

**Subject:** COVID-19 Financial Impacts Update**Recommendation:**

**BE IT RESOLVED THAT Council receive Report # 2020-0095 Corporate Services for information.**

**Background:**

The purpose of this report is to provide an update on the potential financial impacts of the COVID-19 pandemic in the Town of Pelham. On May 19, 2020, the first report on the COVID-19 financial impact was presented to Council.

Staff continue to expect that a budget adjustment related to the changes in services, incremental cost and lost revenue associated with COVID-19 emergency response will be required. At this time full impacts are still unknown and staff will bring back a proposed budget adjustment for Council approval when more clarity around funding sources and full cost is available.

Estimates in this report are to December 31, 2020. These estimates are fluid and changing on a weekly basis as new information becomes available.

The Town of Pelham's current estimate of the tax levy supported 2020 total gross cost of COVID-19 pandemic is \$1,251,659.

The Town's current estimate of the 2020 net tax levy supported deficit as a result of COVID-19 pandemic is \$669,336.

The Town has not received any confirmation of funding to offset these COVID-19 pandemic costs. Additional funding announcements are expected but not confirmed.

The Town has a key role in mitigating the impact of COVID-19 on its community; both to implement policies and procedures aimed at reducing the spread of COVID-19 as well as minimizing the economic repercussions of the pandemic on citizens. Some of the Town's actions amid the current pandemic are as follows:

(i) Tax relief measures: the Town has waived interest and penalties for both property taxes and water/wastewater billing from April 1 to June 30, 2020. The lost

revenue relating to this relief measure is \$83,813. The Province's action to defer the required quarterly remittance of education tax collections by 90 days along with the Niagara Region allowing the Town to defer their property tax installment as a percentage of the amount collected during this period has provided financial relief to the Town.

(ii) Closing Facilities: The Province's State of Emergency on March 17<sup>th</sup> resulted in immediate closure of municipal facilities such as parks, libraries, recreation centre, Town Hall and more. The closure of these facilities is necessary to help reduce the spread of COVID-19, but there are significant revenue losses as a result. For half of March and all of April, May and June all recreational revenues at the community centre have been lost.

(iii) Cancelling of Special Events from April to the end of September: Council approved the cancellation of Summerfest and The Thursday Night Experience including Bandshell concerts. The only activity operating is the Farmer's Market. This has resulted in lost revenues.

(iv) Reducing User fees: The Pool fees will be reduced in order to further provide financial relief.

(v) Cost reduction strategies: The Town continues to assess the financial impacts of COVID-19 and implement short-term strategies to minimize the impact of revenue loss. The Town has identified incremental cost savings in the form of reduced utilities in now-closed facilities, as well as savings due to lower fuel prices. However, these savings do not offset the losses.

In the short-term, staff in non-essential work have been either laid off or redeployed to essential jobs. There has been a decrease in the number of summer students hired for the 2020 summer season.

Staff have reviewed their 2020 budget line by line in order to identify savings such as not attending conferences.

Capital projects have been reviewed in order to identify projects that can be deferred. The total amount of capital projects deferred to 2021 is \$1.5M.

## **Analysis:**

### **2020 Tax Levy Impact**

The tax levy operating deficit of approximately \$669,336 has been forecasted to the end of December as a result of COVID-19. This is a decrease from the projection provided to Council on May 19, 2020 of \$180,484. In this projection the Meridian Community Centre opened starting July 6, 2020 with summer camps running and one ice pad arena available for renting. The second ice pad will be opening on July 27 due to the high demand for ice in the Niagara Region. The incremental net revenue increase to opening the second ice pad is \$57,043. The swimming pool will be opened for swimming lessons as well. These are the main reasons why the tax levy impact has improved compared to the previous report. Please refer to Appendix 1 for the breakdown.

### **Cash Flow for 2020**

There has been an improvement in the cash flow from May 19 report to Council related to Development Charges (DC). Effective May 18, building permits have been allowed to be issued. As a result, should the current level of DC collections continue, it is anticipated that collections will be sufficient to cover DC debt charges for the year. We have had an approximate 2% decline in aging for property taxes receivable and overall property tax collections appear on track. Staff will continue to monitor cash flows on a monthly basis.

### **Impact on Budget 2020 and 2021**

The Town has set aside \$100,000 in the Working Funds reserve for COVID-19 expenditures. The Niagara Region is advocating on the Town's behalf for Federal and Provincial funding relief to cover the shortfall. If this does not happen, then the 2020 deficit would be added to the 2021 budget and tax levy. The \$669,336 deficit is equivalent to a 4.5% tax levy increase.

## **Financial Considerations:**

The Town is projecting that the tax levy operating budgets will be negatively impacted by COVID-19 to December 31, 2020. Given the uncertainty around timelines and availability of funding sources, it is difficult at this time to quantify the full impact of individual items as well as the impact to the Town.

## **Alternatives Reviewed:**

This report is for information purposes only. No alternatives applicable.

**Strategic Plan Relationship: Strong Organization**

The Town continues to work with the Niagara Region and other local municipalities in order to participate in a united and consistent approach to seek relief from the Federal and Provincial governments.

**Consultation:**

The Senior Leadership Team

**Other Pertinent Reports/Attachments:**

Appendix 1: Updated Financial Impact to December 31, 2020

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