

**To:** COUNCIL

**Meeting Date:** 07/28/20

**Subject:** Operating Financial Update – June Forecast

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

**Prepared By:** Debbie Andrade, Acting Manager of Financial Planning

**Report No.:** 20-190(CRS)

**File No.:** C1101

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## Recommendation(s)

THAT report 20-190(CRS) re: Operating Financial Update – June Forecast be received;

AND THAT operating forecast changes for the June 2020 reporting period that are reportable to Council under the Budget Control By-Law be approved;

AND THAT transfers to and from reserve and reserve funds as identified in report 20-190(CRS) be approved.

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## Executive Summary

### Purpose

- This report provides a comprehensive financial update on the City's operations for 2020, both tax-supported and in the water and wastewater operations.
- An update on the Capital program as of June 30, 2020 is being prepared for the Council meeting of August 25.

### Key Findings

- The COVID-19 pandemic has had significant impacts to the global economy with Canada Real GDP, the unemployment rate and the inflation rate falling to unprecedented lows. Economic recovery has begun in May and June and is expected to continue at a slow pace.
- On July 16, 2020 the federal government announced the Safe Restart Agreement which will provide funding to help provinces and territories safely restart their economies and provide funding to municipalities so they can deliver essential services. Ontario will receive \$7 billion as part of this agreement.

Details of the allocation to each municipality are unknown at this time and therefore any potential revenue for the City has not been estimated in the following report.

- Through financial analysis performed in June, staff currently estimates the net impact to tax supported operations to be a deficit of \$1,929,165, an increase over the previous forecasted deficit of \$499,971 as at April 30.
- A significant portion of the increase in the deficit reported from the April forecast to the June forecast is due to recreation programming and facility bookings revenue. In the April report, staff forecasted using an assumption that facilities and programs would be shut down until June 30<sup>th</sup> and would thus experience normal operations for the last half of the year. With further information on Stage 2 and Stage 3 of the Provinces reopening plans, staff have revised estimates using the assumptions of approximately zero revenues in July and August, 10% in September and 25% in October to December.
- Additionally, in the April 16, 2020 Council approved report 20-118(CRS), which provided an overview of a cost containment strategy, the estimated cost savings were higher than reported in this June financial update report. Due to the information available to staff at the time of the April report the savings did not include the additional requirements set out by the Province for safe reopening. As services and programming ramp back up additional signage, barriers and personal protective equipment are required as per COVID-19 protocols. Staff continue to evaluate cost containment opportunities where feasible and further updates will be provided in the September forecast report.
- Due to cost containment measures in the City's water and sewer operations, staff are forecasting net savings of \$679,250 and \$144,752 respectively.
- The revenues and cost estimates included in this report are based on the assumptions that the City will continue with Stage 3 of the Provinces reopening plans and therefore programs and services will continue to recover as planned with no second wave of the COVID -19 virus or other further setbacks.

## **Financial Implications**

- For tax-supported operations, the City is estimating a loss of revenues in the amount of \$6,166,371 for 2020 due to the impact of the COVID-19 pandemic. The City has also experienced \$1,268,300 in additional costs, directly related to COVID-19. To ensure financial sustainability of the City through controlling costs to the greatest extent possible, the City has implemented a cost containment plan for 2020. Through these strategic cost saving measures, as well as forecast adjustments unrelated to COVID-19, the City is forecasting a net deficit of \$1,929,165 for 2020. It is important to note that as further decisions are made related to the COVID-19 pandemic response, the deficit could increase further.

Estimated loss in revenue	\$ 6,166,371
Additional expenses related to COVID-19	1,268,300
Savings related to cost containment strategies	(5,085,225)
Forecast adjustments unrelated to COVID-19	(420,281)
Net Deficit	\$ 1,929,165

- Any potential deficit realized at the end of the year will be funded from the City's Rate Stabilization Reserve which has a current balance of \$4,352,669. Although there is sufficient funding currently in the reserve to cover the estimated loss, the City's reserve is currently underfunded, in accordance with best practices in government finances, and this leaves the City at risk if the COVID-19 pandemic continues for an extended length of time or there is another unforeseen circumstance for which funds need to be drawn.
- While the impact of the COVID-19 pandemic is not nearly as substantial in water and sewer operations as compared to tax-supported operations, staff have reviewed and updated forecasted costs through to the end of 2020 with a similar focus on cost containment. As such, the water operations are forecasting net savings of \$679,250 for 2020 and sewer operations are forecasting net savings of \$144,752 for 2020, in line with the forecast presented at April 30.
- Certain forecast changes result in transfers to and from reserve and reserve funds. The impact of these forecast changes are reported in Appendix B and represent a net decrease to reserve and reserve funds by \$654,111. The majority of this is related to the reduced dividend received from Energy+ and is offset by an increase to the Equipment reserve fund to reflect fuel and overtime savings in the Fleet operations cost centre.

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## Background

On March 25, 2020 Council approved report 20-108 (CRS) which outlined the estimated financial implications at that time related to the COVID-19 pandemic and allowed for certain measures of financial relief to residents and businesses. In order to mitigate the financial implications, on April 16, 2020 Council approved report 20-118(CRS) which provided an overview of a cost containment strategy being implemented to ensure financial sustainability of the City through controlling costs to the greatest extent possible and to offset lost revenues due to COVID-19.

On May 19, 2020 Council approved report 20-125(CRS) which provided a comprehensive financial update on the City's operations for 2020, both tax-supported and in the water and wastewater operations. For the April 30<sup>th</sup> reporting period the City forecasted a deficit of \$499,971 with estimated lost revenues in the amount of \$3,661,220 and \$448,200 in additional costs for 2020, directly caused by COVID-19. For the April report, staff forecasted using an assumption that facilities and programs would be shut down until June 30<sup>th</sup> and would thus experience normal operations for the last half of the year. Staff also reviewed and updated forecasted costs through to the

end of 2020 with a similar focus on cost containment for the water and sewer operations. As such, the water operations forecasted a net savings of \$665,050 for 2020 and sewer operations forecasted a net savings of \$137,752 for 2020.

In collaboration with the other municipalities in the Region of Waterloo, the City has implemented the following strategies to support residents and businesses who have been impacted financially by the COVID-19 pandemic:

- Waiving penalties and interest on property taxes for the months of April - June 2020;
- Creating an application-based property tax deferral program to extend the 2020 final property tax due dates by 60 days for residents and businesses who qualify;
- Waiving late payment charges on utility bills and miscellaneous receivable invoices for the months of April - June 2020;
- Suspending collection activities for water and wastewater accounts in arrears until August 31, 2020;
- Waiving Non-Sufficient Fund (NSF) fees charged by the City on customer accounts for the month of June 2020;
- Waiving penalties, interest and collection activities on City property leases through to August, 31, 2020;
- Waiving of temporary sign permit fees until December 31, 2020 to aid businesses in their promotion efforts during the recovery phase;
- Suspension of monthly parking permit fees for the months of April and May.

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## 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.

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## Comments

### Economic Outlook

The COVID-19 pandemic has had significant impacts to the global economy with Canada Real GDP falling to an unprecedented low of 11.6% in April with the greatest impact affecting the accommodation & food services and arts, entertainment and recreation sectors. Economic recovery has begun in May and June and is expected to continue at a slow pace throughout the remainder of 2020 and possibly into future years before returning to pre-pandemic levels.

The unemployment rate increased to 13.7% in May with job losses affecting lower wage positions to a greater extent but labour markets are also starting to see recovery in various sectors.

While housing starts also saw declines during the beginning of the year, this sector has rebounded with levels currently above those seen in February. Building permits and new building activity have remained fairly resilient throughout the economic downturn.

In response to the global pandemic, in March the Bank of Canada announced significant cuts to the key interest rate from 1.75% to 0.25%. The Bank's Monetary Policy Report, released on July 15, suggests the Bank will hold its overnight lending rate steady at 0.25 per cent until the country's inflation returns to its target of 2 per cent. It is expected that it will take quite some time, possibly many years, to return to target inflation.

### Tax-Supported Operating Forecast

The COVID-19 pandemic has had significant and unprecedented impacts to the City's operations and service delivery. Staff have prepared detailed financial forecasting for 2020 as a result of the pandemic and any other known financial changes, based on information available as at June 30<sup>th</sup>.

#### *Loss of Revenues*

As noted in previous reports, the City is facing significant loss of revenues in 2020 as a result of the COVID-19 Pandemic. Through further financial analysis performed in June, staff estimate the impact of the lost revenues as follows.

<b>Waiving of Penalties and Interest on Taxes, Accounts Receivable Invoices, and Non-Sufficient Funds Fees</b>	<b>Impact for 2020: <span style="color: red;">-\$943,570</span></b>
In response to the pandemic and to provide support to residents and businesses in the community, Council approved the waiving of penalties and interest on property taxes, general accounts receivable invoicing, and non-sufficient funds (NSF) fees for the months of April, May and June 2020. For the remainder of 2020, an application-based	

property tax deferral program has been created to extend the 2020 final property tax due dates by 60 days for residents and businesses who qualify. Additionally, Council approved the suspension of collection activities for water and wastewater accounts in arrears during April, May and June 2020.

The waiving of these items results in a combined impact of \$943,570 for 2020 tax-supported operations.

Additionally, it should be noted the impact these incentives have on the City's cash flow. Penalties and interest on taxes were waived for the months of April, May and June. It is anticipated that the majority of these delayed payments would be made following the termination of the penalty and interest waiving period in July. However, the application-based property tax deferral program will continue to have an impact on timing of payment collection as well. Overall, these incentives are impacting the City's cash flow which is continuing to be monitored.

**Recreation and Library Programming and Facility Bookings**

**Impact for 2020: -\$3,749,400**

Changes to services and programs, including the closure of facilities to the public and cancellation of recreation programming have had a significant impact on the City's financial position. Revenues will continue to be impacted due to mandated smaller groups/class sizes and the public's willingness to participate in programs and services as society continues to practice safe social distancing. In April, staff forecasted using an assumption that facilities and programs would be shut down until June 30<sup>th</sup> and would thus experience a normal fall season. With further information on Phase 2 and Phase 3 of the Provinces reopening plans staff were able to make more informed estimates using the assumptions of approximately zero revenues in July and August, 10% in September and 25% in October to December. Based on these factors, the overall estimated impact to Parks, Recreation and Culture revenues for 2020 is \$3,635,400.

Idea Exchange is also facing similar impacts to their revenues due to the closure of facilities and anticipated reduced program sizes. As such, they are estimating reduced revenues in the amount of \$114,000 for 2020 as compared to budget. No changes have been included since the April forecast report.

**Parking and By-law Enforcement Revenues**

**Impact for 2020: -\$211,850**

During the closure of facilities, the City eased enforcement of parking, including not enforcing the overnight parking ban and extending and easing both timed lots and on-street parking options to help families who are staying put. Additionally, with less commercial activities (i.e. stores closing temporarily in the cores) as well as less parking enforcement, both hourly and monthly permitted parking lot revenues has been impacted including the suspension of monthly parking permits during the months of April, May and June. This is estimated to have a combined impact of \$211,850 for 2020.

<b>Farmer's Market</b>	<b>Impact for 2020: -\$52,500</b>
<p>The Farmers' Market reopened on Saturday June 27<sup>th</sup> after suspending its operations in March. The total estimated loss of revenues for 2020 is \$52,500.</p>	
<b>Waiving of Temporary Sign Permit Fees</b>	<b>Impact for 2020: -\$90,000</b>
<p>As noted above, staff recommend waiving the collection of temporary sign permits, city-wide, until December 31, 2020. This will provide support to local businesses, largely in the retail and restaurant industry who are likely to use temporary signs to provide effective communication to their customers (example: advising that they are reopening or advising of curbside pickup options, etc.). This is estimated to have an impact of \$90,000 in lost revenues for 2020. No changes have been included since the April forecast report.</p>	
<b>Investment Income</b>	<b>Impact for 2020: -\$805,111</b>
<p>The City's investment income is being impacted by a variety of factors in 2020 and is expected to have ongoing impacts in future years. While current monitoring and forecasting shows the City is unlikely to reach the budgeted amount for investment income in 2020, the impact might be more significant through 2021. This will continue to be monitored and considered for the 2021 budget.</p> <p>Movement in the Bank of Canada's key interest rate is a primary driver in the City's investment income performance. The City's investment strategy strives to maximize returns within certain risk tolerances and in accordance with the Municipal Act and related regulations, while ensuring sufficient cash flow to meet operational needs. As investments mature in today's markets of much lower interest rates, the City will be unable to find investment products with the same level of returns.</p> <p>Many investments are being 'called' due to current low interest rates and it is not possible to reinvest at comparable rates. Furthermore, as a result of lower than anticipated cash flows due to lost revenues, as well as delayed payments on property tax and water utility accounts, the City may not be in a position to have any excess cash to invest as products mature.</p> <p>The current forecast reduction of \$805,111 in investment income reflects the actual hydro dividend received from Energy+. The 2020 budget included an estimate of \$3,745,000 for the dividend based on projections previously provided by Energy + but the City has been advised the actual dividend will be \$2,939,889. This decrease in revenues will be offset by a reduction in the contribution to the Hydro Dividend Stabilization Reserve Fund.</p>	

The COVID-19 pandemic has also impacted various other lines of revenue in the City, as follows:

- As reported in the April forecast report, Building Services is anticipating \$476,300 less revenues due to reduced construction activity as a result of the pandemic. Note that this amount is offset through cost containment and a draw from the building stabilization reserve fund (draw of \$413,200), such that there is no impact to taxpayers.
- City Clerk Services are estimating \$19,000 less revenues for FOI requests and \$127,000 less revenues for business licenses which reflects 50% of budgeted revenues for July and August and 100% for September to December.
- Development Planning continues to estimate a reduction in their revenues by \$42,500 due to less development activities.
- Parks is estimating a reduction of \$42,000 to their revenues due to environmental grants not received and less private works anticipated. These revenue impacts are offset by cost savings resulting in no overall net impact to taxpayers.
- By-law Services is forecasting decreased revenues of \$12,900, based on trending of actual revenues received to date. These revenues are higher than previously anticipated in the April forecast report. The June forecast assumes collection of 50% of revenue in July and August and 100% in September through to December.
- Fire Services is estimating \$30,000 less revenues than budgeted due to lower call volume in responding to accidents, as a reflection of reduced traffic due to COVID-19.
- Various other minor adjustments to revenues as a result of COVID-19 result in \$72,760 less revenues anticipated for 2020.

In addition to the above, the City is forecasting other adjustments to revenues unrelated to COVID-19, totalling net increase of \$32,220.

In total, it is estimated that the City will have a combined loss in revenues of \$6,166,371 for 2020 for tax-supported operations.

### **COVID-19 Direct Costs**

The City has incurred certain direct costs in its response to the COVID-19 pandemic in areas of essential services. These costs include such things as overtime incurred as a direct result of COVID-19, personal protective equipment and measures that were required to reopen facilities safely to the public and protect staff such as plexiglass barriers and signage. As of June 30<sup>th</sup>, the City has incurred an additional \$1,268,300 in direct costs due to COVID-19, which had not been budgeted.

**Cost Containment Plan**

To ensure financial sustainability of the City through controlling costs to the greatest extent possible and to offset lost revenues due to COVID-19, the City has implemented a cost containment plan for 2020, as reported in 20-118(CRS). Staff continue to monitor spending as they work to reopen the City safely following all provincial guidelines. Some estimated savings that were originally forecast will not be fully realized as additional costs were incurred to bring services and programming back up with the proper personal protective equipment and COVID-19 protocols. Staff continue to consider cost containment opportunities and further updates will be provided in the September forecast report.

In total, it is estimated that the cost containment plan will realize savings of \$5,085,225 for 2020 tax-supported operations as outlined below.

Account/Initiative	Direction	Estimated Savings
Professional Development	All <i>discretionary</i> Professional Development has been cancelled in 2020. Professional development that is required as per legislation, to maintain a professional designation or continuing education in which the City has committed to through Human Resources is permitted.	\$326,100
Overtime	Minimal overtime shall be incurred as there are staff at home on standby that can be filling in where needed.	\$82,900
Program Supplies and Materials	Reduction to Program Supplies and Materials accounts with a target of 25%.	\$529,600
Promotion and Marketing	Reduction to Promotion and Marketing accounts with a target of 25%.	\$89,900
Other Staffing Costs (Meals and Catering, Mileage and Clothing Allowance)	Reduction to Other Staffing Costs accounts with a target of 25%. This includes reductions to meals and catering, mileage and employee Clothing Allowance especially in areas where employees are at home on standby.	\$71,300
General Maintenance / Professional Services	Reduction to General Maintenance contracts as well as Professional Services –vendors who do regular services in our facilities were advised that service levels were either reduced and/or	\$901,025

Account/Initiative	Direction	Estimated Savings
	suspended while facilities are closed (ie. floor mats, living wall in City Hall, janitorial services, window cleaning).	
Equipment & Fuel	Fuel usage savings as well as minimize equipment replacement and/or defer to 2021.	\$196,300
Utilities	With the closure of facilities, it is anticipated to yield savings in utilities (electricity, gas, water/sewer).	\$241,900
HR Recruitment / Salary Gapping	All HR recruitment is on hold unless approved by the Corporate Leadership Team. In addition to the review of all vacant positions, additional salary gapping savings are reflected in these cost savings.	\$646,800
Reduction in staffing / Part Time Salaries and Benefits Savings	Savings as a result of temporary layoffs and delayed hiring of seasonal employees, due to the closure of facilities. Additional savings reflect cost containment measures with respect to projected delayed/cancelled seasonal staff for future programming such as camps, pools and grass cutting.	\$1,486,000
Idea Exchange	The cost containment plan was also circulated to the Idea Exchange. Savings include: layoff of student pages, extended gapping of vacant positions, 50% reduction in professional development. Savings were based on a reopening date of June 30 <sup>th</sup> , and are net of additional anticipated costs following reopening, such as cleaning and security. The Library reopened all locations for curbside pickup on June 16 <sup>th</sup> and allowed entering locations on July 13 <sup>th</sup> . As such, there is no change to the estimated savings from the April report.	\$414,000

Various other minor adjustments to expenses as a result of COVID-19 measures implemented by staff resulted in savings totalling \$99,400.

In addition to the above, other minor adjustments to expenses unrelated to COVID-19, total an increase of \$161,128.

The City is estimating a net deficit of \$1,929,165 in the tax-supported operations for 2020, as summarized in the following table:

<b>2020 Forecasted Impact</b>	<b>April Update</b>	<b>June Update</b>
Estimated loss of revenues	\$3,661,220	\$6,166,371
COVID-19 direct costs to date (as of June 30 <sup>th</sup> )	\$448,200	\$1,268,300
Cost containment plan estimated savings	(\$3,721,300)	(\$5,085,225)
Forecast Adjustments unrelated to COVID-19	\$111,851	(\$420,281)
<b>Forecasted 2020 Tax-Supported Operating Deficit</b>	<b>\$499,971</b>	<b>\$1,929,165</b>

On July 16, 2020 the federal government announced the Safe Restart Agreement which will provide funding to help provinces and territories safely restart their economies and provide funding to municipalities so they can deliver essential services. Ontario will receive \$7 billion as part of this agreement. Details of the allocation to each municipality are unknown at this time but it is anticipated that the City will receive some contribution through the agreement.

Any resulting deficit in the tax-supported operations may be funded from the Rate Stabilization Reserve, which has a current balance of \$4,352,669. Both the Government Finance Officers Association and BMA Management Consulting recommend a target balance for the Rate Stabilization Reserve between 5% - 15% of tax revenues. For the City of Cambridge this translates to a target of \$4.68M - \$14.06M. Although there is sufficient funding currently in the reserve to cover the estimated loss, the City's reserve is currently underfunded and this leaves the City at risk if the COVID-19 pandemic continues for an extended length of time or there is another unforeseen circumstance for which funds need drawn.

## **Water Utility Forecast**

As part of report 20-108(CRS), Council approved the waiving of interest on water and wastewater accounts for the months of April, May and June 2020. This waiving of interest had an impact to the City's forecasted interest revenues for water and sewer operations, in the estimated amount of \$79,000.

With the waiving of interest on water and wastewater accounts in April, staff have seen minimal decrease in accounts being paid by their due date. This bodes well for the City's cash flow management, as the City continues to receive payments against water accounts generally in line with past years.

In addition to the loss of revenues, water and sewer operations have realized costs of \$37,200 in staff time specific to responding to COVID-19 requirements.

While the impact of the COVID-19 pandemic is not nearly as substantial in water and sewer operations as compared to tax-supported operations, staff have reviewed and updated forecasted costs through to the end of 2020 with a similar focus on cost containment.

The water operations are forecasting net savings of \$679,250 for 2020. These savings are mainly the result of:

- Reduction of seasonal/temporary staffing (8 FTE) and gapping of 1 crew member is expected to yield savings of approximately \$296,000.
- Flushing/swabbing contract will be performed in-house by existing staff resources instead of contracted out, for savings of approximately \$90,000.
- Reduction in the amount of \$59,000 by limiting overtime to emergency work only.
- Reduction to professional development for savings of \$59,000.
- 25% reduction to program supplies and materials consistent with the cost containment guidelines, leading to savings of \$55,000.
- Hydrant painting contract work of \$50,000 to be deferred to 2021, as it has minimal impact to service levels.
- Water sampling savings forecasted of \$50,000 based on review of historical trending of actuals.

The wastewater operations are forecasting net savings of \$144,752 for 2020. These savings are mainly the result of:

- Reduction to professional development for savings of \$94,000.
- Minor savings in sewer rebates \$25,000 based on review of historical trending of actuals.

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## 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 \$100,00;
- Any net overall deficit within a department.

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## Financial Impact

The 2020 forecasted position by department and division is included in Appendix A.

For tax-supported operations, the City is estimating to have a loss of revenues in the amount of \$6,166,371 for 2020, due to the impact of the COVID-19 pandemic. The City has also experienced \$1,268,300 in additional costs, directly related to COVID-19. To ensure financial sustainability of the City through controlling costs to the greatest extent possible, the City has implemented a cost containment plan for 2020. Through these important cost saving measures, as well as forecast adjustments unrelated to COVID-19, the City is forecasting a net deficit of \$1,929,165 for 2020.

The waiving of interest on water and wastewater billing accounts through June 2020 has an impact to the City's forecasted interest revenues for water and sewer operations, in the estimated amount of \$79,000. In addition to the loss of revenues, water and sewer operations have realized costs of \$37,200 in staff time specific to responding to COVID-19 requirements. While the impact of the COVID-19 pandemic is not nearly as substantial in water and sewer operations as compared to tax-supported operations, staff have reviewed and updated forecasted costs through to the end of 2020 with a similar focus on cost containment. As such, the water operations are forecasting net savings of \$679,250 for 2020 and sewer operations are forecasting net savings of \$144,752 for 2020.

Staff remain hopeful that the City will receive funding through the federal governments Safe Restart Agreement to help offset the potential deficit. Municipalities are required through the Municipal Act to fund any deficit at the end of the year from a reserve or through increased taxes the following year and therefore, any deficit incurred at the end of the year will be funded from the Rate Stabilization Reserve.

Certain forecast changes result in transfers to and from reserve and reserve funds. The impact of these forecast changes are reported in Appendix B and represent a net decrease to reserve and reserve funds by \$654,111. The majority of this is from the actual dividend received from Energy+ which is offset by an increase to the Equipment reserve fund to reflect fuel and overtime savings in the Fleet operations cost centre.

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## Public Input

Posted publicly as part of the report process.

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## Internal/External Consultation

The cost containment measures have been discussed with the municipalities in the Region of Waterloo. Similar measures are being implemented in each municipality to mitigate the impacts of the current economic crisis on the greater community.

Staff delegated with budget responsibility have prepared, in consultation with Finance, their forecasted revenues and expenses for 2020 included in Appendix A.

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## Conclusion

This report provides a comprehensive financial update on the City's operations for 2020, both tax-supported and in the water and wastewater operations. Tax-supported operations are forecasting a net deficit of \$1,929,165 for 2020 as follows:

Estimated loss in revenue	\$ 6,166,371
Additional expenses related to COVID-19	1,268,300
Savings related to cost containment strategies	(5,085,225)
Forecast adjustments unrelated to COVID-19	(420,281)
Net Deficit	\$ 1,929,165

The forecasted deficit has increased since the previous forecast completed in April of \$499,971. The Covid-19 pandemic is rapidly evolving and the assumptions used to prepare the previous forecast have changed to the current forecast. Previous assumptions included resuming programs and services at previous levels by end of June and operations would return to normal for the last half of the year. Since the pandemic has become much more significant than originally expected, the previous assumptions have been revised to incorporate information that has become available through the provincial Phase 2 and Phase 3 reopening plans.

With respect to the water and sewer operations, the water operations are forecasting net savings of \$679,250 for 2020 and sewer operations are forecasting net savings of \$144,752 for 2020.

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## Signature

### Division Approval



Reviewed by Legal Services

**Name: Sheryl Ayres**

**Title: Chief Financial Officer**

## Departmental Approval



**Name: Dave Bush**

**Title: Deputy City Manager, Corporate Services**

## City Manager Approval



**Name: David Calder**

**Title: City Manager**

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## Attachments

- Appendix A: 2020 Forecast by Department and Division
- Appendix B: Impacts to Reserve and Reserve Funds

Division	Original Budget	In Year Changes	Restated Budget	Previous Forecast	Forecast Changes	Revised Forecast	YTD Actuals	% Spent
Mayor and Council								
Mayor and Council	\$1,088,800	200	\$1,089,000	\$1,041,050	(\$93,900)	\$947,150	\$467,243	47.0%
<b>Total Mayor and Council</b>	\$1,088,800	\$200	\$1,089,000	\$1,041,050	(\$93,900)	\$947,150	\$467,243	47.0%
Office of the City Manager								
Admin. City Manager	\$500,800	300	\$501,100	\$483,700		\$483,700	\$270,234	53.9%
Legal Services	\$821,500		\$821,500	\$819,600	\$70,000	\$889,600	\$446,364	50.1%
Corporate Communications	\$856,000		\$856,000	\$853,000		\$853,000	\$327,613	38.3%
<b>Total Office of the City Manager</b>	\$2,178,300	\$300	\$2,178,600	\$2,156,300	\$70,000	\$2,226,300	\$1,044,211	46.4%
Corporate Services								
Admin. Corporate Services	\$500,500	800	\$501,300	\$448,100	(\$8,000)	\$440,100	\$219,917	44.6%
City Clerk	\$2,316,800	-10,600	\$2,306,200	\$2,611,270	\$13,200	\$2,624,470	\$1,137,633	49.0%
Fire Services	\$25,689,900	1,100	\$25,691,000	\$25,621,700	(\$300)	\$25,621,400	\$12,479,709	48.6%
Human Resources	\$2,515,100	1,000	\$2,516,100	\$2,467,100	(\$60,400)	\$2,406,700	\$953,716	38.8%
Technology Services	\$6,515,500	200	\$6,515,700	\$6,355,700		\$6,355,700	\$3,596,330	55.2%
Financial Services	\$3,251,800	24,000	\$3,275,800	\$3,185,933	\$66,000	\$3,251,933	\$1,157,493	34.6%
Community Emergency Planning	\$312,900	0	\$312,900	\$307,800	(\$15,500)	\$292,300	\$140,105	47.1%
<b>Total Corporate Services</b>	\$41,102,500	\$16,500	\$41,119,000	\$40,997,603	(\$5,000)	\$40,992,603	\$19,684,903	47.9%
Corporate Enterprise								
Admin. Corporate Enterprise	\$354,300	35,200	\$389,500	\$351,550		\$351,550	\$174,512	44.8%
Asset Management & Project Management	\$4,827,400	-10,500	\$4,816,900	\$4,545,820	(\$34,700)	\$4,511,120	\$1,715,150	35.9%
Risk Management	\$270,000	-6,800	\$263,200	\$262,350		\$262,350	\$129,202	49.1%
Corporate Strategy	\$592,700	-9,100	\$583,600	\$578,500		\$578,500	\$274,230	47.0%
Economic Development	\$873,800	-8,800	\$865,000	\$858,650	(\$600)	\$858,050	\$314,043	36.3%
<b>Total Corporate Enterprise</b>	\$6,918,200	\$0	\$6,918,200	\$6,596,870	(\$35,300)	\$6,561,570	\$2,607,137	37.9%
Community Development								
Admin. Community Development	\$614,300	-21,600	\$592,700	\$533,975		\$533,975	\$216,540	36.5%
Engineering & Transportation Services	\$3,791,700	1,200	\$3,792,900	\$3,701,811	(\$16,800)	\$3,685,011	\$834,362	22.1%
Public Works	\$6,789,900		\$6,789,900	\$6,448,700	(\$11,906)	\$6,436,794	\$2,603,364	38.4%
Building Services	(\$888,200)		(\$888,200)	(\$888,200)		(\$888,200)	\$89,234	(10.0%)
Planning Services	\$1,668,400	900	\$1,669,300	\$1,694,802		\$1,694,802	\$629,590	37.7%
Parks, Recreation & Culture	\$13,858,400	600	\$13,859,000	\$14,450,000	\$702,000	\$15,152,000	\$5,425,903	37.3%
<b>Total Community Development</b>	\$25,834,500	(\$18,900)	\$25,815,600	\$25,941,088	\$673,294	\$26,614,382	\$9,798,993	37.0%
Corporate Expenditures								
Corporate Financing	\$14,663,300		\$14,663,300	\$15,111,460	\$820,100	\$15,931,560	\$9,150,635	54.5%
Development Incentives						\$0	5,317	

Division	Original Budget	In Year Changes	Restated Budget	Previous Forecast	Forecast Changes	Revised Forecast	YTD Actuals	% Spent
External Funding	\$2,110,800	1,900	\$2,112,700	\$2,078,600		\$2,078,600	\$1,817,684	86.0%
Insurance	\$1,061,200		\$1,061,200	\$1,061,200		\$1,061,200	\$307,705	29.0%
Income From Investment	(\$3,488,300)		(\$3,488,300)	(\$3,488,300)		(\$3,488,300)	(\$1,885,115)	54.0%
Taxation Revenue	(\$96,036,000)		(\$96,036,000)	(\$95,237,600)		(\$95,237,600)	(\$103,807,803)	108.1%
Payment in Lieu	(\$962,200)		(\$962,200)	(\$962,200)		(\$962,200)	\$1,000	(0.1%)
Corporate Grants	(\$134,000)		(\$134,000)	(\$134,000)		(\$134,000)	(\$157,534)	117.6%
Corporate Allocations	(\$1,963,100)		(\$1,963,100)	(\$1,963,100)		(\$1,963,100)	(\$1,969,919)	100.3%
<b>Total Corporate Expenditures</b>	<b>(\$84,748,300)</b>	<b>\$1,900</b>	<b>(\$84,746,400)</b>	<b>(\$83,533,940)</b>	<b>\$820,100</b>	<b>(\$82,713,840)</b>	<b>(\$96,538,030)</b>	<b>116.8%</b>
Library								
Library	\$7,626,000		\$7,626,000	\$7,301,000		\$7,301,000	\$4,421,500	58.0%
<b>Total Library</b>	<b>\$7,626,000</b>	<b>\$0</b>	<b>\$7,626,000</b>	<b>\$7,301,000</b>	<b>\$0</b>	<b>\$7,301,000</b>	<b>\$4,421,500</b>	<b>58.0%</b>
<b>Total City of Cambridge Tax Supported</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 499,971</b>	<b>\$ 1,429,194</b>	<b>\$ 1,929,165</b>	<b>\$ (58,514,043)</b>	
Water								
Expenses	\$ 38,062,100	\$ -	\$ 38,062,100	\$ 37,222,750	(\$10,000)	\$37,212,750	20834269	56.0%
Revenue	\$(38,062,100)	\$ -	\$(38,062,100)	\$(37,887,800)	(\$4,200)	(\$37,892,000)	(\$16,444,379)	43.4%
<b>Total Water Operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (665,050)</b>	<b>\$ (14,200)</b>	<b>\$ (679,250)</b>	<b>\$ 4,389,890</b>	
Sewer								
Expenses	\$ 33,338,700	\$ -	\$ 33,338,700	\$ 33,200,948	(\$7,000)	\$33,193,948	16,407,115	49.4%
Revenue	\$(33,338,700)	\$ -	\$(33,338,700)	\$(33,338,700)	\$0	(\$33,338,700)	-14,257,650	42.8%
<b>Total Sewer Operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (137,752)</b>	<b>\$ (7,000)</b>	<b>\$ (144,752)</b>	<b>\$ 2,149,465</b>	

Reserve & Reserve Fund	Reserve Fund Balance as of June 30, 2020	Increase (Decrease) to Reserve Fund	Revised Balance Following Forecast Changes	Comment
Election Reserve	\$ 382,318	\$ (8,100)	\$ 374,218	Reduce contribution due to costs associated with By-Election.
Equipment Reserve Fund	\$ 4,350,843	\$ 98,500	\$ 4,449,343	Forecast increase to reflect fuel and overtime savings in the Fleet operations cost centre.
Facility Maintenance Reserve Fund	\$ 3,826,189	\$ 35,000	\$ 3,861,189	Forecast change for deferral of paver replacement at City Hall.
Economic Development Reserve	\$ 9,712,002	\$ (26,700)	\$ 9,685,302	Reduce contribution due to loss in revenue from the Ice Park as a result of COVID-19.
Jacob Hespeler Field Capital Reserve	\$ 263,721	\$ (6,200)	\$ 257,521	Reduced to only 10% as sportfield rental revenues have been reduced to only 10%.
Capital Works Reserve Fund	\$ 6,519,925	\$ 58,500	\$ 6,578,425	As per report 20-128 (CRE) transfer of tax supported funding of \$58,500 to the CWRF for project A/01037-40 Grand Trunk/Blair Trail.
Hydro Dividend Stabiliztn Reserve Fund	\$ 1,608,332	\$ (805,111)	\$ 803,221	Reduction of actual hydro dividend received from Energy+.