

2020 Mid-Year Financial Report

Date	September 16, 2020
To	Finance and Administration Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	FA20-13

RECOMMENDATION

The Finance and Administration Committee recommends that City Council receive and file this report.

ISSUE

The City of Regina is committed to providing transparent reporting on its operating and capital results. The Mid-Year Financial Report (Appendix A) provides a high-level summary on how the City is performing financially in relation to its 2020 Operating and Capital budgets.

As at June 30, the General Fund Operating is forecast to have a deficit of \$5.1 million (1.1 per cent from budget). The forecasted deficit is primarily due to the negative financial impacts of the COVID-19 pandemic which have been partially offset by actions taken by Administration to reduce the financial impact of COVID-19 on City finances. On April 15, 2020, City Council approved (CM20-8) up to \$7.2 million in 2020 current contributions to capital to be redirected as necessary to offset the financial impacts of COVID-19. Based on this mid-year forecast, it is estimated \$5.1 million of the \$7.2 million will need to be redirected at year end to bring the General Fund Operating financial position into a balanced position (net \$0).

The Utility Fund Operating is forecast to have a surplus of almost \$6.0 million (4.2 per cent from budget). The mid-year forecast, also, indicates the General Capital Program will be on par with planned budgeted work, whereas the Utility Capital Program has had construction delays and deferred work due to the pandemic.

A majority of the forecasted variance from budget is due to the pandemic or actions taken to reduce the impact of the pandemic on City finances. Appendix B provides the forecast in a different format, highlighting at a summary level, the estimated impact of COVID-19 on City finances, and estimated savings forecasted related to Administration actions directly related to reduce the impact of COVID-19 and the net impact of other forecasted variances not related to COVID-19.

IMPACTS

While the 2020 results for the General Fund Operating are currently projected to be in a deficit position, on April 15, 2020, Administration provided City Council with a report (CM20-8) identifying the projected 2020 financial impacts of the pandemic on the City under a number of different scenarios. City Council approved adjustments to service delivery, implementing expense reduction measures such as vacancy management, as well as deferral of \$7.2 million of capital programs and projects with the funding to be redirected to offset operating deficits created by the pandemic. These measures are forecast to be sufficient to address the negative financial impact of COVID-19 on the City's General Fund Operating in 2020.

Administration closely monitors the progress of achieving the annual business plan and as the corporation works toward delivering services to the community, a variance between the budgeted cost and the projected yearend cost is created. The variance, over or under the established budget, is the result of controllable and uncontrollable factors such as the pandemic.

The forecast is unaudited and is a point in time projection of the expected results for the City of Regina. The projected forecast at mid-year tends to vary from the final year-end results. There are several variables that can impact the yearend results that are not known at the end of June. The on-going financial impact of COVID-19 pandemic, related public health orders, and potential support from Federal and Provincial governments, in addition to how weather conditions may impact capital project work, are examples of unknown variables at this time. It is important to have some flexibility in the budget at mid-year to manage these risks, where possible.

OTHER OPTIONS

None with respect to this report.

COMMUNICATIONS

This information is shared on Regina.ca and a public service announcement.

DISCUSSION

The 2020 Mid-Year Report provides details on the projected operating and capital revenues and expenditures for both the General Fund and the Utility Fund Operating and Capital programs as of June 30, 2020. Financial projections reflect a point in time estimate and the 2020 Mid-Year report shows that the City is effectively managing its operations within the current challenging economic climate. The City uses a conservative approach in forecasting revenues and expenditures.

Key highlights from the Report include:

- Current General Fund Operating deficit is projected to be \$5.1 million (1.1 per cent from budget) requiring a forecasted \$5.1 million in current contributions to capital funding to be redirected to bring the General Fund Operating financial results into a balanced position at year end;
- Current Utility Fund Operating surplus is projected to be almost \$6.0 million (4.2 per cent from budget);
- Projected General Fund Capital spend is \$131.7 million (51.8 per cent of available funding); and
- Projected Utility Fund Capital spend is \$38.9 million (25.8 per cent of available funding).

The COVID-19 pandemic has had a negative financial impact resulting in reduced revenues and cashflows due to the suspension or moderation of service delivery, provision of additional services to fill gaps in services provided to the most vulnerable, and the provision of financial relief to residents and businesses. The deficit is a result of a combination of factors including decreased Transit and Recreational fees and investment income, off set with savings from planned vacancy management and reduced operational expenses.

Council's previously approved actions and Administration's planned response are forecast to be sufficient to address the forecasted negative financial impact. Unknown at this time is the extent of any financial impacts COVID-19 may have on the receipt of 2020 property taxes which are due on September 30, 2020. Administration continues to monitor the financial impact of COVID-19 on City finances and update Council on a regular basis.

After the completion of the Mid-Year Forecast, provincial funding was approved under the Municipal Economic Enhancement Recovery Program (MEEP) and the City approved the establishment of the Regina Economic Recovery Grant funded from the General Fund Reserve. In addition, negotiations are ongoing between the provincial and federal governments on the federal Safe Restart Program to support municipal operating costs and transit operations. These items are not included in the Mid-Year Financial Report.

The mid-year forecast is an unaudited point in time projection of the yearend results. There are a number of variables, such as further actions required due to the pandemic or unfavorable weather conditions, that are unknown at the time of the establishment of the

mid-year forecast that could influence the year end results. Administration has used the best information available to predict the outcomes to the end of the year. Administration will continue to monitor and manage the financial needs in the current year and look for opportunities to meet the challenges over the long term.

Other Factors

There are other factors that will have an impact on the City of Regina's consolidated year end results. Two of these are described below.

Stadium Reserve

The pandemic has resulted in emergency measures that have included the cancellation of large public events that would typically have been held at Mosaic Stadium. While it is not possible to reliably estimate the length and severity of the pandemic and the impact on the future financial result of the stadium, it is reasonable to assume that, at a minimum, there will be a negative affect to the operating results of Mosaic Stadium in 2020 and possibly beyond. Some of the impacts include, but are not limited to, a substantial reduction to the facility fee revenue collected on tickets sold to Saskatchewan Roughrider Football Club (SRFC) games due to the cancellation of the Canadian Football League (CFL) 2020 season. The number of people allowed to attend large events in 2021 remains uncertain. Even if large crowds are allowed, the public's level of comfort in attending events with large crowds, at least in the short term, is also an unknown.

The estimated financial impact of COVID-19 in 2020 alone is estimated to be in the range of \$4-5 million. It is anticipated this will affect the City's ability to achieve a net zero to positive balance in the Regina Revitalization Initiative (RRI) Stadium Reserve under the current 30-year funding model. Pursuant to the 30 year funding model, the reserve is intended to be in a net \$0 to positive balance at the end of 30 years. Administration is actively working with the stadium operator, REAL and the SRFC to identify opportunities to ensure the long-term financial sustainability of Mosaic Stadium.

REAL

As described in the June 10, 2020 City Manager COVID-19 Update (EX20-20) the pandemic is greatly impacting the cash flow of REAL. As a business that depends solely on sports, recreation, entertainment and large public gatherings, the immediate impact of COVID-19 on the financial performance of REAL is material and presents risks to the City of Regina as the owner of REAL.

REAL is actively managing their cash flow situation. Significant actions have been taken to date, including deferring utility and other payments, as well as temporary layoff of non-permanent and permanent staff. In April, City Council approved an amendment to REAL's credit facilities within their existing \$13 million loan guarantee (CM20-8). The approval increased the operating line of credit to stabilize REAL's cashflow to the end of the year and allow it to meet its payment obligations.

As noted in the April City Council report (CM20-8), the approved changes to the loan guarantee were expected to provide REAL time to assess the risks and opportunities in the short, medium and long term and develop a recovery plan to mitigate the risks. At the time of the report, there were a number of unknowns including the potential rescheduling or cancellation of the Farm Show, Queen City Exhibition and the CFL season. These cancellations have become a reality and have pushed REAL's cash flow situation to a critical point.

Administration is working with REAL to evaluate options to bring to City Council prior to the end of the year. To provide sufficient time to assess the options to support a longer-term solution, the City will be advancing the 2021 Operating & Maintenance payment to REAL prior to year end. The advancement of the funds will enable REAL to meet its payment obligations into the first quarter of 2021.

DECISION HISTORY

On December 13, 2019, City Council approved the 2020 General and Utility Operating Budget and the 2020-2024 Capital Program (CM19-15).

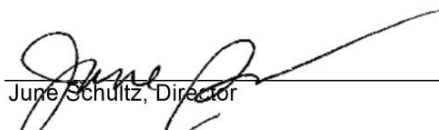
On April 15, 2020, City Council approved (CM20-8) the actions that Administration is taking to offset the financial impact of COVID-19 which includes adjustments to service delivery, implementing expense reduction measures such as vacancy management as well as deferral of \$7.2 million of capital programs and projects with the funding to be redirected, as necessary, to offset operating deficits created by the COVID-19 pandemic.

On June 10 (EX20-20), City Manager presented Executive Committee a report on COVID-19 Update. The items in this report and Re-Open Saskatchewan plans impacting the City are reflected in the June 2020 forecast.

This report is to be forwarded to City Council for informational purposes.

Respectfully Submitted,

Respectfully Submitted,



June Schultz, Director

9/8/2020



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

9/11/2020

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ATTACHMENTS

Appendix A - 2020 Mid-Year Financial Report
Appendix B - Financial Impact Summary