

### Section III – Items for the Information of the Board

**TO:** Chair and Members of the Executive Committee  
Meeting #5/20, Friday, September 11, 2020

**FROM:** Michael Tolensky, Chief Financial and Operating Officer

**RE:** **COVID-19 FINANCIAL UPDATE**

---

#### KEY ISSUE

To provide an update to Toronto and Region Conservation Authority's (TRCA) Board of Directors regarding the financial impacts of COVID-19.

#### RECOMMENDATION

**IT IS RECOMMENDED THAT this COVID-19 Financial Update report be received.**

#### BACKGROUND

Since the commencement of COVID-19's impact on TRCA operations in March 2020, staff have provided updates to the Board of Directors regarding the ongoing response to the pandemic in the form of reports, memos, and presentations. These updates provide an overview of the changing circumstances around the work environment, financial implications, and operational restrictions that TRCA continues to face. These updates outlined TRCA's response through prevention, control, and recovery to manage the uncertain and constantly changing circumstances as part of the pandemic response. Below is a list of previous reports that have contained information regarding COVID-19 impacts and response:

- April 24, 2020 Presentation: *Board of Directors COVID-19 Briefing* – N. Blake
- April 24, 2020 Board Report: *2020 Budget* – M. Tolensky
- April 24, 2020 Board Report: *2020 Budgetary Update COVID19 Impact* – M. Tolensky
- April 24, 2020 Board Report: *TRCA Administrative Office Building Project* – M. Tolensky
- May 1, 2020 Executive Report: *2020 Three Month Financial Report* – M. Tolensky
- May 22, 2020 Board Report: *TRCA Administrative Office Building Project* - M. Tolensky
- May 22, 2020 Board Report: *TRCA Enforcement and Compliance During COVID-19* - S. Dhalla
- June 26, 2020 Board Report: *COVID-19 Update* – M. Tolensky

Bill 195 received Royal Assent on July 21, 2020, ending the State of Emergency in Ontario, while continuing certain orders made under the Province's COVID-19 emergency legislation. All partner municipalities within TRCA's jurisdiction have now entered Stage 3 of the *Framework for Reopening our Province*.

#### RATIONALE

TRCA believes in transparency and accountability for its spending, revenue recognition and performance of service delivery objectives against approved budgets, for both the organization and for each project and program as an individual endeavor. This is further supported by TRCA's core values of integrity, collaboration, accountability, respect and excellence. TRCA recognizes that all projects and programs offered have cost implications and that all costs incurred are reasonable and practical in support of services. Transparency throughout the budget management process is achieved in part through the analysis and reporting on year to date revenues/expenses as compared to the current fiscal year budget.

## Item 9.3

### FINANCIAL DETAILS

As noted in the April 24, 2020 Board Report entitled *2020 Budgetary Update COVID-19 Impact*, TRCA's 2020 budgeted operating revenues were anticipated to drop more than \$20M due to prolonged COVID-19 restrictions. In this worst-case scenario, TRCA staff anticipated that the organization's non-core undertakings would be severely impacted, due to their inability to generate revenue from non-governmental sources.

In analyzing TRCA's operating revenue performance over the six-month period, thresholds consistent with those utilized to analyze TRCA's expenses to date in the *2020 Six Month Financial Report*, +/- 10% and \$500,000, were applied to the organization's service areas.

TRCA's Senior Leadership Team faced extremely difficult decisions during these unprecedented times, to mitigate the extent of impact on employees, TRCA operations and the organization. Due to prudent actions undertaken by the Senior Leadership Team, TRCA was able to manage the impact on the organization's operating budget as outlined in Table 1 below.

Table 1 – TRCA Operating Budget (Actual Six-Month Performance)

<b>TRCA Operating</b>	<b>2020</b>	<b>2019</b>	<b>Variance</b>
Revenue	\$23,404,594	\$28,572,127	(\$5,167,533)
Expenditures	\$18,155,954	\$22,165,523	(\$4,009,569)
Excess of Revenue over Expenditures	<b>\$5,248,640</b>	<b>\$6,406,604</b>	<b>(\$1,157,964)</b>

As expected at the outset of the pandemic, the decrease in operating revenue was primarily caused by the inability of non-core undertakings to generate revenue, as outlined in Table 2 below.

Table 2 – Authority Generated Revenue (Actual Six-Month Performance)

<b>Service Area</b>	<b>2020</b>	<b>2019</b>	<b>Variance (\$)</b>	<b>Explanation</b>
Watershed Studies and Strategies	\$31,916	\$15,000	\$16,916	
Water Risk Management	\$1,024,527	\$555,690	\$468,837	
Regional Biodiversity	\$2,980,649	\$2,665,455	\$315,194	
Greenspace Securement and Management	\$1,201,597	\$ 1,583,762	(\$382,164)	
Tourism and Recreation	\$1,250,056	\$4,674,226	(\$3,424,170)	A
Education and Outreach	\$665,545	\$ 1,901,702	(\$1,236,157)	B
Planning and Development Review	\$3,099,765	\$ 3,264,980	(\$165,216)	
Sustainable Communities	\$383,530	\$ 1,279,475	(\$895,945)	C
Corporate Services	\$63,775	\$ 527,075	(\$463,300)	
Total	\$10,701,359	\$16,467,364	(\$5,766,005)	

## Item 9.3

The following explanations for the three non-core service areas support 96% of the decrease in TRCA's authority generated revenue and 108% of the decrease in TRCA's operating revenue over the six-month period:

### **A - Tourism and Recreation**

Variances are attributed to the closure of TRCA's public use facilities starting in the first quarter, with a gradual reopening commencing in the second quarter. In addition to the reduction in direct user fees, TRCA has been hindered by its inability to realize expected revenues through third party agreements, such as weddings/corporate events, site rentals, filming, and tourist attractions. All of TRCA's sites have now re-opened to the public, albeit in a regulated capacity and the Senior Leadership Team is continuing to work with its third party vendors to implement in-person opportunities which maintain the health and safety of staff and visitors.

### **B - Education and Outreach**

Variances are attributed to the closure of TRCA's educational facilities starting in the first quarter. TRCA initiated alternative programming and delivery methods as a means of adapting business operations to the changing circumstances while continuing to stay relevant. This included inviting participants to take part in TRCA's #AtHomeWithNature and #VillageAtHome series on Facebook, along with several other home-based family activities, live interactive workshops, learning modules for students, and online exhibits.

### **C - Sustainable Communities**

Variances are attributable to the cancellation of in-person scheduled events, meetings, and community engagement activities. Examples of impacted programming include Partners in Project Green, Sustainable Neighbourhood Action Plan (SNAP) and the TRIECA conference. Many of TRCA's community and industry focused programs have been modified to allow for online learning opportunities going forward.

As outlined in the April 24, 2020 Board Report: *2020 Budgetary Update COVID-19 Impact* it was reported that TRCA may experience a loss of up to \$20 million in operating revenues in the worst-case scenario due to the COVID-19 restrictions. This worst-case scenario anticipated that public use facilities across the Tourism and Recreation and Education and Outreach service areas would be severely impacted due to ongoing restrictions. Based on the modified restrictions that are now in place, TRCA staff now anticipate a loss of only \$16 million, barring no significant changes to the current Provincial directives. This \$4 million reduction in projected decrease of operating revenue is a result of the continued efforts of staff across the organization to modify and scale programming to meet the restrictions as set by the Provincial directives. While customers have been quick to return to TRCA's campsites, golf facilities, and park facilities since their modified re-openings, TRCA's educational facilities and Black Creek Pioneer Village are still projecting limited revenues due to the absence of field trips and limited operating hours going forward. Staff are further developing programs for virtual audiences; however, it is uncertain whether the organization will be able to monetize these efforts if TRCA is unsuccessful in obtaining renewed/modified agreements or further support from other levels of government, the current program is financially unsustainable.

Overall, the decrease in the excess of revenue over expenditures of \$1,157,964 is attributable to unavoidable organizational operating costs, which could not be reduced to correspond with the decrease in revenue. Activities such as the care of livestock at Black Creek Pioneer Village, facilities management, landscaping services at conservation parks, and enforcement services, among many others, have helped to ensure the ongoing and future safety of visitors and property during this unprecedented time. Further efforts are being made to minimize the financial impacts to the organization through applications under the Federal governments

## Item 9.3

COVID19 relief programs. TRCA was successful in its initial application to the Canada Emergency Wage Subsidy (CEWS) program for claim periods 1 – 3 receiving more than \$475,000 to support programs with revenue losses in excess of 30%. Additional applications are currently being prepared for subsequent CEWS claim periods where revenue losses meet the program eligibility requirements, in addition to the Temporary Wage Subsidy program.

The increasing pressures on our facilities and greenspaces during this time have accentuated the need to expand the current staff resources allocated to TRCA Enforcement and Compliance. The current capacity is not sufficient to sustain an effective presence and deterrence within our parks and landholdings while fulfilling the s. 28 responsibilities of the Conservations Authorities Act. Additional information on the proposed enhancement to the Enforcement and Compliance Team can be found in the Board Report titled – *Enforcement and Compliance Program Review and Business Case*.

### **Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan**

This report supports the following strategies set forth in the TRCA 2013-2022 Strategic Plan:

#### **Strategy 9 – Measure performance**

#### **DETAILS OF WORK TO BE DONE**

Over the final six months of the year and looking out to a modified operating landscape which is expected to continue for the foreseeable future, TRCA's Senior Leadership Team is actively working to mitigate the continued financial impacts of COVID-19 and adapt the organization's programming and facilities, as the health and safety of our staff and stakeholders remains at the forefront of our operations. Additional work is being undertaken, primarily through Education and Outreach, with support of the Education Task Force, to strengthen the relationships that may result in fee for service agreements with professional organizations and School Boards. Staff will continue to monitor the financial health of the organization and report to the Board of Directors and TRCA's partner municipalities on the impacts of COVID-19.

**Report prepared by: Jenifer Moravek, extension 5659**

**Emails: [jenifer.moravek@trca.ca](mailto:jenifer.moravek@trca.ca)**

**For Information contact: Michael Tolensky, extension 5965**

**Emails: [michael.tolensky@trca.ca](mailto:michael.tolensky@trca.ca)**

**Date: August 18, 2020**