



Town of Erin

Corporate Report

Department: Corporate Services

Business Unit: Finance

**Presented/
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Treasurer

Report Number:
F2020-09

Meeting Date:
5/5/2020

Subject

Financial Update due to Covid-19 Emergency Measures

Recommendation

Be it resolved that Council hereby receive report number F2020-09 "*Financial Update due to Covid-19 Emergency Measures*" for information.

Background

This report is intended to provide a financial forecast to reflect changes in Town operations due to Covid-19. The Town continues to provide most services except usage of the community centres, parks and sports fields. This forecast will also include measures that have been put in place to mitigate possible impacts to cash flow and avoid a year-end deficit. As such, staff have identified the projects listed below that will be postponed.

Project	Cost
1. Structure 2056 – construction delayed to 2021 – design only in 2020	\$540,000
2. Planning – Planner hiring delayed to September	\$97,500
3. Planning - Official Plan Amendment (July 2021)	\$120,000
Total	\$817,500

It is difficult to forecast financial impacts as we do not know when the emergency measures will be lifted by the province. We used two different scenarios where:

- Scenario 1 has a partial opening of public spaces on June 1 an 80% public opening on September 1
- Scenario 2 an 80% public opening on September 1.

Below is a description of the different assumptions that were used in preparing the forecast.

- a) Parks and Receptions revenues will be dependent on when the emergency orders are lifted and the timing of the phasing. However, part-time staff continue to work on maintenance projects in community centres, parks and sports fields. There are two scenarios that we forecasted in this report. Scenario 1, using 2019 actual results, assumes 50% reduced capacity of sports fields starting June 1 to August and 80% capacity from September - December. Scenario 2 assumes closure until August 31 and 80% capacity from September to December. The differences between the net result in 2020 Budget and the forecasts may be additional costs of \$26k in Scenario 1 and \$46k in Scenario 2 (table below).

Parks and Recreation Summary	2020 Budget	Total Forecast	Total Forecast
		Scenario 1	Scenario 2
Total Revenues	639,180	404,600	389,600
Expenditures	1,343,340	1,107,350	1,107,350
Net	(704,160)	(702,750)	(717,750)

- b) Building permit revenues will be reduced because we are not able to issue new building permits until the Province removes emergency measures. However, any shortfalls on revenue that impact net results will be offset with transfers from Building Reserves as it is a self-funded program.
- c) Interest and penalties revenues on outstanding taxes are forecasted to be reduced by \$98,000 because they were waived for April 1 and May 1. Every month that penalties and interest are waived, we lose about \$49,000 in revenues and increases the forecasted deficit.
- d) Capital projects that are funded by taxation will impact net results for the tax portion only but will increase cash flow. Structure 2056 will defer \$140,000 of tax funding to 2021 and will need to be resubmitted during the 2021 Budget process. The remaining \$460,000 is funded from cash received for Gas Tax Grant in 2019 and will receive in 2020. We are expecting the Province and Federal governments to offer opportunities to apply for grants and this project will be shovel ready for such opportunities.
- e) Legal fees are forecasted to be \$50,000 higher due to ongoing LPAT appeals.
- f) Operating budget reductions such as delaying the hiring of Planner position to September and the project to review the Town's Official Plan. This will result in \$217,500 deferral of projects to 2021. However, these projects were funded from 90% Development Charges – Administration (Official Plan amendment) and planning revenues (Planner) and as such reserve transfers and revenues will be reduced accordingly.

Below is a forecasted summary that includes the changes outlined above. The net impact may be a \$27k deficit based on Scenario 1 and \$42k deficit based on Scenario 2. Also, additional actions were implemented such as reductions to training, conferences and delaying staff replacements. These measures are not reflected in the summary in order to provide Council with a conservative forecast as there have been added costs that the Town will continue to incur to address health and safety supplies and cleaning services because of Covid-19.

<u>Revenues</u>	Scenario 1	Scenario 2
Total Revenues	12,975,249	12,975,249
Less: Parks and Recreation	(234,580)	(249,580)
Less: Interest Revenue	(30,000)	(30,000)
Less: Penalties and Interest	(98,000)	(98,000)
Less: Planning Revenues	(108,000)	(108,000)
Less: Reserves for Planning Projects	(110,000)	(110,000)
Revised Revenues	12,394,669	12,379,669
 <u>Expenses</u>		
Total Expenses	12,975,249	12,975,249
Less: Parks and Recreation	(235,990)	(235,990)
Less: Structure 2056 (construction in 2021)	(140,000)	(140,000)
Less: LPAT Appeal (legal fees)	50,000	50,000
Less: Planning Projects	(228,000)	(228,000)
Revised Expenses	12,421,259	12,421,259
Net Change	(26,590)	(41,590)

Moreover, the following items were identified as possible cancellations depending on the results of the third quarter financial report. Any cancellations of these transfers would jeopardize replacements of vehicles and continue to incur high repair costs as seen in the 2019 actual spending results.

Project	Cost
1. Fire – Transfer to vehicle reserve	\$50,000
2. Roads – Transfer to vehicle reserve	\$50,000
3. Corporate Services – transfer to reserves (IT and elections)	\$32,000
Total	\$132,000

In addition to the forecast summary provided, a cash flow schedule (Appendix A) was prepared to incorporate new information and new assumptions. The summary shows a forecast \$235k less than presented to Council on April 21 Council meeting. The main reasons are that Modernization Grant projects were not included in the forecast as they were recently approved and the cost recovery from the County of Wellington for the

Station Street dam. Cash outlay was updated to reflect new information for capital projects such as Waste Water Treatment Plant design (including timing of cost recovery), Structure 011, Structure 2059 and Fire Tanker. The Cash Flow Forecast is highly dependent on tax payments and the assumptions used were based on March collections as a worst case scenario. The Town will be monitoring closely outstanding taxes and may reduce transfers proportionally to County of Wellington. This will help with possible cash flow pressures during the year.

Staff will report to Council on a quarterly basis as the situation evolves and will adjust accordingly to mitigate any possible deficits. The forecasts provided in this report are an indication of the unique operations of the Town of Erin compared to larger municipalities. The Town does not have any recreational programming or public transit which has allowed staff to identify and manage projects accordingly. Hence, staff continue to provide many services and have changed operationally to provide these services remotely with reduced attendance in the office to adhere to social distancing directives. The Town is positioned to tackle this unprecedented situation with minimal additional costs to tax payers.

Strategic Pillar

Service Excellence & Good Governance

Financial Impact

Staff have presented a forecast of expenditures based on two different scenarios, including staff postponement of capital and operating projects in order to mitigate any possible shortfall to cash flow. Both scenarios produced small deficits that can be addressed as the situation develops.

Conclusion

That Council received the report forecasting year-end results and cash flows for information purposes.

Ursula D'Angelo

Director

Nathan Hyde

Chief Administrative Officer