

Section III – Items for the Information of the Board

TO: Chair and Members of the Executive Committee
Friday, January 15, 2021 Meeting

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **2020 COVID-19 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
- September 11, 2020 Executive Report: *COVID-19 Financial 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 were in Stage 3 of the *Framework for Reopening our Province* until the end of the third quarter.

In November, the province introduced a new tiered system for COVID-19 restrictions. Throughout November and December provincial restrictions continued within TRCA's jurisdiction through to a province-wide lockdown implemented on December 26, 2020. Under lockdown, widescale measures and restrictions include a prohibition on indoor public events and social gatherings and maximum of 10 people permitted at outdoor events.

Item 9.2

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.

Due to the ongoing pressures from COVID-19, TRCA regularly analyzes the operating and capital year to date actuals against budget to identify major variances in the expenses and revenues. A further analysis on the direct impacts from COVID-19 on the budget is required to enable ongoing adaptations as directed by TRCA's Board of Directors. Given that the majority of impacts are concentrated in TRCA's revenue generation potential, the following sections of this report highlight the status of the Authority Generated revenues and a mitigation plan where major variances are noted.

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

This report supports the following strategy set forth in the TRCA 2013-2022 Strategic Plan:
Strategy 9 – Measure performance

FINANCIAL DETAILS

TRCA's capital projects and programs operate on a cost recoverable basis and have not been financially impacted by the COVID-19 pandemic. As noted in the September 11, 2020 Board Report entitled *2020 COVID-19 Financial Impact*, based on the modified restrictions that were in place, TRCA staff anticipated a loss of \$16 million to operating revenues. However, with the transition of Provincial directives moving into phase 3 during the third quarter, TRCA was able to maximize the revenue potential through a modified reopening of its public use facilities. This enabled further reductions in the projected annual revenue loss from the originally forecasted \$20 million. As of the third quarter, staff now project the potential of a \$13.5 million loss to budgeted Authority Generated revenues which equates to 47%. This can be directly attributed to the hard work of staff across the organization in adapting ongoing programming to meet the provincial directives.

In analyzing TRCA's operating performance over the nine-month period, TRCA has been able to manage the impact on the organization's operating budget as outlined in *Table 1* below.

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

TRCA Operating	2020 (\$)	2019 (\$)	Variance (\$)
Revenue	31,488,265	38,602,219	(7,113,955)
Expenditures	28,541,323	35,026,063	(6,484,740)
Excess of Revenue over Expenditures	2,946,942	3,576,156	(629,215)

Operating Variance Explanation

In analyzing TRCA's service area performance over the nine-month period, thresholds consistent with those utilized in the *2020 Nine Month Financial Report*, +/- 10% and \$500,000, were applied to authority generated revenue as shown in *Table 2* below.

Item 9.2

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

Service Area	2020 (\$)	2019 (\$)	Variance (\$)	Variance (%)	Reportable Variance
Watershed Studies and Strategies	-	-	-	-	
Water Risk Management	-	11,781	11,781	-	
Regional Biodiversity	900,993	595,302	(305,691)	-33.9%	
Greenspace Securement and Management	1,087,115	3,229,532	2,142,417	197.1%	A
Tourism and Recreation	4,099,750	8,585,353	4,485,602	109.4%	B
Planning and Development Review	5,452,434	5,041,050	(411,384)	-7.5%	
Education and Outreach	873,758	2,723,679	1,849,921	211.7%	C
Sustainable Communities	136,800	111,593	(25,208)	-18.4%	
Corporate Services	80,801	532,838	452,037	559.4%	
Total	12,631,652	20,831,128	8,199,475	64.9%	

The following explanations support the variation in TRCA generated revenue over the nine-month period:

A - Greenspace Securement & Management

Table 3 – Greenspace Securement & Management (Actual Nine-Month Performance)

	2020	2019	Variance (\$)	Variance (%)
TRCA Generated Revenue	1,087,115	3,229,532	(2,142,417)	-66.3%
Expenditures	1,547,927	2,120,979	(573,052)	-27.0%
Excess of Revenue over Expenditures	(460,812)	1,108,553	(1,569,365)	-141%

Authority generated revenue in the Greenspace Securement & Management service area has decreased due to ongoing negotiations surrounding commercial and residential rental income and easement agreements. To date, 26.7% of the revenue variance has been offset by expenditure reductions. Staff are working to recover outstanding residential rental income and are forecasting minimal losses (\$20,000). Commercial rent is anticipated to be recovered although portions have been deferred to 2021. Additional information can be found in the Board Report titled *WW TORONTO HOLDINGS L.P. (COB WET N WILD TORONTO)*.

B - Tourism and Recreation

Table 4 – Tourism & Recreation (Actual Nine-Month Performance)

	2020	2019	Variance (\$)	Variance (%)
TRCA Generated Revenue	4,099,750	8,585,353	(4,485,602)	-52.2%
Expenditures	6,055,131	8,829,156	(2,774,026)	-31.4%
Excess of Revenue over Expenditures	(1,955,380)	(243,804)	(1,711,577)	702.0%

Authority generated revenue in the Tourism & Recreation service area has decreased due to the previous closure of TRCA's public use facilities starting in the first quarter, with a gradual

Item 9.2

reopening commencing in the second quarter and remaining in place until the end of the third quarter. To date, 61.8% of the revenue variance has been offset by a subsequent reduction in expenditures for this service area.

The importance of providing conservation parks and attractions for the public has been apparent throughout the COVID-19 pandemic as demand for the parks, trails and programs TRCA delivers has been very high. As previously reported, TRCA's conservation parks remained open additional weekends until October 31 to meet high demand. Park facilities are now closed for the season, with the exception of Albion Hills which operates year-round.

Filming permits for several films and programs, as well as a Canadian Tire Christmas Drive-Through event, made for a very busy fall season which generated additional revenue. Staff continue to work with the film and event sectors as they too adjust and adapt to COVID-19 related regulations. Staff have been very supportive and worked extra hard to bring successful contracts into place.

C- Education and Outreach

Table 5 – Education & Outreach (Actual Nine-Month Performance)

	2020	2019	Variance (\$)	Variance (%)
TRCA Generated Revenue	873,758	2,723,679	(1,849,921)	-67.9%
Expenditures	3,159,338	4,964,846	(1,805,508)	-36.4%
Excess of Revenue over Expenditures	(2,285,580)	(2,241,167)	(44,413)	2.0%

Authority generated revenue in the Education & Outreach service area has decreased due to the previous 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.

While TRCA's three field centres remain closed, the Kortright Centre for Conservation and Black Creek Pioneer Village were open for modified business and still projected reduced revenues due to the restrictions related to COVID-19. Staff continue to develop programs for virtual audiences, in particular students and schools, while also adapting small group in-person community learning activities in local greenspaces as appropriate based on Provincial and local health regulations and guidelines. To date, 97.5% of the revenue losses have been offset by a subsequent reduction in expenditures.

Furthermore, to respond to COVID-19 restrictions, The Forgetful Elf, a new holiday-themed drive-through event was launched at Albion Hills Conservation Area in December, with other adaptations being explored for both new and existing programs that will allow for the flexible delivery of TRCA programming, and new revenue-generating opportunities, that is compatible with public health guidance.

Overall

The decrease in the excess of revenue over expenditures of \$629,215 is attributable to unavoidable organizational operating costs, which could not be reduced to correspond with the decrease in revenue. Further efforts are being made to minimize the financial impacts to the organization through applications under the Federal governments COVID-19 relief programs such as Canada Emergency Wage Subsidy, which will continue to be completed for the 2020 fiscal year in 2021, in accordance with the terms of the programs.

Item 9.2

DETAILS OF WORK TO BE DONE

Looking out to a modified operating landscape which is expected to continue into the first half of 2021, TRCA's Senior Leadership Team is adapting 2021 financial plans and activities to operate safely and sustainably in this new environment. 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

For Information contact: Michael Tolensky, extension 5965

Emails: michael.tolensky@trca.ca

Date: November 13, 2020