



Finance and Administration Committee



Type of Decision											
Meeting Date		June 2, 2020			Report Date		May 29, 2020				
Decision Requested			Yes	x	No	Priority			High		Low
		Direction Only				Type of Meeting		x	Open		Closed


Report Title
Financial Implications Associated with the Corporation's COVID-19 Response

Resolution	Relationship to the Strategic Plan/Health Impact Assessment
<p>Resolution #1</p> <p>THAT the City of Greater Sudbury approves funding of \$1,735,000 from the Capital Holding Account Reserve for the increased scope and increased expenditures for the MR 80 – Maley to McCrea Heights project as per Appendix F of this report.</p> <p>Resolution #2</p> <p>THAT the City of Greater Sudbury approves funding from the Capital Holding Account Reserve, if required, to partially fund the year end deficit due to COVID in the amount of up to \$5,513,000 resulting from funds available from completed, cancelled or projects that can be reduced.</p>	<p>This report refers to operational matters relating to the COVID-19 virus.</p>
Resolution Continued	Background Attached

Report Summary	Financial Implications
<p>This report provides information regarding the financial implications associated with the Corporation's response to COVID-19 developments to the end of June.</p>	<p>The potential net impact of lost revenues and costs related to operations during the COVID-19 crisis is \$5.1 million to the end of June 2020 and depending on response requirements, could rise to approximately \$14 million by year end. Staff have presented capital projects that are complete, those that could be canceled and budgets that can be reduced to fund projects that require additional funds. If approved, \$5.5 million can be drawn from the Capital Holding Account Reserve to partially fund the potential COVID deficit.</p> <p>Also included in this report is a project with increased scope. In accordance with the Capital Budget Policy, this project requires committee approval. If approved, \$1.735 million will be drawn from the Capital Holding Account.</p> <p>These amounts are estimates only and depend on the requirements the corporation must address over the next few months as a result of the virus response. Regular updates to the committee will be provided regarding the financial impact.</p>

Report Prepared By	Division Review
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Recommended by the Department	Financial Implications
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EXECUTIVE SUMMARY

This report provides current details about the financial implications associated with the corporation's response to COVID-19, and includes forecast information to the end of June. Although this report provides current financial implications, it is important to recognize that our operating environment remains subject to rapid changes due to updates in provincial guidance/directions, choices about service availability and the service levels that will be provided all in an effort to minimize the impact of the COVID-19 virus on our community. Information in this report will change based on the evolving situation, including local circumstances, and announcements made by provincial and federal levels of government.

On May 15th, Council was presented the estimated financial impact of COVID-19. This report highlighted net financial impact of \$6.8 million to the end of June. Since then, the City has been able to make a number of operational changes to reduce that to \$5.1 million. These operational changes include items such as:

- Opening landfills which helps mitigate lost tipping fee revenue.
- Increasing the salary gapping target from \$1 million (as presented in the 2020 Budget) to \$2.5 million. These savings will be realized by the end of 2020.
- Not offering employment to summer students for 2020. These savings will be realized by the end of 2020.

Staff reviewed capital projects that are complete, can be canceled and projects in which the budget can be reduced. If approved, the total funding available to fund the potential 2020 deficit is approximately \$5.5 million.

Staff have implemented a number of mitigation measures, and are reviewing others such as:

- Tracking and forecasting of COVID-19 related operating savings, such as energy and fuel consumption changes.
- Re-evaluating service levels and recommending modifications based on non-essential service areas, in line with provincial emergency response announcements and local circumstances.
- Ongoing analysis of staffing vacancies in non-essential service areas, to identify additional opportunities to temporarily reduce the CGS workforce. This monitoring will continue throughout 2020.
- Continued engagement with senior levels of government through Municipal associations (FCM, AMO) to identify funding opportunities.

BACKGROUND

Staff continue to analyze the impact of COVID-19, both operationally and financially. Provided are projections to the end of June, as well as projections to the end of the year assuming the situation remains in its current form. The year-end projection is largely for illustrative purposes, as the province has begun a process of "reopening" aspects of the province's economy by suspending some of the controls over individual and business activities it established over the last number of weeks. Nonetheless, the projection provides important context. With the potential for a "second wave" of infections and the gradual removal of some of the controls introduced over the last eight weeks, new and higher costs will continue to be incurred beyond the end of June. Similarly, revenues will not immediately return to planned levels.

As described in the CAO's April 7th and May 5th reports to Council, municipal operations have changed considerably where some services have been suspended or modified, and some have been enhanced beyond what was contemplated when the 2020 Budget was established. At the same time, some services remain ongoing in substantially the same form and at the same level they were anticipated to be delivered, subject to resource constraints associated with staff absences or resource limitations. In all services, work environments have been modified and schedules have been adjusted to account for the physical requirements associated with the corporation's COVID-19 response.

Staff developed financial impact estimates after considering all measures taken by the corporation to respond to the virus. Since the declaration of a provincial emergency, staff have been tracking COVID-19 related costs and staff time required to respond using special account codes set up for this purpose. Regular reports will be provided to the Finance and Administration Committee throughout this crisis.

ANALYSIS

General Economic Conditions

Global Impact

Due to COVID-19, the world is experiencing one of the largest contractions in global economic activities in modern times. At the beginning of this year, there was an expectation for global GDP to expand by 2.6 per cent in 2020. However, the adverse developments over the past few months will likely reduce that to no growth at all this year. In addition, if the virus is not contained, there is potential for a global economic contraction. *(Source: Conference Board of Canada, U.S. and Global Economies slammed by COVID, April 9, 2020)*

Before the COVID-19 outbreak, the global economy was struggling to regain a broad-based recovery as a result of the lingering impact of growing trade protectionism, trade disputes among major trading partners, falling commodity and energy prices, and economic uncertainties in Europe over the impact of the UK withdrawal from the European Union. Individually, each of these issues presented a solvable challenge for the global economy. Collectively, however, the issues weakened the global economy and reduced the available policy flexibility of many national leaders, especially among the leading developed economies. *(Source: Congressional Research Service, Global Economic Effects of COVID-19, May 1, 2020)*

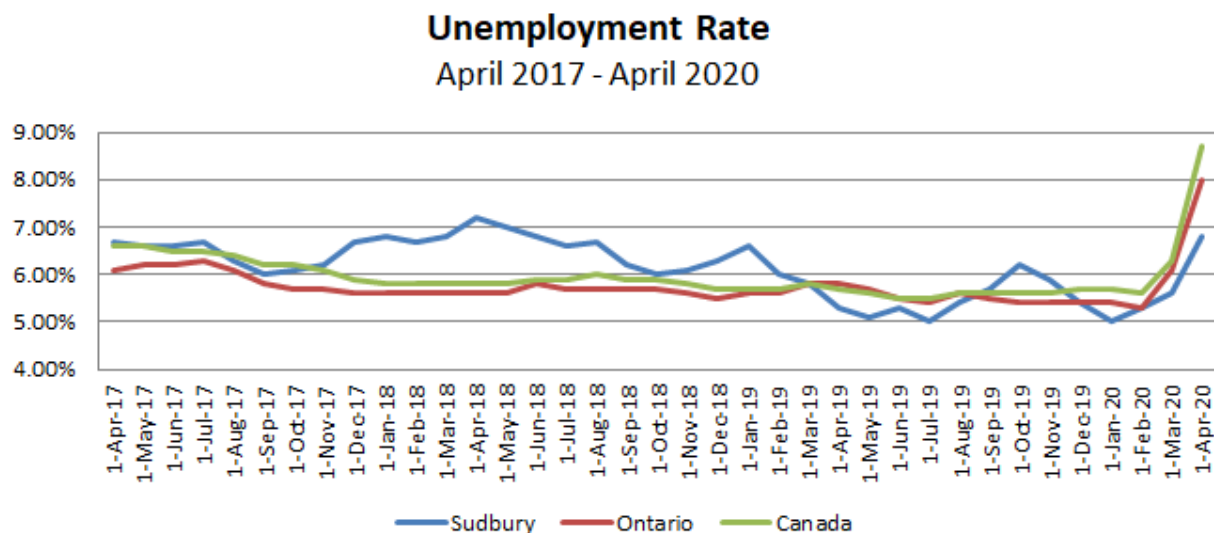
National Impact

Conference Board of Canada forecasts that real GDP will contract 5 per cent in the first quarter of this year. In the second quarter, the decline will hit 25 per cent. To put this in perspective, until now, the largest hit to GDP in the past 60 years was the 8.7 per cent contraction in the first quarter of 2009. The main factors behind this unprecedented economic situation are the measures implemented to slow the rapid spread of COVID-19. Physical distancing requirements as well as the closure of non-essential businesses have brought a large portion of the economy to a standstill.

Inevitably, there is an impact of the job market. The analysis suggests, at its peak, 2.8 million Canadians will lose their jobs. The labour recovery is expected to be quick once restrictions begin to ease with people being added back onto payrolls before the second half of the year. Despite this strong rebound, the unemployment rate will still shoot up to average 14.4 per cent in the second quarter. Even assuming that physical distancing measures are slowly relaxed over the spring and summer, the effects of the pandemic on the economy will likely endure until a vaccine is available. Given this assumption, real GDP

is forecast to contract by 4.3 per cent in 2020, followed by a solid 6.0 per cent rebound in 2021. (Source: Conference Board of Canada, Canadian Overview, April 15, 2020)

Data reported by Statistics Canada shows a significant increase in unemployment across the country, although both Ontario's and Greater Sudbury's unemployment rates are not growing as much as the national rate:



Provincial Impact

Ontario's economy will shrink by 3.2 per cent this year due to the negative impact of the coronavirus pandemic. However, it is still expected that the province's economy will grow at a faster pace than the economies of most provinces. Much of the population in Ottawa and Toronto who work in the professional and business services sectors will be able to work remotely. Additionally, the many densely populated areas in the province make for easier delivery of goods, meaning consumer spending will remain stronger than in other regions.

As measures in place to slow the spread of COVID-19 are eased, Ontario's economy will resume growth in the second half of the year and into 2021 with GDP growth hitting 6.0 per cent next year.

The sharp decline in economic activity in the second quarter will create job losses although Ontario's labour market will fare better than those in other parts of the country (when adjusted for population). Overall, the province will lose 572,000 jobs in the second quarter and see its unemployment rate rise to 13.5 per cent. On an annual basis, Ontario will lose just over 100,000 jobs, though the decline is frontloaded to the first half of the year. The province will add over 240,000 jobs in 2021 as the economy continues to recover. (Source: Conference Board of Canada, Provincial Outlook - Ontario, April 15, 2020)

Local Impact

At the local level, Economic Development staff have been conducting outreach to businesses throughout Greater Sudbury to assess the impact the pandemic is having on their business and pass along helpful information on the various federal and provincial government programs that have been announced. As of May 7th, staff have been in contact with 263 businesses. This outreach has revealed that the hardest hit sectors appear to be in the service industries (tourism, hospitality, retail, etc.) while the mining sector and the mining supply and services sector – which are still facing challenges - appear to be faring better.

- Of those businesses contacted, 34.9% are operating as normal; 47.7% are operating with reduced hours/capacity; and, 17.4% have closed temporarily
- 40% have been forced to lay off some of their staff, while 49.1% have not
- Many have adapted to the pandemic with remote working, online sales, curbside pickup

One of the biggest challenges being faced by local businesses is their ability to cover monthly operating costs such as rent and payroll in light of greatly reduced revenue levels. While many are encouraged by the various assistance programs and the gradual loosening of restrictions, many have expressed concerns over lack of clear direction from government as to how to access these programs or reopen their businesses in a safe manner.

The Conference Board of Canada has released Metropolitan Housing Starts. According to their findings, nearly 60 per cent of Canadian metropolitan areas have negative short-term and long-term expectations. There are only six municipalities out of twenty eight with positive trend expectations for both the short and long terms, and Greater Sudbury is one of them, showing positive prospects for both short- and long-term growth. For example, year-over-year analysis shows a 23% increase in Housing Starts in Greater Sudbury in April 2020.

Revenue Changes

As previously reported, the COVID-19 virus has significantly and negatively affected municipal revenues. The current forecast to the end of June estimates lost revenue of \$5.4 million. **Appendix A** provides a summary. The following identifies specific changes:

Leisure Services

From March 17 to the end of June, the forecast revenue loss is estimated to be \$2.0 million. This reflects lost revenue relating to the closure of facilities such as pools, arenas, ski hills, and community halls as well as the potential cancellation of summer programming. With the winter season now closed, lost arena rental revenue are one-time revenue losses that will not recur unless the current crisis extends into the fall. Facilities such as community halls, pools, and fitness centres will continue to reflect on-going lost revenue until the crisis is over. These revenues will be partially offset by operational savings that continue to accrue and will be described further in the next report to Committee.

Transit Services

Collection for bus fares was discontinued on March 20, 2020 with the introduction of rear door passenger entrance in order to provide proper protection to our Transit drivers. Reduced ridership coupled with no fare box revenue results in a monthly impact of \$650,000. The estimated impact to the end of June is an estimated revenue loss of \$2.2 million compared to planned levels. Community

Development staff are reducing the impact of these lost revenues by providing a modified service. As per Public Health and Ministry of Labour directives, physical distancing must be respected within our workplaces. Transit Services will require physical barriers which is currently underway. Plexiglass barriers are being designed and installed for added safety. Once the barriers are installed, the corporation will be able to safely collect transit fares. The corporation anticipates fare collection resuming June 15th.

Pioneer Manor

Pioneer Manor has received additional COVID prevention and containment funding from the Ministry of Long-Term Care. The total allocation for May was \$184,400. The estimate for June was reduced to \$93,200 as Pioneer Manor is no longer in a declared outbreak. Altogether, additional funding provided to Pioneer Manor since March totals \$353,000. As described later in this report, this helps offset total net cost increases of \$226,000 over the same period.

The anticipated lost revenues from March 17, 2020 to June 30, 2020 are expected to amount to \$16,000. Of this, \$15,000 is related to lost revenues from empty private beds. Pioneer Manor is currently holding 8 private rooms empty in the event that a resident must be isolated due to COVID-19. There is an additional \$1,000 of lost hairdresser rent that cannot be collected due to the social distancing practices in place and the inability for the resident hairdresser to provide these services.

Environmental Services

Tipping fee revenue loss to the end of June are projected to total \$175,000. Both April and May included restrictions to the landfills. The Sudbury, Azilda and Hanmer landfills opened effective May 15, 2020. Physical distancing continues to be enforced and access limitations are in place. Approximately 88% of the revenue lost is attributed to a reduction in commercial activity and the balance based on landfill site restrictions.

Building Services

Building permit activity and revenue has also been impacted by COVID-19 despite the continued availability of Building Services. The province introduced construction restrictions to protect workers from hazards in the workplace as set out in the Occupational Health and Safety Act. These restrictions are beginning to loosen as the situation improves. As of April 30th, building permits revenue remain on budget. Building activity appears to remain strong despite other economic indicators.

Water / Wastewater Services

Staff has been gathering recent actual read information during the COVID-19 crisis and comparing it to consumption from the same period last year. As previously reported water production is down 6-7% over previous years' numbers. Plants are down 9% while wells are up 2%. There is evidence that the consumption in the commercial and industrial sector has decreased by between 5 and 10% from last year. This could translate into a potential revenue shortage of approximately \$65,000 to \$135,000 per month.

The residential water consumption is comparable to the same period last year. There are some instances where the daily average consumption has increased marginally for residential customers, which may be attributable to more people working at home, more hand washing and toilet flushing etc. At this time staff is not in a position to predict significant potential additional residential consumption that would be

sustainable for the remainder of the year. Staff will continue to monitor the consumption data as it becomes available.

Because water and wastewater services are 100% user-pay, and it is a high fixed cost business, lower actual revenues will negatively impact the service's ability to deliver its workplan. Staff are taking, and will continue to take, every reasonable step to manage costs and reduce the potential for a year-end deficit. This could include deferring some capital projects to a future period and achieving savings from staff vacancies not filled to date.

If the commercial revenue shortfall continues through to the end of the year it is possible that the corporation could experience a \$585,000 to \$1.2M shortfall and if it is not fully offset by savings from operations or capital deferral, the remaining deficit will be funded by a draw from the capital reserve funds. If the amount of the draw is substantial, staff will recommend a financing plan in a future budget to restore the reserve.

Planning and Development

Planning and Development user fees are forecasting a 15% loss in revenues associated with development approvals and committee of adjustment fees. This amounts to \$25,000 from April to June.

Community Safety

The Lionel E. Lalonde Centre is experiencing rental revenue losses \$38,000 (to the end of June) due to the closure of facility to the public.

Economic Development

Economic Development are forecasting lost revenues associated with the Sudbury Tourism Marketing Partnership. This will result in a loss of revenue of approximately \$24,000 to the end of June. The Tourism & Culture section believes that supporting the sector by waiving the marketing partnership fees will be a help to the organizations involved. Marketing activities will still take place, but significantly reduced over an important peak period, leading into summer.

Legal and Clerks Services

The Provincial Offences Court adjourned all court attendance matters until July 6th and it is reasonable to anticipate that the judiciary may choose to extend this date further. Revenues are a function of charges issued by numerous law enforcement entities for alleged breaches of provincial statutes and municipal bylaws and a substantial decrease in charges issued should be expected as a result of the COVID-19 pandemic. Revenue associated with the Provincial Offences Act correlates to the number of fines issued. As this can be quite volatile, the estimated impact is between \$150,000 and \$200,000 per month. The revenue loss is an estimated \$650,000 to the end of June.

Security, By-law and Parking

Parking revenues are also negatively affected by COVID-19. At the end of March, revenue was under budget by approximately \$115,000. The estimated impact is still being analyzed. These revenues may not have an impact on the tax levy as any variances are funded by the Parking Reserve, subject to the funds available in the reserve.

Slot Revenues

The Province's decision to close down casinos and racetrack slots has impacted the municipality's revenues by approximately \$180,000 per month, which totals \$610,000 to June 30th. The corporation's annual budget for slot revenue is \$2.175 million.

Municipal Accommodation Tax

The crisis has had a severe impact on the hospitality industry. Occupancy rates have dropped to an estimated 10%, well below the average rate of 48% for 2019 on all available properties. The lost net revenue to the corporation is approximately \$70,000 per month with an equivalent loss for investment in tourism initiatives. The estimated impact to the end of June totals \$250,000. The Municipal Accommodation Tax has been waived, when allowed, to encourage community initiatives to increase hospitality occupancy rates.

Interest Loss on Overdue Tax Accounts

With the corporation's decision to suspend penalties and interest on all overdue tax accounts for an additional month, the lost revenue for June is approximately \$315,000 with an accumulated total of \$945,000 to June 30th.

Investment Income

As a result of providing an extended timeline for the interim second due date and taxpayers opting out of the Pre-Authorized Payment Plan, cash flow has been reduced. The decrease in cash flow has resulted in lost investment income of approximately \$40,000 for April, May and June resulting from further extension of the tax due dates. In addition, due dates for final tax billing will be delayed. The total foregone investment income to June 30th is projected to be approximately \$205,000.

Expenditure Changes

Staff created a new cost centre to track costs related to COVID-19 in the areas of salaries, materials and contract services. Current estimates are provided in **Appendix B**, broken down into costs that were included in the 2020 Budget but have been redirected to the corporation's COVID-19 response, and new, unplanned costs ("incremental costs") incurred as a direct result of the COVID-19 response. The incremental costs are most challenging, as they represent cash outlays that were not anticipated when the 2020 Budget was approved. To the end of June 2020, it is anticipated that there would be approximately \$4.2 million of expenditures related to the COVID-19 response, of which (\$270,000) are incremental.

General Salaries and Benefits

Approximately \$1.2 million of expenditures relate to employee lost time due to self-isolation requirements, screening, testing, sick time coverage and employees remaining at home due to childcare issues. The incremental portion of these costs, or \$510,000, relates to backfilling requirements in Community Safety. Frontline workers in these areas are required to be backfilled in order to deliver required service levels.

Pandemic Pay

The Ontario government announced it is providing frontline staff with a temporary pandemic payment. This increase will provide four dollars per hour worked on top of existing hourly wages, regardless of the qualified employee's hourly wage. In addition, employees working over 100 hours per month would receive lump sum payments of \$250 per month for each of the next four months.

The corporation held off implementing pandemic pay across the organization as further information was promised from the provincial government. The province indicated it would start contacting all eligible employers by May 15, 2020. To date, some letters from individual ministries have begun to arrive, generally indicating that funds to support the pandemic pay premium will begin to flow to municipalities through existing funding agreements during the first week of June.

The first such letter was from the Ministry of Health and Long Term Care. Eligible employees at Pioneer Manor will be receiving the retroactive payment back to April 24th on the June 5th pay. Further clarification is required before proceeding with payment for any eligible employees in Paramedic Services and Social Services (Homelessness, Supportive housing). The corporation's approach is consistent with other municipalities in the regional single tier group. Initial estimates of this is approximately \$340,000 per month, which is not included in the June forecast provided here. While the province is providing the funds for the payment itself, municipalities will not be reimbursed for the administration work associated with determining the payment calculations or coordinating payments in situations where multiple employers are involved.

Casual and Seasonal Part-Time Layoffs

There will be a decrease in expenses for the corporation relating to the layoff of casual and seasonal part-time employees. The savings would be approximately \$120,000 bi-weekly, or \$260,000 per month. The estimate of these savings to the end of June total \$640,000.

Energy Savings

The Province recently implemented Off-Peak prices for all hours on existing Time-of-use (TOU) accounts and suspended On-Peak and Mid-Peak pricing from March 25 to May 8. As a consequence, there will be cost savings of approximately \$23,000 to the end of June.

Operating Expenses & Purchased / Contract Services

The operating expenses include critical safety supplies (such as masks, face shields, and other PPE), changes to operations and health and safety measures. The amounts related to purchased services include additional security costs, disinfection of touch points and cleaning of buses. These expenses are expected to total \$550,000 by the end of June based on what is currently encumbered.

Salary Gapping

The 2020 Budget included a plan to avoid \$1M in salary and benefit costs by delaying the hiring process for positions that become vacant, where it is appropriate to do so. Known as "salary gapping", by the end of April, approximately \$950,000 of this planned target has been realized. To offset some of the net costs created by the corporation's COVID-19 response, planned salary gapping was revised to \$2.5 million. Vacant positions will be kept open longer, creating a resource gap that saves money but

increases the potential for service levels to be lower than expected. The projected impact of this to the end of June is approximately \$400,000.

Summer Students

Traditionally, the corporation hires approximately 280 summer students to assist in summer programs, support full time staff absences in the summer months and provide work experience to potential future CGS employees. The vast majority of these students perform work in Parks Services (performing Parks maintenance like grass cutting and trail maintenance), Recreation Programming (leading and staffing the corporation's extensive summer day camp program) and Water/Beachfront Operations (performing life guard duties and supervision at beaches and waterparks).

Student hiring has been suspended for summer 2020. The Federal government announced details of its support for post-secondary students on Friday, May 15th. The following programs have been announced for students:

- Canada Emergency Student Benefit (CESB) - provides financial support to post-secondary students, and recent post-secondary and high school graduates who are unable to find work due to COVID-19.
- Canada Student Service Grant - presents an opportunity for students and youth to mobilize and take part in national service activities that can provide valuable labour market and skills development experiences, while giving back to their local communities.

The projected savings from this initiative is \$1.7 million. The impact to the end of June is approximately \$800,000.

Executive & Legislative

The Executive & Legislative department includes the salaries and benefits costs of staff working directly on COVID-19 tasks. There are no incremental costs for this section.

Corporate Services

The Information Technology Division is anticipating approximately \$573,000 of expenditures as a result of salaries and benefits and the purchase of equipment to support employees that are working remotely. The purchase of equipment totals approximately \$137,000 which is the incremental portion to the corporation. In total, the Corporate Services Department will have additional expenditures of \$1.3 million to the end of June. The incremental portion is approximately \$190,000 which is primarily the purchase of additional laptops.

Economic Development

The Economic Development department includes the salaries and benefits costs of staff working directly on COVID-19 tasks. There are no incremental costs for this section.

Community Development

For Community Development, the major expenditures related to COVID-19 impact Pioneer Manor, Social Services, Leisure Services, Transit Services, and Housing Operations. Related salaries and benefits, materials, and purchased services for Pioneer Manor to the end of June is expected to be \$265,000, offset somewhat by additional funding. Expenditures for Social Services relates to Homelessness will

total of \$630,000 offset partially by additional provincial funds for this initiative. Leisure services are estimating \$420,000 of COVID-19 specific salaries and benefits relating to preparations at arenas, aiding the Samaritan Centre, park closures, sign installations as well as aiding Social Services. Housing Operations will have COVID-19 expenditures of \$185,000 by the end of June. Transit Services will experience a reduction primarily due to service reductions and fuel savings of approximately \$280,000. These reductions will partially offset the revenue losses.

As a result of the province legislating the temporary closure of licensed child care, Children Services has had to modify its operations and funding process as a result. The province agreed to allow for temporary flexibility with the existing funding model. At this time, no additional funding has been committed by the province. All child care operations continue to be provincially funded and staff are assessing any financial impact to the municipality.

Since the child care operators are not eligible for fee assistance funding during the closure period, these funds are being reallocated as supplemental operating grant funding and emergency child care funding. The supplemental operating grant funding is to assist the daycares in covering their fixed expenditures and any on-going staff costs. The emergency child care funding will be provided to the three sites that were approved by the Ministry to provide child care services for essential workers. These sites opened starting on April 17th with capacity for 98 children. The sites are approximately 60% utilized as at April 30th.

Growth and Infrastructure

Environmental Services is adapting service levels in order to combat COVID-19. These service level changes include additional expenses incurred towards safety supplies/controls, public awareness as well as additional personnel and contractor costs for waste collection. The projected financial impact is approximately \$360,000 to the end of June. The shift to residential collection (ie. garbage, leaf and yard, large items etc.) and reduction of commercial collection impacts Environmental Services strategic goals.

The operations for Treatment and Compliance and Distribution and Collection are operating at normal capacity and as such, are not projecting any surpluses or deficits for the year at this time. There have been minimal expenditures incurred because of COVID-19.

Community Safety

Additional expenditures for EMS and Fire Services total approximately \$1.7 million as a result of increased salary costs as well as materials. EMS is currently providing a higher level of service with the Point of Care team performing at home COVID testing to the highest risk residents as per the Assessment Centre.

Fire Services is experiencing overtime costs associated with staff retirements and long-term absences. Career recruitment has been placed on hold due to the physical distancing requirement and is impacting hiring and subsequent training.

The Community Paramedics doing Point of Care COVID testing qualify for funding from Ontario Health.

EMS is facing additional salary costs due to increased logistics to address cleaning and disinfecting of medical equipment and ambulances as well as implementation of designated Safety Officers to monitor and support Paramedics with infection control practices.

Fuel Savings

Fuel prices for diesel and unleaded have seen a reduction of 25% and 40% respectively. The estimated fuel savings to the end of June is \$380,000 excluding savings realized by Transit as it is included within Transit Services.

Additional Savings and Revenue Generation

The corporation will also experience a positive budget variance with respect to debt repayment of \$1 million for 2020. This is due to the unprecedented low interest rate payable on the corporation's bond issuance in the first quarter.

The corporation estimates additional interest earnings based on cash flow requirements and investment timing for the debt secured for large projects. The estimated additional earnings total \$1 million to the end of June.

Cash Flow Implications

Finance staff have been monitoring cash flow during this crisis and will continue to analyze the corporation's position to ensure there is sufficient liquidity to provide for the ongoing operations.

The second interim due date was April 2, 2020. The corporation's decision to waive penalty and interest until June 4, 2020 resulted in a shortfall on April 2, 2020 of approximately \$20 million. A decision has been made to extend the due date to July 2, 2020. In addition, a significant number of Preauthorized Payments (PAP) have been cancelled during this period. For these reasons, the municipality's investments have remained short-term while trying to maximize yield on investments. The Investment Officer is ensuring that sufficient liquidity is available by having some funds in the High Interest Savings Account (HISA), which he recently negotiated at a rate of 1.25%. While maintaining sufficient liquidity, he is also striving for maximizing yield by investing in short-term GIC's (30, 60, 90 and 180 days), of which the interest rate has been ranging from 1.65% to 2.05% over the last two months.

Final tax due dates will be delayed by three months from historical dates. The corporation has sufficient cash flow to provide for this period. If due dates are extended more than three months, further measures may have to be taken.

In addition, staff have been in contact with Greater Sudbury Utilities regarding payments on water/wastewater bills. Greater Sudbury Utilities will be providing regular updates and this will be incorporated in future status reports. Staff have been receiving updates from GSU regarding suspension of PAP's. To date, there have been 27 cancellations or preauthorized payments. Non-payment of water bills has not shown a major increase.

OTHER CONSIDERATIONS

There have been some requests from commercial properties for property tax abatement. The corporation requires property tax revenue to provide the services it delivers in accordance with the annual budget and corresponding contracts in place. These requests have been denied, however, arrangements on deferrals have been proposed and accepted by some property owners.

Year End Position & Mitigation

The incremental impact to the City of Greater Sudbury may be as high as \$14 million if this continues to December 2020. While the final impact will depend on senior government regulations, recommendations by Public Health officials, operating decisions and local community health conditions, staff will continue to attempt to mitigate the impact.

Mitigation measures taken so far include:

- Layoffs of casual and seasonal part-time employees.
- Redeploying available staff to critical and essential service areas.
- Reviewing the productivity of employees working from home to determine if there is an ability to redeploy or layoff staff that are not at full capacity.
- Increasing the salary gapping target from \$1 million to \$2.5 million to the end of 2020
- Eliminating the summer student program and associated services.

If the pandemic continues past June 2020, further mitigation efforts will need to be implemented. Staff are currently working on the following mitigation efforts:

- Continued engagement with senior levels of government through Municipal associations (FCM, AMO etc.)
- Tracking and forecasting COVID related savings (ie. fuel consumption, hiring delays, staffing impact due to cancellation or delaying of services)
- Re-evaluating service levels and recommending modifications
- Review of Capital Projects that can be delayed or cancelled. Deferring projects may result in further deferrals from 2021 to 2022.
- Review and analyze vacancies throughout the municipality for non-critical services
- Continue to review productivity with the potential to redeploy personnel or reduce the workforce by layoffs or leaves

The next report to the Committee will include further detail on the above items along with additional mitigation efforts. An updated year-end position will also be included for the Committee's information.

Capital Program

One of the alternatives to address the potential deficit is to alter the capital program. Staff have analyzed capital projects and present four categories for Committee's consideration and direction:

1. Completed Capital Projects – **Appendix C** includes a list of projects that are complete and the remaining budget can be transferred to the Capital Holding Account Reserve.
2. Canceled Capital Projects – **Appendix D** presents a list of projects that are recommended to be canceled and be transferred to the Capital Holding Account Reserve.
3. Reduced Capital Budgets – **Appendix E** includes a list of projects where the budget can be reduced. These funds would be returned to the holding account and be mainly utilized to fund increased scope/additional expenditures in #4 below. Any excess can be used to fund the COVID deficit.
4. Capital Projects with Increased Scope – In accordance with the Capital Budget Policy, this project requires Committee approval in order to increase scope or higher expenditures as well as the associated funding. The funding for this project would be the Capital Holding Account Reserve.

This project are listed along with explanation of increased scope/additional expenses can be found in **Appendix F**.

The total amount from #1, #2 and #3 above is approximately \$7.2 million. These funds would be returned to the Capital Holding Account Reserve. The total amount for #4 is approximately \$1.7 million and requires Council's authority as per the Capital Budget Policy. Upon resolution of Council, the net amount that is able to partially fund the potential 2020 COVID deficit is approximately \$5.5 million.

Financial Relief from Senior Levels of Government

Assistance from both the Federal and Provincial governments have created multiple programs to assist citizens and businesses in Ontario with lost revenue and wages and increased expenditures during the COVID-19 response. Several programs for citizens are designed to fulfill policy objectives relating to vulnerable citizens like seniors, those in Long Term Care, children taking classes and examinations at home for the first time, and the homeless. Additionally, The Ministry of Health has committed funding to paramedic services across the Province to mitigate the impact of COVID-19 related costs. Assistance for modest income employees, employees who do not normally qualify for income supports like employment insurance and employees of small businesses are the focus of programs for working people.

Similarly, the policy focus for businesses is on small and medium sized entities, those impacted directly by orders under the Emergency Measures and Civil Protection Act, business that traditionally rely on small business incentives and flexibilities for Hospitals and Long Term Care.

The programs available to municipalities are few and their impacts to date are relatively modest. They involve the delay of remittances without penalty (e.g. WSIB premiums, Employer Health Tax, GST) or payments (e.g. municipal payment of educational taxes collected). The benefit of these delays is associated with the interest that can be earned by holding these remittances and payments and earning interest on them.

Both AMO and FCM are advocating for direct financial support for municipalities from both senior levels of government. Finance staff continue to monitor Federal and Provincial announcements and to collect the direct and indirect costs and lost revenues of our COVID-19 response.

CONCLUSION

Current estimates indicate the total cost of the corporation's COVID-19 response to the end of June is approximately \$9.6 million. This includes the need to redirect resources worth approximately \$4.5million to support the response instead of delivering planned results described in the 2020 Budget.

As a result, the corporation is facing an incremental impact of \$5.1 million to the end of June. Staff will continue to monitor these costs and provide monthly updates to the Committee.

Staff have also presented capital projects that are complete, those that could be canceled and budgets that can be reduced to fund projects that require additional funds. If approved, \$5.5 million can be drawn from the Capital Holding Account Reserve to partially fund the potential 2020 COVID deficit.

Appendix A - COVID Revenue Changes

	March	April	May	June	Total
Additional Revenues					
Investment Earnings					
Additional Interest on \$200,000,000 Debenture	(151,000)	(294,000)	(294,000)	(294,000)	(1,033,000)
Pioneer Manor					
Emergency Funding	(37,500)	(37,500)	(184,400)	(93,200)	(352,600)
Social Services					
Homelessness Partnering Strategy (HPS)	-	(26,714)	(26,714)	(26,714)	(80,142)
Community Homelessness Prevention Initiative (CHPI)	-	(83,950)	(83,950)	(83,950)	(251,850)
	(188,500)	(442,164)	(589,064)	(497,864)	(1,717,592)
Lost Revenues					
Leisure Services	527,345	672,600	433,470	357,566	1,990,981
Transit Services	250,000	650,000	650,000	650,000	2,200,000
Pioneer Manor	375	2,346	6,982	6,769	16,472
Environmental Services	-	108,104	67,244	-	175,348
Building Services	-	-	-	-	-
Water / Wastewater Services	-	-	-	-	-
Planning and Development	-	8,209	10,007	6,628	24,844
Community Safety	476	20,215	12,201	5,368	38,261
Economic Development	6,083	6,083	6,083	6,083	24,333
Legal and Clerks Services	125,582	170,000	175,000	175,000	645,582
Security, By-law and Parking	-	-	-	-	-
OLG Slot Revenue	70,000	180,000	180,000	180,000	610,000
City's Share of MAT Revenue	40,000	70,000	70,000	70,000	250,000
Investment Earnings					
Lost Interest on Overdue Accounts	-	315,000	315,000	315,000	945,000
Investment Income Lost	-	40,000	40,000	125,000	205,000
	-	355,000	355,000	440,000	1,150,000
					-
Lost Revenues Subtotal	1,019,861	2,242,557	1,965,988	1,897,414	7,125,820
					-
Total Revenue Change	831,361	1,800,393	1,376,924	1,399,550	5,408,228

Appendix B - COVID Expenses

	March	April	May	June	Total	Incremental Costs
General						
General Salaries & Benefits	526,773	310,278	177,117	177,117	1,191,284	507,350
Pandemic Pay	-	-	-	-	-	-
Salary Savings	-	(120,000)	(260,000)	(260,000)	(640,000)	(640,000)
Energy Savings	(2,325)	(6,976)	(7,209)	(6,976)	(23,486)	(23,486)
Operating Expenses	18,279	23,051	170,937	170,937	383,204	383,204
Purchased / Contract Services	4,583	12,778	73,846	73,846	165,053	165,053
Salary Gapping	-	-	(200,000)	(200,000)	(400,000)	(400,000)
Summer Students	-	-	(400,000)	(400,000)	(800,000)	(800,000)
	547,310	219,131	(445,309)	(445,077)	(123,945)	(807,879)
Executive and Legislative						
Strategic Initiatives	6,120	13,115	13,115	13,115	45,465	-
Office of the CAO	19,365	28,740	28,740	28,740	105,584	-
Citizen Services	5,260	6,807	6,033	6,033	24,133	-
Office of the Mayor	10,236	23,616	23,616	23,616	81,084	-
Communications	59,810	103,856	103,856	103,856	371,378	-
	100,791	176,133	175,360	175,360	627,644	-
Corporate Services						
GM's Office	3,708	5,926	5,926	5,926	21,486	-
Legal and Clerks Services	9,412	5,024	7,218	7,218	28,871	-
Security, By-law and Parking	204	380	292	292	1,170	-
Information Technology	249,331	101,172	121,807	101,172	573,483	137,168
Human Resources	46,445	105,608	71,026	71,026	294,105	10,000
Financial Services	32,603	60,654	60,654	60,654	214,564	-
Asset Services	3,450	4,777	4,113	4,113	16,453	-
Fleet Services	18,399	87,909	51,800	41,200	199,308	43,000
	363,552	371,449	322,836	291,602	1,349,439	190,168
Economic Development	9,337	66,693	66,693	66,693	209,416	-
Community Development						
GM's Office	17,004	23,100	23,100	23,100	86,304	-
Cemetery Services	3,302	1,756	1,756	1,756	8,569	-
Housing Operations	22,749	44,089	47,173	42,506	156,517	68,959
Housing Services	13,190	5,126	5,126	5,126	28,568	-
Children Services	-	-	-	-	-	-
Pioneer Manor	53,912	53,857	129,329	25,829	262,927	225,659
Transit Services	(57,870)	(148,141)	(177,400)	(179,250)	(562,662)	(343,773)
Social Services	33,355	199,629	197,929	199,929	630,841	376,345
Leisure Services	52,899	122,252	122,252	122,252	419,655	-
	138,542	301,667	349,264	241,247	1,030,720	327,190
Growth and Infrastructure						
GM's Office	11,079	19,378	19,378	19,378	69,214	-
Linear Infrastructure Services	1,125	17,641	88,617	81,266	188,649	-
Engineering Services	205	265	265	265	1,001	-
Environmental Services	4,484	130,083	113,769	113,769	362,105	205,315
Infrastructure Capital Planning	937	10,535	6,337	6,337	24,146	-
Treatment and Compliance	8,085	21,526	55,306	55,306	140,224	-

Appendix B - COVID Expenses

	March	April	May	June	Total	Incremental Costs
Building Services	28	343	343	343	1,058	-
Water/Wastewater	332	2,040	1,186	1,613	5,170	-
	26,277	201,812	285,201	278,277	791,567	205,315
Community Safety						
GM's Office	20,514	49,870	37,705	37,705	145,795	-
EMS	71,417	357,882	564,221	457,906	1,451,426	1,142,174
Emergency Management	7,280	8,043	8,043	8,043	31,411	5,115
Fire Services	23,271	25,254	49,438	10,000	107,963	90,950
	122,482	441,049	659,408	513,655	1,736,594	1,238,239
Fuel Savings (excluding Transit)	(70,000)	(145,000)	(90,000)	(77,000)	(382,000)	(382,000)
Debt Repayment Budget					(1,040,000)	(1,040,000)
Total Expenses	<u>1,238,291</u>	<u>1,632,935</u>	<u>1,323,453</u>	<u>1,044,757</u>	<u>4,199,436</u>	<u>(268,967)</u>

Appendix C - Completed Capital Projects

Project	Project Budget	Total Project Costs	Remaining Budget
MR15 Belisle to Martin	4,350,000	2,601,000	1,749,000
Second Avenue (Sudbury)	6,418,000	6,206,000	212,000
Strathmere Court	225,000	157,000	68,000
Danforth Avenue	650,000	611,000	39,000
Creighton Road	445,000	425,000	20,000
Bonin Street	450,000	434,000	16,000
Avalon Road	340,000	327,000	13,000
Second Avenue (Coniston)	422,000	417,000	5,000
McAllister Avenue	320,000	319,000	1,000
Total	13,620,000	11,497,000	2,123,000

Appendix D - Capital Projects - No Activity 24 Months

Project	Project Budget	Total Project Costs	Remaining Budget
Silver Hills Phase 2 (Levy Only)	900,000	-	900,000
Azilda Koskiniemi	382,000	-	382,000
Therapeutic Pool	300,000	-	300,000
Automatic Vehicle Locator	200,000	1,000	199,000
Barry Downe Bus Bay	140,000	7,000	133,000
HVAC Humidification	125,000	-	125,000
Library Archives	124,000	20,000	104,000
GIS/Maintenance Mgmt Sys	100,000	-	100,000
Surveys and Land Transfers	100,000	2,000	98,000
Ventilation Fan	80,000	-	80,000
MMMS	75,000	-	75,000
Corporate Infrastructure	61,000	-	61,000
Copper Cliff Splash Pad	50,000	-	50,000
Museum Website	30,000	5,000	25,000
Total	2,667,000	35,000	2,632,000

Appendix E - Budget Reductions

Project	Project Budget	Total Project Costs	Remaining Budget	Available Budget
Barrydowne - Westmount-Hawthorne	2,000,000	1,241,000	759,000	400,000
Frappier Road Bridge	1,969,000	1,485,000	484,000	380,000
CNR Overpass (Falconbridge Road)	2,950,000	2,321,000	629,000	380,000
Allan Street Bridge	2,200,000	1,645,000	555,000	304,000
Douglas Street Bridge	3,900,000	3,533,000	367,000	267,000
Bowlands Bay Bridge	2,295,000	1,882,000	413,000	200,000
Kingsway - Bancroft-Silver Hills	1,800,000	1,361,000	439,000	200,000
Fire Tanker	836,000	681,000	155,000	135,000
Fire Engine	2,757,000	2,406,000	351,000	127,000
Brookside Road	430,000	201,000	229,000	100,000
Total	21,137,000	16,756,000	4,381,000	2,493,000

Appendix F - Additional Budget Requirements

Project	Project Budget	Total Project Costs	Remaining Budget	Requested Budget	Comments
MR80 - Maley to McCre Heights	1,600,000	-	1,600,000	1,735,000	<p>In the spring of 2020 there was a culvert failure on MR 80 between Maley Drive and McCre Heights. This created flooding that damaged the road and flooded adjacent private lands. This culvert needs to be replaced, and during this review it was determined that the remaining four culverts on this section of MR 80 are in similar condition and at the end of their service life.</p> <p>These five culverts are half concrete box culvert and half Corrugated Steel Pipe (CSP) culverts. It is suspected that the concrete box culverts were extended with round CSP culverts in the 1970s when MR 80 was widened to four lanes for this section. It is estimated that all five culverts can be replaced with concrete culverts at a cost of \$1,735,000.</p> <p>The City has awarded a contract for this section of MR 80 for resurfacing. The culvert replacements can be included as a change order to the contract, which will accelerate the schedule of the work. Given the current traffic volumes, it is an optimum time to complete this work as there will be significant traffic restrictions required. The deepest culvert is over four metres below the road.</p>
Total	1,600,000	-	1,600,000	1,735,000	