



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Tom Kitsos, Director Financial Services & Chief Financial Officer

Date to Council: April 28, 2020

Report Number: FS-2020-06

Subject: COVID-19 Financial Impact Update

Recommendations

It is recommended:

That Financial Services report FS-2020-06 COVID-19 Financial Impact Update **be received**.

Executive Summary

Due to the extraordinary nature of the COVID-19 pandemic, remedial measures implemented and considered, and continually changing landscape, Administration will provide Council with regular financial updates through council reports commencing with FS-2020-06. Additional reports are planned to update Council on our work program and staffing considerations through the period of the pandemic and related Provincial and Local Emergency Orders.

Background

Following the declaration of emergency by the Town on March 22, 2020, and specifically with regard to the COVID-19 pandemic, there have been many announcements with respect to the extent to which Town services will be provided and with respect to financial relief measures introduced for residents.

Due to the extraordinary nature of this event and remedial measures, Administration will provide Council with regular updates specific to the financial impact of COVID-19 with respect to budgetary and cash flow management impacts. The intent of this initial report is to identify primary financial drivers and potential mitigating measures.

Quarterly budget variance reports will occur in the normal fashion and timelines, with the 2020 Q2 report due to Council August 11.

Comments

Budgetary Impacts

The 2020 budget will be impacted in three manners: lost revenue, non-budgeted expenditures incurred and expenditure containment.

Financial information provided in the following tables includes:

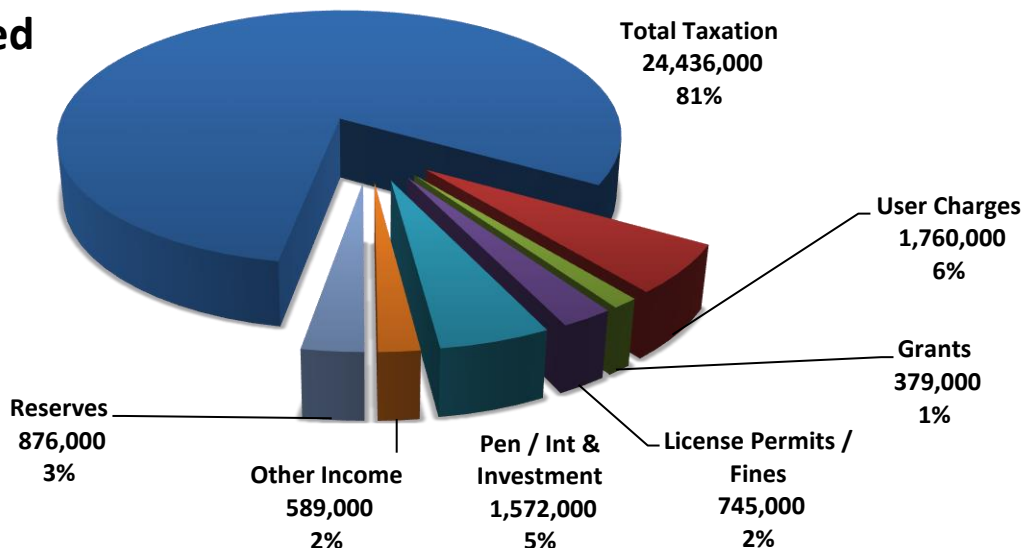
- 2020 Approved Annual Budget amounts
- 2020 Year-to-Date (YTD) Actual amounts as at April 10

Lost Revenue

2020 Budgeted revenue by source is illustrated in Chart 1 and is predominantly derived from property taxation. The primary risk for lost revenue is with respect to those sources that are not tax or reserves-related, referred to hereafter as “secondary” sources of revenue. Those secondary sources of revenue, which exclude Total Taxation and Reserves in Chart 1, account for approximately \$5,000,000.

Chart 1: 2020 Budgeted Revenues

2020 Revenues Tax Supported



Listed in Table 1 are some of the more significant secondary revenue sources that are likely to be impacted along with their 2020 budget amount, year-to-date actual amount and remaining balance, some or all of which may be at risk dependent on the extent and duration of social distancing measures in place:

Table 1: Secondary revenue sources likely to be affected

Secondary Revenue Source	2020 Budget	YTD Actual	2020 Balance
Penalty and Interest (Property Tax)	\$380,000	\$79,000	\$301,000
Bank Interest	\$700,000	\$236,000	\$464,000
Licences	\$240,000	\$51,000	\$189,000
Hall Rentals (Parks, Arena, Community Centers)	\$88,000	\$19,000	\$69,000
Ice Rentals	\$800,000	\$230,000	\$570,000
Arena Other (Concessions, Public Skating)	\$115,000	\$32,000	\$83,000
Pool Programs	\$140,000	\$0	\$140,000
Recreation Programs (Day Camp, Other)	\$104,000	\$0	\$104,000
Corn Festival (as amended April 14)	\$62,000	\$0	\$62,000
Building Permits (Septic and Driveway included)	\$400,000	\$62,000	\$338,000
Transit Bus Fare	\$32,000	\$4,000	\$28,000
Total	\$3,061,000	\$713,000	\$2,348,000

Non-budgeted Expenditures Incurred

Soon after the announced declaration of emergency, Administration implemented a tracking system to monitor non-budgeted direct costs incurred due to COVID-19. The tracking system consists of payroll job codes tracked through employee timesheets, self-isolation reporting and a dedicated expenditure account.

The Town has experienced additional expenditures in several forms, some of which include:

- Increased janitorial and building maintenance costs for heightened cleaning activities to keep Town offices safe for employees to work,
- Increased by-law enforcement duties with the introduction of weekend enforcement,
- Additional costs related to facilitating work-from-home arrangements in order to disperse employees, and
- Employees required to self-isolate, after travelling outside of the Country on or before March 14, and unable to work from home

Other factors that are difficult to calculate a monetary impact, which may impact efficiency, level of service and/or program delivery, are things such as:

- Additional hours to complete tasks due to safety protocol such as one-person-per-vehicle,
- Training and travel time for employees that are re-deployed, and
- Time and resources invested in COVID-19 planning and response at the expense of budgeted program and service delivery

Table 2 lists types of non-budgeted expenditures incurred because of COVID-19 and actual costs incurred as at April 10, 2020, approximately three weeks' worth of data:

Table 2: Non-budgeted expenditures incurred

Expenditure Type	Costs Incurred to Date
Salary – Redeployed/Associated COVID-19 duties	\$11,000
Salary – Self-quarantined and unable to work from home	\$13,000
Materials/Cleaning supplies	\$6,000
Total	\$30,000

Expenditure Containment

Through Council Report CAO-2020-01, Business Continuity – Essential Services, Administration categorized municipal services as Essential, Non-Essential and Stopped.

Stopped services have allowed the municipality to reduce some expenditures immediately. Administration expects that expenditure containment will be achieved in areas such as:

- Salary costs related to services that have stopped and employees have not been re-deployed, such as Canteen workers, Part-time Recreation Administration staff, Part-time Facility Attendants and School Crossing Guards,
- Utility costs specifically for high consumption facilities like the arena and outdoor pool, and
- Contracted services for stopped activities largely related to Recreation and Special Events

Expenditure containment measures, such as a hiring freeze for non-essential vacancies, were executed immediately. Administration continues to monitor health and safety guidance and the local economic environment to identify potential measures that may be implemented.

The potential for cost containment is rather limited as a significant portion of the municipal tax levy supports capital reserves and contractual costs for essential services, such as OPP and garbage collection/disposal.

Table 3 lists expenditure types or specific programs that may provide an opportunity for cost containment along with the 2020 budget amount:

Table 3: Opportunities for cost containment

Expenditure Type or Specific Program	2020 Budget
Parks – Student positions	\$240,000
Recreational Programming (Pool, Day Camp etc.)	\$245,000
Special Events, Corn Festival, Christmas in Tecumseh	\$190,000
Professional Development/Education/Seminars	\$180,000
Gasoline/Diesel	\$170,000

Electricity/Natural Gas	\$210,000
-------------------------	-----------

Rate supported services (water and wastewater) are not anticipated to be affected financially at this time. These services are essential, are operating at full capacity and are not expected to experience a significant change in demand.

Cash Flow Management

Cash flow will be impacted to the extent that mitigating measures are insufficient to offset lost revenue and non-budgeted expenditures compounded by Financial Relief Measures that essentially defer taxation due dates.

At this stage, it is too early to tell to what extent cash flow will be affected. Administration is closely monitoring the situation, the impact of which will be much more evident in the coming weeks.

Financial Relief Measures Introduced

Financial relief measures that have been introduced to assist residents include;

- No late payment charges on property tax and water/wastewater accounts in either form, penalty and/or interest, effective March 24 through to the period ending June 30, 2020. In the absence of additional financial relief measures, penalty and interest will be calculated on all past due balances as of July 1 and the first of every month thereafter.
- Charges for Non-sufficient funds on any property tax and water/wastewater payments will be waived effective March 24 through to the period ending June 30, 2020.

These measures effectively allow for a deferral of tax due dates, which will impact cash flow and forgive late payment penalty/interest charges and NSF charges, which will impact municipal revenues.

Additional financial relief measures include:

- Transit Bus Fares waived, and
- Discount rate for Dog Tags and Kennel Licenses extended to June 30, 2020.

These measures will impact municipal revenues.

The Province and County have introduced financial relief measures that will help to mitigate some of the cash flow pressures felt by municipalities. The Province has deferred Education levy due dates collected and remitted by municipalities and the County of Essex has implemented a plan that allows municipalities to remit County levies in the same proportion as property taxes are received.

Consultations

All Departments

Financial Implications

This report does not attempt to project the financial impact of COVID-19 at this time, but rather to identify primary financial risks, immediate cost containment measures implemented and potential cost containment measures.

The next few weeks may be crucial in determining our path forward. By mid-May we should have a better idea of the province's intent to ease up on any business restrictions such as construction and will be in a better position to report on the Town's capital works plans.

Administration will also include an update on personnel and programs along with financial projections in the next reporting, planned for the May 26 Regular Council Meeting.

Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input checked="" type="checkbox"/>	Ensure that Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
<input checked="" type="checkbox"/>	Integrate the principles of health and wellness into all of Tecumseh's plans and priorities.
<input checked="" type="checkbox"/>	Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable ☒

Website ☐ Social Media ☐ News Release ☐ Local Newspaper ☐

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Reviewed by:

Brian Hillman, MA, MCIP, RPP
Director Planning & Building Services

Reviewed by:

Paul Anthony, RRFA
Director Parks & Recreation Services

Reviewed by:

Laura Moy, Dipl. M.M., CMMIII HR Professional
Director Corporate Services & Clerk

Reviewed by:

Shaun Fuerth, BCS
Director Information & Communication Services

Reviewed by:

Wade Bondy
Director Fire Services & Fire Chief, C.E.M.C.

Reviewed by:

Phil Bartnik, P.Eng.
Director Public Works & Environmental Services

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

**Attachment
Number**

**Attachment
Name**

None