

**COMMUNICATION 131079**

Received from Trisa McConkey, CPA, CGA, Treasurer  
 Addressed to Committee of the Whole  
 Date June 24, 2020  
 Topic Financial Report to May 31, 2020

**SUMMARY:**

The attached Financial Report provides a review of the Town's financial performance after the first five (5) months of 2020.

**COMMENTS:**

The table below shows the 2020 approved operating budget compared to year-to-date actual expenditures by functional category.

	BUDGET	YEAR-TO-DATE	% OF BUDGET
<b>Revenue</b>	<b>(\$26,579,562.35)</b>	<b>(\$14,332,841.41)</b>	<b>54%</b>
ADMINISTRATION	(\$12,889,279.24)	(\$5,947,216.26)	46%
PROTECTION-POLICE	(\$20,000.00)	(\$799.82)	4%
PROTECTION-excluding police	(\$727,000.00)	(\$468,398.82)	64%
SOCIAL/FAMILY SERVICES	(\$3,788,148.00)	(\$962,919.02)	25%
TRANSPORTATION	(\$475,928.00)	(\$120,194.01)	25%
ENVIRONMENTAL-WASTE	(\$200,000.00)	(\$14,310.55)	7%
ENVIRONMENTAL-WATER/SEWER	(\$6,234,868.00)	(\$6,076,898.97)	97%
RECREATION/CULTURE	(\$2,025,339.11)	(\$551,436.38)	27%
PLANNING/DEVELOPMENT	(\$219,000.00)	(\$190,667.58)	87%
<b>Expense</b>	<b>\$26,579,562.35</b>	<b>\$6,825,176.85</b>	<b>26%</b>
ADMINISTRATION	\$2,535,474.51	\$865,276.58	34%
PROTECTION-POLICE	\$2,460,306.65	\$625,310.28	25%
PROTECTION-excluding police	\$2,429,310.86	\$728,051.27	30%
SOCIAL/FAMILY SERVICES	\$3,788,148.00	\$901,127.27	24%
TRANSPORTATION	\$4,395,715.18	\$1,092,617.10	25%
ENVIRONMENTAL-WASTE	\$920,204.35	\$342,123.66	37%
ENVIRONMENTAL-WATER/SEWER	\$6,234,868.00	\$1,249,461.25	20%
RECREATION/CULTURE	\$3,000,759.86	\$893,974.61	30%
PLANNING/DEVELOPMENT	\$814,774.94	\$127,234.83	16%
<b>Grand Total</b>	<b>(\$0.00)</b>	<b>(\$7,507,664.56)</b>	

At May 31, 2020, the financial year is 42% complete. A variance is considered significant if it is more than 5% greater or less than 42% of the budget. Significant variances as at May 31, 2020 include:

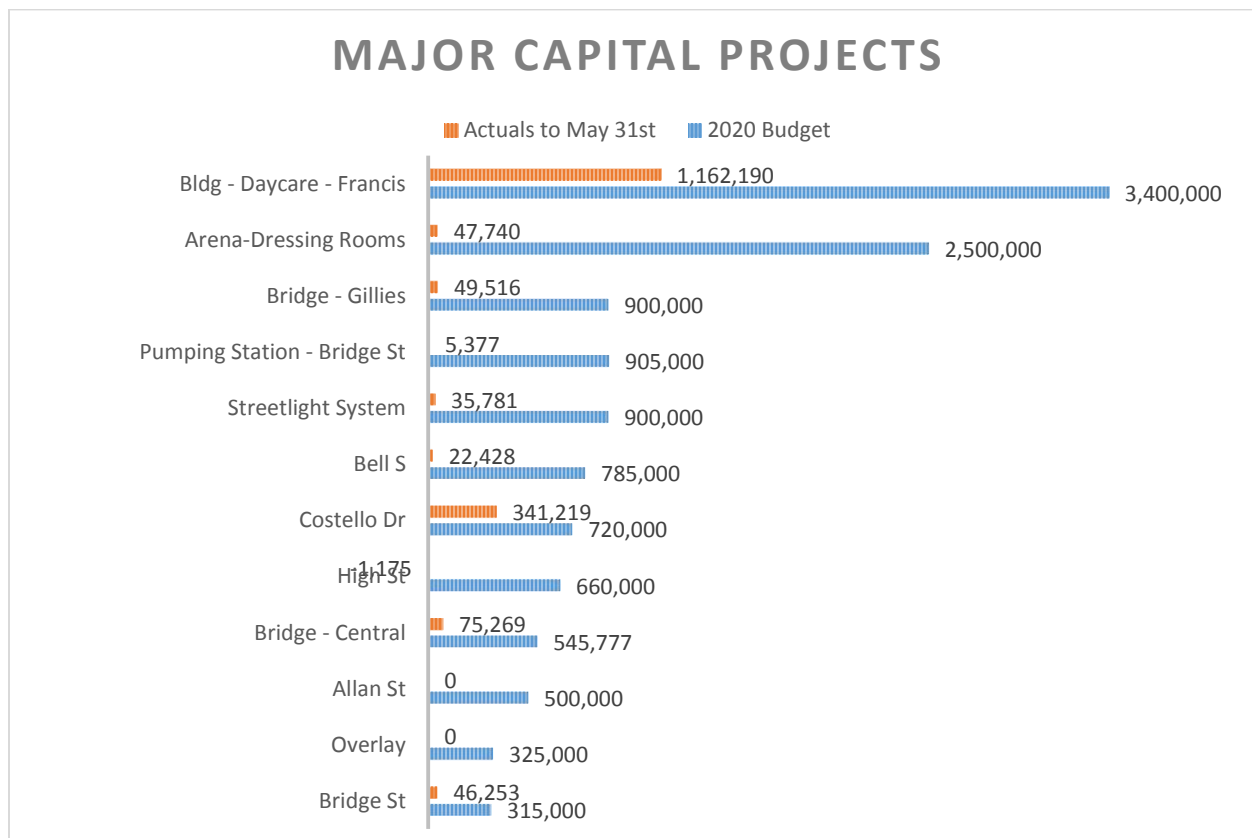
### **Revenue Analysis**

1. ADMINISTRATION – The interim tax billing processed in January includes the revenue for a full half of the year however, penalty and interest revenue is down.
2. PROTECTION-POLICE – RIDE grant has not yet been received.
3. PROTECTION-excluding police – Building permit revenue collected to May 31<sup>st</sup> amounts to 63%, or \$412,354 of the year's \$650,000 budget.
4. SOCIAL/FAMILY SERVICES (childcare) – due to closure effective March 16, 2020.
5. TRANSPORTATION – Bus service to Ottawa stopped in March. Fully offset by reduced expenses.
6. ENVIRONMENTAL-WASTE – Receipt of Stewardship Grant funds is typically received 4 to 6 months behind and the Household Hazardous Waste site has not opened at the usual time.
7. ENVIRONMENTAL-WATER/SEWER – \$2,865,260 of the revenue shown is due to recovery of costs related to project work included in the South of Hwy 7 cost sharing agreement and a full 50% of the year's water bills have been processed.
8. RECREATION/CULTURE – Facilities are closed, and many refunds have been processed.
9. PLANNING & DEVELOPMENT – Volume of service is higher than anticipated.

### **Expense Analysis**

1. ALL SERVICES – Only 29% (15 of 52 weeks) of annual payroll costs are included.
2. PROTECTION-POLICE – only 3 invoices received from OPP to date.
3. PROTECTION-excluding police – CEMC/Fire Admin Support; Director of Planning & Development not yet hired.
4. SOCIAL/FAMILY SERVICES – Staff laid off to mitigate loss of revenue. Indication from the Province is that childcare expenses during COVID closure will be covered.
5. TRANSPORTATION – New Operator had not been hired as of May 31, 2020. Transit service (bus service to Ottawa) stopped in March however these expenses are fully offset by revenue.
6. ENVIRONMENTAL-WATER/SEWER – Several maintenance activities have not yet begun. New Operator had not been hired as of May 31, 2020.
7. RECREATION/CULTURE – Staff laid off to mitigate loss of revenue.
8. PLANNING & DEVELOPMENT – New Director of Planning and Development had not been hired as of May 31, 2020.

Capital projects are underway however it is still early in the year and several projects are currently out for tender, so costs remain low at this point. The following chart shows the costs to May 31, 2020 spent on the top twelve (12) capital projects:



## **FINANCIAL IMPLICATIONS DUE TO COVID**

### **All Departments**

Items adding to costs (Total \$302,000):

1. Costs relating to extra personal protective equipment and cleaning supplies are difficult to quantify as there is uncertainty in opening dates and requirements. So far, we have spent almost \$20,000. As an estimate for now, staff are recommending a budget of \$100,000 for these purposes.
2. Penalty and Interest on taxes foregone if relief continues until December amount to \$140,000.
3. Penalty and Interest on water/sewer bills foregone if relief continues until December amount to \$62,000.

Management considered potential budget savings and are recommending the following decreases to the 2020 budget (Total \$105,000):

1. Reduce staff training budget by \$25,000
2. No further out of Town Travel authorized for all staff and Council - \$25,000

3. Delay in hiring Director of Public Works and Director of Development Services has already saved approximately – \$55,000

Other potential savings considered and/or identified:

1. Council Discretionary accounts reduced by one half - \$6,225
2. A review of capital projects was also undertaken however most of the projects suggested would only defer the cost or were funded via Development Charges not Taxes and so are not included as potential savings.
3. Reinstate interest and penalties on taxes and water.
4. There is enough in the Administration reserve to cover the remainder of this projected deficit at this time.

### **Childcare**

Recent communication from the Province indicates that there will be funding provided to cover expenses.

### **Recreation and Facilities**

A full review of Recreation and Building Maintenance lines have been undertaken. Management estimates that the reduction in revenue at this point will amount to \$282,000 if facilities open soon. Although staff layoffs have decreased costs by approximately \$26,000 from March to May, Management estimates that costs for extra cleaning when re-opened and extra personal protective equipment and cleaning supplies will cost \$80,000. This results in an estimated budget increase of \$336,000.

Management considered potential budget savings and have recommended the following decreases to the 2020 budget (Total \$92,000):

1. Reduction in staffing costs already realized due to lay-offs - \$26,000
2. Remove budget for extra community events - \$12,000
3. Delay in hiring Property and Project Manager has already saved approximately \$20,000
4. Use funding carried forward from 200<sup>th</sup> anniversary projects - \$34,000

Options for funding the remaining projected recreation deficit:

1. Council could consider approaching the recreation cost sharing partners for additional funding based on actuals this year. Historically and as per the cost sharing agreement, partner shares are based on the amount we budget each year. This is different than the agreement we have in place to fund a portion of Beckwith's assets which is based on actuals.
2. Council could consider not opening recreation facilities.
3. Council could choose to access the Working Fund Reserve and include annual payments to replenish the reserve over the next few years. The Working Fund Reserve is currently just over \$1 million.

### **Cash Flow**

Some municipalities are reviewing their cash flow and are concerned with losses of revenues and increasing costs due to the COVID-19 pandemic. These municipalities often have high debt payments, are reliant on revenues that have been waived or reduced due to people staying at home (e.g. Transit) or may have increased costs due to the need to provide services for Long Term Care Senior facilities, Health Unit activities or Ontario Works Programs. The Town of Carleton Place has sufficient cash available to handle current projections.

### **Provincial or Federal Relief to Municipalities**

In lieu of the annual Budget, on March 26th, the Province of Ontario released "Ontario's Action Plan: Responding to COVID-19 (March 2020 Economic and Fiscal Update)". The summary of this Action Plan is included in Attachment 3. This was Ontario's first major step in allocating resources to address the downward effect the virus has had on the economy. The Province has predicted it will see a deficit of \$20.58 billion in 2020-21 due to COVID-19, compared to \$9.28 in 2019-20. This information is changing daily, and more relief could be forthcoming.

What has not been identified in the Ontario Action Plan, or by the Federal Government are Grants to provide relief to Municipalities or through Municipalities to ratepayers. In the past when Municipalities declared emergencies, relief funding could become available. The Province has indicated this funding is not available at this time. This may change in the next few months, and staff continues to track all changes to financial resources as a result of the COVID-19 pandemic.

### **Property Reassessment**

The 2020 property tax reassessment which was to be implemented in 2021 has been delayed by the Province. This change is not going to affect the Town financially, however the impacts would be on the taxpayer where reallocation of assessment amongst different properties would occur. The reassessment is the result of property valuation shifts (increases) over the past four years. The reassessment cycle is usually every 4 years, but the delay will push the reassessment back to at least 2022. The intent is to provide more stability to taxpayers. MPAC continues to maintain the assessment roll but will not be implementing the revaluation of the entire tax base at this time.

### **Property Tax Appeal Deadlines**

In addition to the reassessment timeline being pushed back, the appeal deadlines for submitting Requests for Reconsideration (RfRs) to MPAC and appeals to the Assessment Review Board (ARB) will be extended until after the emergency declaration is lifted.

### **Note**

This report contains estimates with the information staff has at this point in time however, information is changing on a daily basis. As the Town moves to re-open, additional information will make for better estimates. Staff will continue to bring forward

status reports and will bring forth recommendations to deal with any deficit as the year progresses.

**STAFF RECOMMENDATION**

THAT Council receive the Financial Report from the Treasurer to May 31, 2020 as information.