

**COMMUNICATION 131098**

Received from Trisa McConkey, CPA, CGA, Treasurer  
 Addressed to Committee of the Whole  
 Date August 25, 2020  
 Topic Financial Report to July 31, 2020

**SUMMARY:**

The attached Financial Report provides a review of the Town's financial performance after the first seven (7) months of 2020.

**COMMENTS:**

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

<b>Operational Financial Position</b>			
Financial Statements for the period ending July 31, 2020			
	BUDGET	YEAR-TO-DATE	% OF BUDGET
<b>Revenue</b>			
ADMINISTRATION	(\$12,889,279.24)	(\$12,304,909.04)	95%
PROTECTION-POLICE	(\$20,000.00)	(\$13,452.82)	67%
PROTECTION-excluding police	(\$727,000.00)	(\$858,042.80)	118%
SOCIAL/FAMILY SERVICES	(\$3,788,148.00)	(\$1,285,473.85)	34%
TRANSPORTATION	(\$475,928.00)	(\$173,398.05)	36%
ENVIRONMENTAL-WASTE	(\$200,000.00)	(\$54,842.57)	27%
ENVIRONMENTAL-WATER/SEWER	(\$6,234,868.00)	(\$7,908,872.61)	127%
RECREATION/CULTURE	(\$1,934,607.11)	(\$669,134.51)	35%
PLANNING/DEVELOPMENT	(\$219,000.00)	(\$216,318.78)	99%
<b>Revenue Total</b>	<b>(\$26,488,830.35)</b>	<b>(\$23,484,445.03)</b>	<b>89%</b>
<b>Expense</b>			
ADMINISTRATION	\$2,417,249.51	\$1,213,837.16	50%
PROTECTION-POLICE	\$2,450,306.65	\$1,423,850.37	58%
PROTECTION-excluding police	\$2,373,726.66	\$1,179,998.13	50%
SOCIAL/FAMILY SERVICES	\$3,863,513.00	\$1,259,319.99	33%
TRANSPORTATION	\$2,704,568.18	\$1,388,717.52	51%
ENVIRONMENTAL-WASTE	\$920,204.35	\$587,112.26	64%
ENVIRONMENTAL-WATER/SEWER	\$3,564,532.79	\$1,682,870.50	47%
RECREATION/CULTURE	\$2,688,342.86	\$1,175,169.36	44%
PLANNING/DEVELOPMENT	\$779,774.94	\$215,109.20	28%
<b>Expense Total</b>	<b>\$21,762,218.94</b>	<b>\$10,125,984.49</b>	<b>47%</b>
<b>Grand Total</b>	<b>(\$4,726,611.41)</b>	<b>(\$13,358,460.54)</b>	<b>283%</b>

At July 31, 2020, the financial year is 58% complete. A variance is considered significant if it is more than 5% greater or less than 58% of the budget. Significant variances as at July 31, 2020 include:

### **Revenue Analysis**

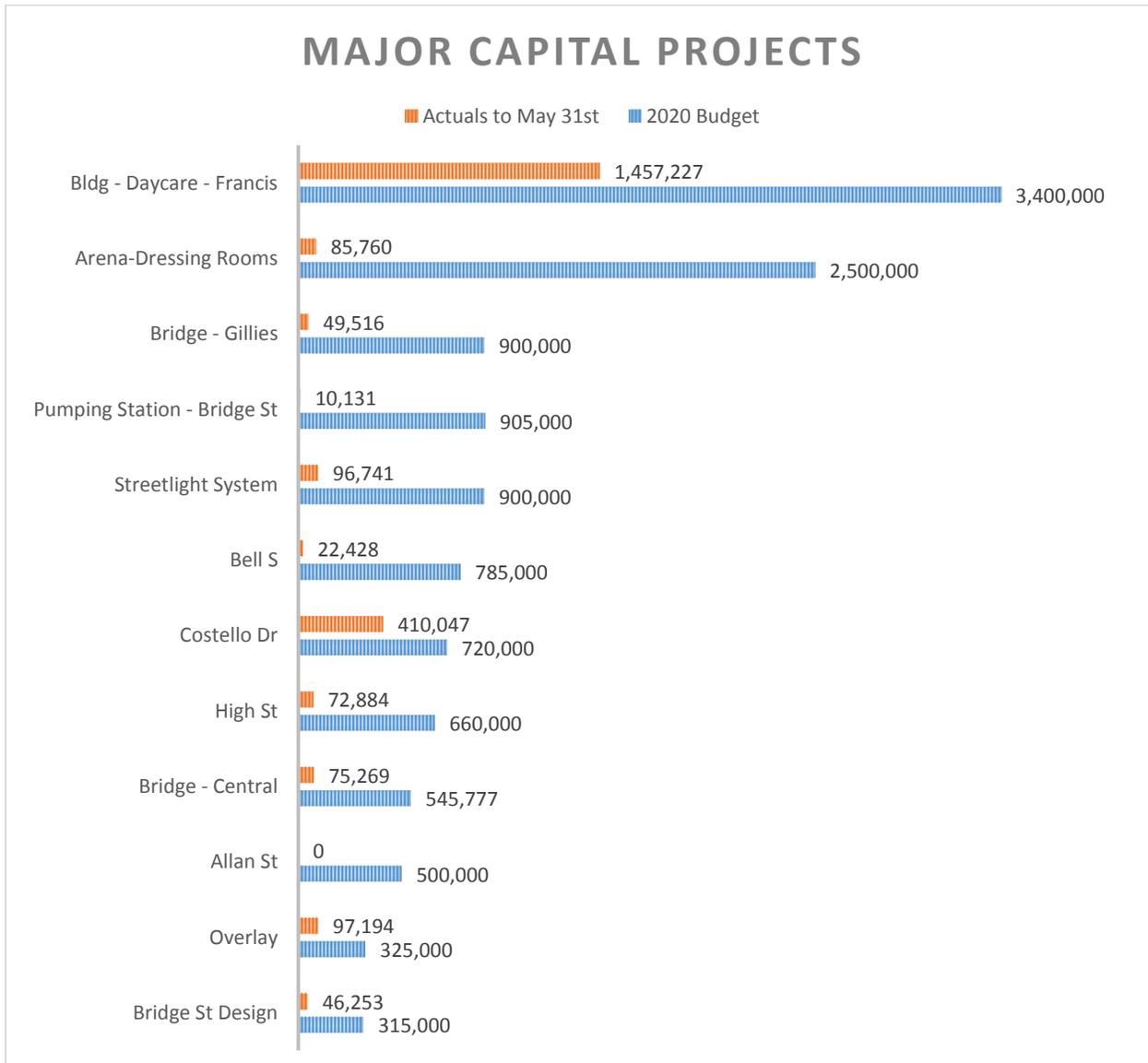
1. ADMINISTRATION – The full year's tax billing has been processed.
2. PROTECTION-POLICE – Police accident report revenue is received at the end of the year.
3. PROTECTION-excluding police – Building permit revenue collected is already \$148,997 over this year's \$650,000 budget. By-law fines are down (only 37% of budget) due to COVID.
4. SOCIAL/FAMILY SERVICES (Childcare) – revenues are down due to COVID 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 invoices to other municipalities are completed at the end of the season.
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 75% of the year's water bills have been processed.
8. RECREATION/CULTURE –Facilities were closed, and many refunds processed due to COVID. Although facilities have now reopened, revenues continue to be significantly lower than budgeted.
9. PLANNING & DEVELOPMENT – Volume of service is higher than anticipated.

### **Expense Analysis**

1. ADMINISTRATION – Only 37% of the payments due to Beckwith for the annexation of land have been processed to date.
2. PROTECTION-excluding police – CEMC/Fire Admin Support; Director of Planning & Development hired later than budgeted.
3. SOCIAL/FAMILY SERVICES – Staff laid off to mitigate loss of revenue. Indication from the Province is that childcare expenses during the COVID closure and for the extra staffing required upon re-opening will be covered in full.
4. TRANSPORTATION – New Operator had not been hired as of July 31, 2020. Transit service (bus service to Ottawa) stopped in March however these lower expenses are fully offset by revenue.

5. ENVIRONMENTAL-WASTE –The recently tendered recycling contract will result in a deficit however Public Works staff are currently analyzing what the effect will be for 2020. A report will be brought to Council in September with these details.
6. ENVIRONMENTAL-WATER/SEWER – Several maintenance activities have not yet begun. New Operator had not been hired as of July 31, 2020.
7. RECREATION/CULTURE – Staff laid off to mitigate loss of revenue.
8. PLANNING & DEVELOPMENT – New Director of Planning and Development hired later than budgeted.

Capital projects are underway however it is still early in the year and several projects are currently just getting underway, so costs remain low at this point. The following chart shows the costs to July 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 requirements continue to change. So far, we have spent almost \$45,000. 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 has implemented the following decreases to the 2020 budget (Total \$160,000):

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
4. Delay in hiring Public Works Operator - \$55,000

Other potential savings considered and not yet adopted:

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.

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. 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 \$68,000):

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 \$30,000

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 and/or closing recreation facilities.
3. Council could consider repurposing some of the Town's reserves.
4. 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**

On July 27, 2020, as part of the federal-provincial Safe Restart Agreement, the Ontario government announced that it had secured up to \$4 billion in emergency assistance to provide Ontario's 444 municipalities with the support they need to respond to COVID-19.

Under the municipal operating stream, \$1.39 billion will be available to Ontario's municipalities to address operating pressures and local needs. This funding will be allocated in two phases: 50% allocated in Phase 1 for all municipalities, and 50% allocated in Phase 2 for municipalities that require additional funding.

Phase 1 of this funding will be allocated on a per household basis and the Town of Carleton Place will receive a payment of \$284,900 to support COVID-19 operating costs and pressures. Staff will need to provide a detailed accounting for the use of this funding. Full details on what costs and/or pressures will be eligible have not yet been received so it is unclear whether reduced revenue will qualify at this point.

### **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 July 31, 2020 as information.