



THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Subject: Financial Implications Associated with Covid-19 – Updated

FYI Report Number: Treasury-2020-10

Meeting Date: Monday, July 13, 2020

Report:

Staff previously provided a preliminary assessment of financial implications associated with Covid-19 in May 2020. As the situation with the pandemic evolves, the financial impact must be continually reviewed and monitored. This report provides an update on the impact to the Municipality's operating budget, assuming the current social distancing measures remain in place until August 31, 2020.

Revenue Losses:

Municipal 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. This report will provide estimates of the financial impact on the Municipality to the end of August 31, 2020. The current forecast to August 31st estimates a loss of revenue of nearly \$974,450, offset by expense reductions of \$827,880, resulting in a projected net budgetary loss of \$146,570. The forecasted net loss as at June 30th was estimated at \$218,000 and therefore this represents a more favourable projection by \$71,430. Schedule A provides a summary of both estimated revenue loss as well as expense reductions to the Municipality.

Recreation:

The Municipality is estimating revenue losses totaling \$542,000 relating to the closure of facilities such as parks, pools, arenas, and community centres. The most significant source of the lost revenue is due to the cancellation of recreational programming, which is estimated at \$295,000 in revenue losses. The majority of this is due to the cancellation of summer camp, which represents 59% of the total revenue loss, followed by fitness and aquatic programs which represent 29% of the revenue loss. Recreation facility closures represent \$234,000 in revenue losses, and primarily includes health club membership fees of \$74,000, followed by the pool admission fees of \$54,000. These revenue losses are expected to continue until the crisis is over.

With the closure of recreation facilities and cancelled programming, there are also offsetting expenditure reductions that have been projected in order to quantify the overall budgetary impact. Excluding labour costs (discussed further below), total cost reductions amount to \$167,000 resulting primarily from decreased energy consumption, and fewer purchases of supplies and materials.

Combined, this amounts to an unfavourable budget impact of \$375,000 (excluding labour costs). When labour costs are included in the calculation of the total recreation budget, the result is a favourable budgetary impact of reduced to \$320,000.

Waste Management

The landfill sites were closed to residential property owners in March, however the Kincardine Waste Management Centre has since reopened in June 2020. Revenue losses resulting from the closure, as well as from the reduction in construction activity, have been forecasted to be \$155,000. There is also a forecasted reduction in contracted disposal costs of \$20,000, offset by an increase in costs related to the temporary compost centre of \$42,100. Including labour cost savings, the total unfavourable impact of the landfill closures amounts to \$173,600 up to the end of August 2020.

Building Permits

Staff have reviewed the building permit and related activity since the previous staff report and have not made any further revisions to forecasted revenue losses due to a reduction in local construction activity. Building permit revenues are estimated to decrease by 30%, and plumbing and occupancy permits by 25%. An overall 10% decrease has been estimated for other administrative fee revenues relating to building.

Combined, this equates to a total revenue loss of \$117,000 up to the end of August 2020. As the building department operations are intended to be revenue-neutral, this shortfall will have no impact on the overall budget as any deficit would be funded from the Obligatory Building Permit Reserve Fund.

Property Taxes and Utilities

Staff have reviewed the preliminary impact resulting from providing financial relief to ratepayers by waiving interest on 2020 taxes and allowing opt-out of Pre-Authorized Payment Plans (PAPs). A comparison of total taxes billed (Instalments 1 and 2) and outstanding is provided below:

Year	Taxes Billed	Unpaid Taxes	%
2019	\$ 14,545,305	\$ 1,494,334	11.4%
2020	\$ 15,274,404	\$ 1,603,392	11.7%

Thus far, the data for 2020 in comparison to 2019 shows that property tax collections are very comparable to the prior year.

Staff have also been tracking the waived interest/penalties and statement fees for property taxes and utilities, as approved by Council through By-law 2020-063 and resolution # 04/06/20-16. The table below summarizes this information:

Waived Interest/Penalty and Statement Fees				
	April	May	June	Total
Taxation				
Penalty/Interest	\$6,841	\$4,990	\$20,044	\$31,875
Statement Fees	\$2,660	\$2,350	\$5,765	\$10,775
	\$9,501	\$7,340	\$25,809	\$42,650
Utilities				
Interest	\$862	\$1,927	\$724	\$3,513
Statement Fees	\$1,040	\$2,315	\$1,060	\$4,415
	\$1,902	\$4,242	\$1,784	\$7,928
Total				\$50,578

Original estimates of the forgone interest for the months of April – July amounted to \$85,000, which upon review of actual data continues to be a reasonable estimate.

Expenditures:

COVID-19 Related Expenses

As of June 30th 2020, total direct pandemic costs amounted to \$72,000 and consist primarily of overtime wages, as well as IT purchases for laptops in order to facilitate working remotely. Other costs include the \$12,000 Meals on Wheels contribution, cleaning products, sanitation wipes, disposable masks, gloves, as well as new signage and traffic barriers. These costs are expected to continue in the near term and are estimated to reach ~\$107,000 by August 31st. The previous forecast for pandemic costs had been estimated to reach \$104,000 by June 30th, and therefore while these costs were not budgeted, we are trending lower than anticipated.

Labour Impacts

Permanent part-time, seasonal contract and casual employees, who held positions directly impacted by the closures outlined in the Emergency Order from the Provincial government, have been placed on unpaid Declared Emergency Leave effective March 20, 2020.

Initially all seasonal contract employees with start dates in April & May were deferred and all employment opportunities advertised online were placed on hold with no new offers of employment extended to give the Municipality the opportunity to evaluate our needs.

In order to maintain levels of service, a decision was made to move forward with the following hiring with start dates in June or July:

- Public Works Summer Student (4)
- Landfill Summer Student (1)
- Cemetery Summer Student (2)
- Tourism Summer Student (3)
- Horticulture Summer Students (2)
- Parks Summer Student (5)
- Planning Records Management Student (1)
- Planning Coordinator (1) - Maternity Leave Replacement

With the decision made to cancel Summer Day Camp, there were a number employment offers that were rescinded for Program Coordinators, Day Camp Supervisors & Day Camp Leaders. There was an additional unbudgeted expense of Splash Pad Attendants which impacted our total savings.

Labour cost savings would amount to \$648,000 up to the end of August 31st.

Building Maintenance

A reduction to building maintenance activities performed in municipal facilities are either reduced or deferred due to facility closures and are estimated to reduce costs by \$12,000.

Conferences & Travel

Due to the pandemic, non-essential travel has been prohibited and therefore several conferences and training sessions have been cancelled or will be delivered online. Total anticipated savings amount to \$35,000, which remains the same as the original forecasted estimate.

Office Supplies

A reduction in office supplies has been estimated at 30% due to employees working remotely and increasing their reliance on technology. This would translate to cost savings of ~ \$29,000.

Conclusion

Current estimates indicate the total financial impact of Covid-19 to the Municipality to the end of August is approximately \$147,000. Staff will continue to monitor these costs and provide regular updates to Council.

Attachments: Schedule A – 2020 Forecasted Operating Budget Impacts