



2020 & 2021 Budget Challenges & Service Impacts

Regular Council Meeting of
July 27, 2020

2020 and 2021 Financial Information

Report Purposes:

Provide information re: 2nd quarter 2020 variance results; year-end high-level operating budget projections and available reserves for funding potential 2020 operating losses; and potential year 2021 budget gap.

Obtain direction from Council re: year 2021 preliminary tax levy options.

Second Quarter 2020 Variance Results

- Expected gap due to COVID-19 has been substantially closed
- Revenue loss from facility closures has been offset by expense reductions from closures
- Negative variance to June 30th approximately \$3 million due to loss of gaming revenues (\$2 million) and excess snow removal costs (\$1.8 million) which have been offset by discretionary costs (\$.8 million) such as training and travel

2020 Year-end High-level Operating Budget Projections

- 2020 year-end negative variance forecast to be \$3 million
- Continued actions to be taken to mitigate the 2020 financial gap: keeping facilities closed until financially prudent to open them; layoffs and terminations of employment; unfilled vacant positions; minimizing discretionary expenses such as travel and non-safety-related training
- Negative operating variance at year-end may be funded by internal reserves with payback required (without interest) over five years
- City's uncommitted reserve balance expected to be approximately \$50 million at year-end

Estimated Tax Levy Increase for 2021 General Operating Fund

Change in Expenses over 2020

City Staff Salaries and Benefits Total (Decrease)	(5,038,103)
Prince George Public Library (1.75%)	66,239
RCMP Contract (2.24% - including retroactive agreement)	479,740
Utilities	
Hydro Payable (2%)	53,758
Natural Gas Payable (1%)	5,059
Water Payable (3%); Sewer Payable (5%)	16,481
District Energy Payable (2%)	29,269
External Debt	1,129,249
Fleet expenses	245,686
Transit Service cost	200,000
One-time expenses (decrease)	(60,000)
Other adjustments	145,442
Repayment of operating loss to reserves	500,000
Total Increased (Decreased) Expenses	\$ (2,227,180)

Change in Revenue over 2020

Tax Base Growth (Non-Market Change)	\$ 750,000
Fees and Charges (decrease)	(8,358,121)
Investment Revenue (decrease)	(1,000,000)
Internal recoveries from other funds (decrease)	(23,223)
Fire Operations Communication Centre for 911 Dispatch	15,450
Total Increased (Decreased) Revenue	\$ (8,615,894)
Increase required to total municipal tax levy	\$ 6,388,714
Increase as a %	5.63%

ADMINISTRATION'S RECOMMENDATION:

THAT Council DIRECTS Administration to prepare high-level 2021 budget guidelines based on three tax levy increase options: zero percent; one percent; and two percent.

THANK YOU

INDOOR RECREATIONAL FACILITIES – CLOSURE OPTIONS

On March 16, a Provincial Public Health Order limited gatherings to 50, resulting in all City recreational facilities closing.

Prior to the COVID-19 pandemic, the Community Services & Public Safety Department contained approximately 265 staff. Currently, there are approximately 130 staff.

Operationally, the City is ready to reopen facilities in the mid-August to September timeframe under COVID-related restrictions. Financially, it may not be prudent to do so. The 2020 City budget shortfall and 2021 City budget guideline assumes indoor facilities remain closed.

CONFERENCE & CIVIC CENTRE (PGCCC)

Operational Perspective:

- Ready to reopen on September 1, under COVID-related restrictions (maximum of 50 patrons, enhanced cleaning, etc.)

Financial Perspective:

- Cost of reopening for the remainder of 2020 adds an estimated \$330,000 to the 2020 City budget shortfall. The cost-recovery rate is projected as low as 22% (compared to 68% in 2019).
- Cost of remaining open throughout 2021 adds an estimated \$800,000 to the 2021 budget guideline.

AQUATIC CENTRE

Operational Perspective:

-Ready to reopen on September 8, under COVID-related restrictions (no weight-room, sauna, lazy river, water features, waves, and only 40 patrons per two-hour block; maximum of 1,320 swimmers per week).

Financial Perspective:

-Remaining closed for the rest of 2020 provides an estimated \$600,000 surplus. The 2020 City budget shortfall already includes these savings.

-Operational cost subsidy increases from historical average of \$7 per swim visit to \$56 per swim visit.

ARENAS

Operational Perspective:

- The Kin Arenas can be ready as early as August 17, under COVID-related restrictions (no gameplay, locker-rooms, bleachers, enhanced cleaning, 15-30 min between groups).
- Currently enough ice bookings for 3 sheets of ice for late August.

Financial Perspective:

- The estimated cost of reopening all arenas for the remainder of 2020 may add \$930,000 to the 2020 City budget shortfall.
- The estimated cost of keeping all arenas open for 2021 may add \$2.23M to the 2021 City budget guideline.
- Unsubsidized ice rental rate is approximately \$450 per hour.

REOPENING THE KIN ARENAS

Consolidating usage at the Kin Arenas & CN Centre (as a 4th sheet of ice) offers some efficiencies in terms of operational costs. This option provides limited recreational opportunities for some residents. A similar case may be made for reopening the Aquatic Centre.

Financial Perspective:

- Estimated cost to reopen the Kins & CN Centre at current Fees & Charges Bylaw rates will add approximately \$600,000 to the 2020 City budget shortfall.
- Estimated cost to remain open throughout 2021 may add approximately \$1.44M to the 2021 City budget guideline.
- Kin Arenas only – approximately 50% of the above numbers

INDOOR FACILITIES SUMMARY

From an operational perspective, the City is ready to open in mid-August to early-September.

From a financial perspective, reopening will increase the 2020 City budget shortfall and increase the 2021 City budget guideline.

A “return to normal” does not occur until Phase 4 of the Provincial Restart Plan, which is not expected before 2021.

THANK YOU