

Managers' Reports  
 Finance and Administration Committee



Type of Decision									
Meeting Date	April 14, 2020			Report Date	April 9, 2020				
Decision Requested		Yes	X	No	Priority	X	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
For Information Only	This report deals with operational matters relating to the COVID-19 virus.
<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Resolution Continued</b>	<b>Background Attached</b>

Report Summary
<p>This report provides the Finance and Administration Committee with information on the financial implications associated with the Corporation's response to COVID-19 developments.</p>

Financial Implications
<p>The impact of lost revenues and costs related to operations during the COVID-19 crisis is \$4.0 million to the end of April 2020.</p> <p>The incremental cost related to the crisis over the 1.5 months ending April 2020 is expected to be \$2.5 million.</p> <p>Regular updates to the Committee will be provided regarding the financial impact.</p>

Report Prepared By
 <p>Ed Stankiewicz Executive Director of Finance Assets &amp; Fleet</p>

Division Review

Recommended by the Department
 <p>Kevin Fowke General Manager of Corporate Services</p>

Financial Implications
 <p>Apryl Lukezic Co-ordinator of Budgets</p>

Recommended by the C.A.O.
 <p>Ed Archer Chief Administrative Officer</p>

## **Background**

The COVID-19 virus is causing global anxiety, which is affecting human behavior and also impacting the world's economic condition. As a result of this crisis, the City's operations have changed considerably where some services have been suspended, altered or continued with major restrictions. Employee's work environments have been modified, where employees are working from home, being redeployed to other services, or remaining at home due to specific circumstances. Finance staff is considering all measures taken by the City when monitoring and assessing the financial impact to the City. Regular reports will be provided to the Finance and Administration Committee throughout this crisis.

## **Revenue Losses**

City staff have been tracking the financial impact of COVID-19 from the date of the Provincial State of Emergency announcement on March 17, 2020 onward. The City has experienced expenditures as well as revenue losses related to the COVID -19 crisis. This report will provide estimates of the financial impact on the City to the end of April 2020. The current forecast to the end of April, estimates a loss of revenue of \$2.0 million. Appendix A provides a summary of lost revenue to the municipality. The following identifies the specific losses in revenue.

### **Leisure Services**

From March 17, 2020 to April 3, 2020, the City experienced revenue losses totaling approximately \$600,000 relating to the closure of facilities such as pools, arenas, ski hills, and community halls. The arenas lost revenue was approximately \$400,000 and since this timeframe coincides with the end of the season, the lost revenue is one-time and will not continue 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.

### **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 in the first part of the month coupled with no fare box revenue in the last 12 days of March resulted in an impact of \$250,000. Each month that the crisis continues, the loss in revenue is approximately \$650,000. Community Development staff are attempting to mitigate the effect by reviewing the transit schedule and providing a modified service.

## **Waste Management – Tipping Fees**

The landfill sites have been closed to residential property owners resulting in approximately \$130,000 of lost revenue monthly.

## **Provincial Offences Act (POA) Revenue**

The Provincial Offences Court has adjourned all court attendance matters until the end of May and it is reasonable to anticipate that the judiciary may choose to extend this date further. Further lengthy extensions could result in the withdrawal or dismissal of charges given an accused's right to a trial within a reasonable time pursuant to the Charter of Rights and Freedoms. 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. The revenue loss cannot be estimated at this time.

## **Slot Revenues**

The Province's decision to close down casinos and racetrack slots has impacted the City's revenue source by approximately \$180,000 per month. The City'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 City is approximately \$40,000 for March and \$70,000 for April with an equivalent loss for investment in tourism initiatives. The City has been supportive of innovative initiatives in the community to increase hospitality occupancy rates by allowing exemptions to the charging of the Municipal Accommodation Tax when warranted.

## **Interest Loss on Overdue Tax Accounts**

With the City's decision to not charge penalty or interest on all overdue tax accounts, the lost monthly revenue is approximately \$250,000.

## **Investment Income**

As a result of providing an extended timeline for the second due date and tax payers 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 monthly.

In addition, due dates for final tax billing will be delayed by at least two months from the historical dates. Each month that the final dates are delayed results in \$170,000 of lost investment income.

Also, with the Bank of Canada reducing the overnight lending rate by 1.5%, yields from investments have not met budgeted expectations. The impact of reduced yields will be reported on in the next update.

### **COVID-19 Related Expenses**

Staff have created a new cost centre to track costs related to COVID-19 in the areas of salaries, materials and contract services. As a result of delays in posting payroll, materials, and contract services to the general ledger accounts, staff have provided estimates of related expenses. This is exhibited in Appendix B, which reflects both COVID-19 related expenses and incremental costs to the municipality. To the end of April 2020, it is anticipated that there would be approximately \$2.0 million of expenses related to the COVID-19 crisis.

### **General Salaries and Benefits**

The Executive Leadership Team's time has been dedicated to this crisis with each member having a specific task to co-ordinate. These functions include Planning, Operations, Logistics, Finance, Communications, Health and Safety and a liaison position. This team has been working to ensure the City is taking appropriate precautions while keeping the City in an operational mode. The impact to the end of April is approximately \$300,000. Although these funds were included in the 2020 Budget, the efforts required to direct the COVID-19 response by the Executive Leadership Team has taken away the time that was anticipated to be used for producing planned results.

There are a number of additional employees that have their time dedicated to the COVID-19 crisis and the impact will be identified in future reports.

Approximately \$255,000 of expenditures are related to employees self-isolating and employees remaining at home due to childcare issues. This total represents three weeks of payroll for these special considerations. After these three weeks, employees were required to make alternate arrangements to ensure they were available for work.

### **Casual and Seasonal Part-Time Layoffs**

Casual and seasonal part-time employees laid off will receive their last pay on April 24, 2020 for the one week ended April 3, 2020. There will be a decrease in expenses for the City for the last two weeks of April relating to the layoff. The City is proposing a top-up to 75% pending confirmation from the Federal government regarding the Canadian

Emergency Response Benefit. If the 75% top-up is implemented, the bi-weekly savings will be approximately \$96,000, which would also be the savings for the month of April. If no top-up is implemented the savings would be approximately \$120,000.

### **Corporate Services**

The Assets Section is anticipating \$100,000 in related expenditures to the end of April predominately due to additional cleaning, critical safety supplies and changes to operations to incorporate increased health and safety measures. The Information Technology Division is anticipating approximately \$155,000 of expenditures as a result of salaries and benefits and the purchase of additional laptops for employees working from home. In total this Department will have additional expenditures of \$280,000 to the end of April.

### **Growth and Infrastructure**

The major expenditure related to COVID-19 is the addition of more crews for garbage pickup resulting from the closure of the landfill sites to the residential sector. The City is receiving two new packers in the next two weeks. Given the additional workload, the existing two packers slated for retirement will be kept in service. The financial impact is still being determined as operations are changing on a daily basis. Staff will continue to monitor and report the financial impact on the next update to the Committee.

### **Community Development**

For Community Development, the major expenditures related to COVID-19 Impact Pioneer Manor, Social Services, Leisure Services and Housing Operations. Related salaries and benefits, materials, and purchased services for Pioneer Manor to the end of April is expected to be \$180,000, offset somewhat by additional funding. Expenditures for Social Services relates to Homelessness will total of \$180,000 offset partially by additional provincial funds for this initiative. With the mandated closure of recreational facilities, libraries, arenas, and ski hills, the surplus casual and seasonal part-time employees continued to receive full pay based on their recent hours, which totaled \$350,000. Housing Operations will have COVID-19 expenditures of \$57,000 by the end of April.

### **Community Safety**

Additional expenditures for EMS and Fire Services total approximately \$400,000 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.

## **Fuel**

Fuel prices for diesel and unleaded have seen a reduction of 25% and 40% respectively. The impact of this reduction will be identified in the next financial report.

## **Cash Flow Implications**

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

The second interim due date was April 2, 2020. The City's decision to waive penalty and interest until June 4, 2020 resulted in a shortfall on April 2, 2020 of approximately \$20 million. In addition, a significant number of Preauthorized Payments (PAP) have been cancelled during this period. For these reasons, the City'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 funds in the High Interest Savings Account (HISA), which he recently negotiated at a rate of 1.25%. He is also striving for maximizing yield by investing in short-term GIC's (30, 60, 90 days), of which have an approximate 2% yield.

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

In addition, City 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.

## **Other Considerations**

There have been some requests from commercial properties for property tax abatement. The City requires property tax revenue to provide for 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.

## **Senior Levels of Government Assistance**

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. 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. 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 April is approximately \$4.0 million. This includes the need to redirect resources worth approximately \$1.5 million to support the response instead of delivering planned results described in the 2020 Budget, and additional expenditures of approximately \$2.5 million that were not contemplated when the budget was approved. Staff will continue to monitor these costs and provide monthly updates to the Committee.

**Schedule A - COVID Lost Revenue**

	March	April	Total (Estimate)
<b>Additional Revenues</b>			
Pioneer Manor			
Emergency Funding	(37,500)	(37,500)	(75,000)
Social Services			
Homelessness Partnering Strategy (HPS)	-	(26,714)	(26,714)
Community Homelessness Prevention Initiative (CHPI)	-	(83,333)	(83,333)
	<u>(37,500)</u>	<u>(147,547)</u>	<u>(185,047)</u>
<b>Lost Revenues</b>			
Leisure Services	500,516	93,847	594,363
Transit Services	250,000	650,000	900,000
Tipping Fees	-	130,000	130,000
OLG Slot Revenue	-	180,000	180,000
City's Share of MAT Revenue	40,000	70,000	110,000
Investment Earnings			
Lost Interest on Overdue Accounts	-	250,000	250,000
Investment Income Lost	-	40,000	40,000
	<u>-</u>	<u>290,000</u>	<u>290,000</u>
<b>Lost Revenues Subtotal</b>	<u>790,516</u>	<u>1,413,847</u>	<u>2,204,363</u>
<b>Total Revenue Change</b>	<u>753,016</u>	<u>1,266,299</u>	<u>2,019,316</u>

**Schedule B - COVID Expenses**

	March	April	Total (Estimate)	Incremental Costs
<b>Estimates</b>				
ELT Salaries & Benefits	108,090	198,165	306,255	-
General Salaries & Benefits	256,284	-	256,284	-
Salary Savings	-	(95,778)	(95,778)	(95,778)
	<u>364,374</u>	<u>102,387</u>	<u>466,762</u>	<u>(95,778)</u>
<b>Executive and Legislative</b>				
Citizen Services	24,746	-	24,746	-
Communications	3,975	-	3,975	-
	<u>28,722</u>	<u>-</u>	<u>28,722</u>	<u>-</u>
<b>Corporate Services</b>				
Fleet Services	11,696	13,557	25,253	3,500
Information Technology	155,837	305	156,143	114,386
Financial Services	4,818	-	4,818	-
Asset Services	11,730	85,000	96,730	78,891
	<u>184,080</u>	<u>98,862</u>	<u>282,943</u>	<u>196,777</u>
<b>Growth and Infrastructure</b>				
Roads	-	5,648	5,648	-
Building Services	518	-	518	-
Water/Wastewater	869	7,700	8,569	7,700
	<u>1,387</u>	<u>13,348</u>	<u>14,735</u>	<u>7,700</u>
<b>Community Development</b>				
Housing Operations	10,895	46,008	56,903	-
Pioneer Manor	84,482	96,717	181,199	38,744
Transit	6,451	-	6,451	6,451
Social Services	69,695	110,047	179,742	44,353
Leisure Services	267,559	80,268	347,827	-
	<u>439,083</u>	<u>333,040</u>	<u>772,123</u>	<u>89,547</u>
<b>Community Safety</b>				
EMS	56,587	233,800	290,387	168,966
Fire Services	27,903	88,661	116,564	116,564
Emergency Management	-	9,984	9,984	1,500
GM's Office	-	24,476	24,476	-
	<u>84,490</u>	<u>356,921</u>	<u>441,411</u>	<u>287,030</u>
<b>Total Expenses</b>	<u>1,102,136</u>	<u>904,559</u>	<u>2,006,695</u>	<u>485,276</u>