	(\$212,235)	(\$594,626)	\$8,452,439	\$4,471,321	52.9%

Community Development department is projecting a year end surplus of \$806,861.

The Recreation and Culture division is forecasting net savings of \$758,366. The main driver being the extended closures due to COVID-19 which results in savings in part-time wages and supplies offset by reduced revenues. For August reporting, part-time wage savings are \$656,640 with additional savings in supplies of \$68,500. Offsetting the savings are \$276,580 in loss revenue. Gapping savings in the amount of \$70,473 have also been forecasted. The April forecast report had already projected \$233,783 related to the aforementioned COVID-19 impacts.

Engineering and Transportation Services is projecting savings of \$53,495. The impact of COVID-19 has resulted in savings from the reduced need in crossing guards \$57,600 offset by lost parking revenue of \$30,000. Apart from COVID-19 impacts there were net additional revenues in Traffic and Transportation of \$30,000.

Infrastructure Services

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATED BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Infrastructure Services								
Admin. Infrastructure Services	\$0	\$375,900	\$375,900	\$0	(\$22,200)	\$353,700	\$466,081	131.8%
Asset Management and Project Management	\$586,400	(\$91,000)	\$495,400	(\$5,900)	\$0	\$489,500	\$579,051	118.3%
Environmental Services	\$765,100	\$0	\$765,100	\$0	\$144,000	\$909,100	\$401,163	44.1%
Operations	\$17,902,000	(\$543,700)	\$17,358,300	\$289,375	\$150,150	\$17,797,825	\$11,659,807	65.5%
Total Infrastructure Services	\$19,253,500	(\$258,800)	\$18,994,700	\$283,475	\$271,950	\$19,550,125	\$13,106,102	67.0%

The department of Infrastructure Services is projecting a deficit of \$555,425. The August forecast represents \$271,950 of this, while \$283,475 was previously reported in April. The main driver being the continued impacts from COVID-19 seen in Parks and Arenas with expected losses in revenues of \$165,150. In addition, maintenance requirements throughout the Operations division require \$92,210 for items such as repairs to fences, gates, roofs and foundations. The increased expenses in Environment Services of \$144,000 is maintenance work in Storm Operations such as ditching and storm clean-up which is being offset from reductions in Operations primarily in the sidewalk renewal contract. Partially offsetting the deficit is gapping savings within Infrastructure Services Administration of \$28,200.

Corporate Expenditures

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATE BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Corporate Expenditures								
Corporate Financing	\$13,630,800	\$709,300	\$14,340,100	\$203,574	(\$24,861)	\$14,518,813	\$7,594,166	52.3%
External Funding	\$1,993,800	\$0	\$1,993,800	\$2,956	\$0	\$1,996,756	\$1,856,594	93.0%
Insurance	\$1,061,200	\$0	\$1,061,200	\$0	\$0	\$1,061,200	\$267,198	25.2%
Income From Investment	(\$3,204,600)	\$0	(\$3,204,600)	\$0	\$194,900	(\$3,009,700)	(\$2,680,995)	89.1%
Taxation Revenue	(\$97,782,500)	(\$30,400)	(\$97,812,900)	\$0	\$0	(\$97,812,900)	(\$98,718,323)	100.9%
Payment in Lieu	(\$969,700)	\$0	(\$969,700)	\$0	\$0	(\$969,700)	\$0	0.0%
Corporate Grants	(\$113,900)	\$0	(\$113,900)	\$0	\$0	(\$113,900)	(\$188,838)	165.8%
Corporate Allocations	(\$4,692,600)	\$0	(\$4,692,600)	(\$414,437)	\$372,510	(\$4,734,527)	(\$3,324,922)	70.2%
Total Corporate Expenditures	(\$90,077,500)	\$678,900	(\$89,398,600)	(\$207,907)	\$542,549	(\$89,063,958)	(\$95,195,120)	106.9%

The Corporate Expenditures area is forecasting a \$334,642 deficit with \$542,549 in over expenditures forecasted in August offsetting the previously reported savings in April of \$207,907. The August forecast reflects the reduced draw in Corporate Allocations from the rate stabilization reserve Safe Restart funding as a result of the overall net reduction to COVID-19 related impacts.

Corporate Expenditures also includes a forecast change of \$245,000 to remove budgeted corporate gapping however gapping savings have still been realized throughout the City departments. Partially offsetting the deficit is net savings in debt charges of \$60,548.

Water Utility Variance

The following summary shows the variance between the annual Council approved budget and year to date actuals for each department, for water utility operations.

	ORIGINAL BUDGET	IN YEAR CHANGES	TOTAL RESTATED BUDGET	APRIL FORECAST CHANGES	AUGUST FORECAST CHANGES	REVISED FORECAST	YTD ACTUALS AS AT AUGUST 31ST	% SPENT
Water								
Expenses	\$37,516,200	\$0	\$37,516,200	(\$20,000)	\$635,963	\$38,132,163	\$23,680,588	62.1%
Revenues	(\$37,516,200)	\$0	(\$37,516,200)	\$20,000	(\$1,560,000)	(\$39,056,200)	(\$22,327,880)	57.2%
Total Water	\$0	\$0	\$0	\$0	(\$924,037)	(\$924,037)	\$1,352,708	(146.4%)
Wastewater								
Expenses	\$33,370,900	\$0	\$33,370,900	\$0	(\$1,785,827)	\$31,585,073	\$17,602,965	55.7%
Revenues	(\$33,370,900)	\$0	(\$33,370,900)	\$0	(\$648,443)	(\$34,019,343)	(\$20,395,694)	60.0%
Total Wastewater	\$0	\$0	\$0	\$0	(\$2,434,270)	(\$2,434,270)	(\$2,792,729)	114.7%
Total City of Cambridge Water Utility	\$0	\$0	\$0	\$0	(\$3,358,307)	(\$3,358,307)	(\$1,440,021)	42.9%

For August 2021 reporting period, the City is projecting a \$3,358,307 surplus in water and wastewater operations of which \$924,037 is for water and \$2,434,270 is for wastewater. This represents 4.7% of the water utility gross expenditures budget.

The water operations are forecasting net savings of \$924,037 for 2021. These savings are mainly the result of higher than anticipated water billing revenue of \$1.5 million due higher water consumption by the public and better than anticipated water loss, partially offset by an increase need to purchase water from the region of \$750,000. Additional savings were seen in debt charges due to unissued debt of \$136,000, promotion and marketing as Bishop Operations Centre Open House was cancelled due to COVID-19 approximately \$8,000, and savings in Professional Development due to travel restrictions as a result of COVID-19 for savings of \$20,000.

The wastewater operations are forecasting net savings of \$2,434,270 for 2021. The main driver of these savings is better than anticipated inflow and infiltration resulting in lower treatment purchase for savings of \$1.8 million and higher billings of \$657,000. Additional savings projected are \$135,000 in debt charges due to unissued debt. These savings are partially offset by \$150,000 increase in sewer pumping station maintenance as a result of more focused maintenance program and due to increased equipment failures.

Existing Policy/By-Law

The Budget Control By-Law 152-14 identifies roles, responsibilities and spending authorities for accountability around the City's financial management. It also identifies reporting requirements to ensure both accountability and transparency around the City's finances. Under the by-law, Council approval is required for the following operating spending deviations:

- Transfers between divisions exceeding the lesser of 10% or \$100,000;
- Any net overall deficit within a department.

The Reserve Fund By-Law 2-17, as amended by By-law 19-144, and corporate policy COR-260.010 identify how tax-supported operating surpluses are to be treated.

Financial Impact

This report provides a comprehensive financial update on the City's operations as at August 31st 2021, for both tax-supported and the water and wastewater operations. While tax-supported operations over April and August are forecasting \$1,710,430 in loss of revenue due to COVID-19 and additional expenses directly related to COVID-19 of \$1,318,000, with a cost containment strategy in place and funding from the Safe Restart Agreement the City is forecasting a surplus of \$616,344 for 2021.

Should the projected surplus materialize at year-end it will be transferred according to the reserve fund by-law.

For the August 2021 reporting period, the City is projecting a year-end surplus for its water utility operations of \$3,358,307. The water operations are forecasting net savings of \$924,037 for 2021 and wastewater operations are forecasting net savings of \$2,434,270 for 2021.

Certain forecast changes result in impacts to reserve and reserve funds; these are reported in Appendix A.

Public Input

Posted publicly as part of the report process.

Internal/External Consultation

Staff delegated with budget responsibility have prepared, in consultation with Finance, their forecasted revenues and expenses for 2021 included in this report.

Conclusion

This report provides a comprehensive financial update on the City's operations as at August 31st 2021, for both tax-supported and the water and wastewater operations. Tax-supported operations are forecasting a net year end surplus of \$616,344 for 2021 and the water utility is projecting a net year end surplus of \$3,358,307.

Signature

Division Approval

Reviewed by Legal Services



Name: Sheryl Ayres

Title: Chief Financial Officer

Departmental Approval



Name: Dave Bush

Title: Deputy City Manager

City Manager Approval



Name: David Calder

Title: City Manager

Attachments

- Appendix A: Impacts to Reserve and Reserve Funds

Reserve & Reserve Fund	Reserve Fund Balance as of August 31, 2021	Increase (Decrease) to Reserve Fund	Revised Balance Following Forecast Changes	Comment
Development Charges - Wastewater Reserve Fund	(\$5,186,181)	\$9,357	(\$5,176,824)	Adjust debt payments to actual.
Economic Development Reserve Fund	\$9,149,401	\$2,600	\$9,152,001	Increase in accordance with the additional film revenue and decreased property tax and hydro expenses.
Equipment Reserve Fund	\$5,279,524	(\$47,234)	\$5,232,290	Additional draw to offset additional subscription costs and one-time equipment purchase.
Hydro Dividend Stabilization Reserve Fund	(\$260,679)	\$293,971	\$33,292	Adjust for unissued debt (A/00391-40 Reg Prj King St Ph 1 & 2).
Rate Stabilization Reserve Fund	\$5,778,315	\$372,510	\$6,150,825	Safe Restart draw.