



OAKVILLE

REPORT

COUNCIL MEETING ADDENDUM

MEETING DATE: FEBRUARY 22, 2021

FROM: Finance Department

DATE: February 16, 2021

SUBJECT: Preliminary 2020 Financial Results and COVID Impacts

LOCATION:

WARD:

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RECOMMENDATION:

1. That the Preliminary 2020 Financial Results and COVID-19 Financial Impact report be received, and
2. That revenues from supplementary taxes and payment-in-lieu of taxes in excess of budget be transferred to the tax stabilization reserve.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The town began its response to the COVID-19 pandemic on March 16th which has an impact on many town programs, capital projects and reserves and reserve funds.
- Based on preliminary financial results the total COVID impact is estimated at \$11.4 million after savings from deliberate mitigation measures.
- On August 12th, the town received notification that it will receive \$6.9 million in emergency assistance funds under the federal-provincial Safe Restart Agreement to offset 2020 impacts of COVID-19 for transit and general operations.
- On December 15th, the town received notification that it would receive additional Safe Restart Agreement funding of up to \$4.9 million for transit related COVID impacts to cover the period of October 2020 to March 2021.
- On December 16th, the town received notification that it would receive an additional \$1.9 million in Safe Restart funding toward COVID impacts on general operation that continue into 2021.
- The province has not yet released the reporting template for the use of the safe-restart funding
- Staff will report back with a full report on the final 2020 financial results and net position in March.

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BACKGROUND:

The 2020 operating and capital budgets were approved with a net operating budget of \$207.3 million and capital budget of \$119.4 million. On March 16th the town began its response to the COVID-19 pandemic which has impacted many town programs and capital projects. This report will provide an update on preliminary 2020 year-end financial results and estimated program impacts as a result of the COVID-19 pandemic.

COMMENT/OPTIONS:

The town's response to the COVID pandemic has been multi phased and very fluid as new updates and recommendations were received from federal, provincial, and regional medical officers of health.

In response to the pandemic, on March 16th, all town facilities and Oakville Public Library branches were closed to the public, including all Recreation and Culture facilities, Central Operations, North Depot, Oakville Greenhouse, Harbours Office, Oakville Fire Facilities and the Oakville Transit Facility. Only key services were offered at the ServiceOakville counter. Further closures and limitations to Parks, Sportsfields, Transit, Building, Planning and other services offered at town hall followed as the town moved to providing only essential services and implementing physical distancing protocols. In essence, the majority of town programs and services were shut down for the period of March 16th and May 19th when the Province began Stage 1 of the Safe Re-opening plan and many revenue generating programs did not resume until Stage 2 or 3.

During this time, Council introduced measures to support residents and businesses experiencing financial impacts due to COVID-19 including the waiving of penalty and interest on property taxes, the waiving of parking fees and transit fares as well as introducing a rent deferral option for tenants of town properties.

Safe Re-opening

Starting In June, the town began to gradually re-open services in accordance with the Provinces framework for reopening with many operating under modified service levels to meet the health and safety protocols set in place. Barriers to Parks and Open Spaces were removed allowing residents to enjoy as a family, resources were hired to bring park maintenance activities to near normal service levels, Marinas opened for boat owners, the Service Oakville desk opened to the public, Contactless Library borrowing and material returns began to be offered and virtual meetings held for Committee of Adjustment, Planning & Development and other types that had been on hold. This was followed by the phase in of other modified program offerings in July and August such as select summer camps, sport fields, outdoor and indoor pools, fitness centres, library facilities and collections material refresh. In addition, services began to resume to usual operation such as transit boarding and

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fare collection, private tree inspection and tree removal permits, marriage ceremonies, business licensing and parking operations.

In September, plans to begin to reopen community centres for modified ice rentals, and other programming were initiated. However, shortly after reopening a second wave of COVID-19 began to see a rise in the number of cases, which was followed by new Provincial COVID-19 Response Framework. On November 13, the Province announced that Halton Region would move to the **Red Level (Control)** which came into effect on Monday, November 16 at 12:01 a.m. Red Level control has specific limitations on number of people permitted to participate on indoor and outdoor sports and recreational fitness, organized public events and gatherings and meeting and event spaces having a direct impact on town's services and organized sports groups that utilize town facilities.

As a result, program revenues have been significantly impacted in particular in recreation and culture programs, transit fares and parking fees. Also, additional costs have been incurred follow specific health and safety guidelines such as protective wear for staff, facility and vehicle modifications, additional janitorial cleaning and sanitization supplies, signage, communication and enhanced municipal enforcement. Overall, based on preliminary year-end financial results, the total revenue loss and additional costs are currently estimated at \$24.7 million as follows:

2020 Estimated COVID Budget Impact	\$
REVENUE SHORTFALLS:	
Recreation & Culture	12.5
Transit	5.5
Parking	1.9
Penalty & Interest on Taxes	1.9
Parks	0.7
Planning Services	0.4
Development Engineering	0.4
TOTAL REVENUE SHORTFALL	\$ 23.3
OTHER COVID COSTS	
Additional Staff Costs (overtime, maintenance, janitorial)	0.2
Facility Protective Measures(Barriers, Signage,Cleaning)	0.5
Employee and/or Customer Protection(PPE, Masks, gloves, sanitizer)	0.3
Additional Technology/Computer Equipment	0.1
Additional Municipal Enforcement Costs (Staffing,Uniforms, Office Equipment)	0.3
TOTAL OTHER COVID COSTS	\$ 1.3
TOTAL COVID REVENUE/COST IMPACT	\$ 24.7

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Budget Mitigation

These closures and modified services have had a significant impact on the town budget, in particular on revenues in programs such as transit, recreation, parking, parks, planning and building. In addition, while many services have resumed, many have modified operating models and capacity limits have been put in place to protect the health and safety of the participants. While necessary, these limits reduce the amount of revenue that can be generated compared to normal. In addition, there have been a number of unforeseen costs related to health and safety protocols such as increased janitorial and cleaning supplies, protective barrier installations and various forms of personal protective supplies.

In order to try to mitigate the financial impacts, on April 1st the difficult decision was made to issue temporary lay-offs to part-time staff, seasonal staff, casual staff and temporary recreational staff. This was followed by the approval of a full-time staff redeployment plan by Council on April 23rd, whereby various staff were redeployed to provide various community valued services such as parks maintenance activities. This allowed the town to defer the hiring of various part-time and seasonal staff that are normally hired in April which helped to further mitigate the impact.

Other mitigation measures were also taken and staff directed to reduce spending on all non-essential and less critical activities, such as deferral of minor contracted maintenance, reductions to program related expenditures in particular where services have been modified and closely monitored building systems resulting in utility savings.

At this time, the total mitigation efforts made purposely by the town to try to offset impacts of the pandemic are estimated at \$13.3 million. Therefore, the total net impact of COVID-19 on town programs and services is \$11.4 million.

TOTAL COVID REVENUE/COST IMPACT	\$ 24.7
TOWN MITIGATION MEASURES	
Town-wide Personnell Savings	(8.4)
Recreation&Culture/Library Utility Savings	(1.6)
Recreation & Culture Programming Expenses	(1.7)
Transit Fuel Savings	(0.8)
Transit Hired Contract Savings(Taxi's)	(0.8)
TOTAL MITIGATION SAVINGS	\$ (13.3)
NET COVID IMPACT	\$ 11.4

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Safe Restart Agreement Funding

On August 12th, the town received notification that it would receive a total of \$6.91 million under the federal-provincial Safe Restart Agreement (SRA) for phase 1 to provide emergency assistance support to municipalities and public transit operators to help address financial pressures related to COVID-19. Of the \$6.91million in Safe Restart Agreement (SRA) funding, \$2.45 million is Transit specific and \$4.46 is for General Operations. Subsequently, on December 15th, the town received letters from the Ministry announcing an additional allocation of \$1,886,000 in SRA General Operating stream funding would be provided for potential 2021 pressures and up to \$4,903,120 under the Transit stream to be used to address eligible expenses incurred from October 1, 2020 to March 31, 2021. Overall, the town is eligible to received up to \$13.7 million in Safe Restart funding, of which \$11.8 million is potentially available to be used to cover COVID-19 impacts in 2020 and \$1.9 million is specifically for continued impacts in 2021.

Available Safe Restart Funding	\$	Coverage Period
General Operating Stream - Phase 1	4,460,300	2020
General Operating Stream - additional allocation	1,886,000	2021
Transit Stream - Phase 1	2,447,884	April 2020 - Sept 2020
Transit Stream - Phase 2	4,903,129	Oct 2020 - March 2021
Total	\$ 13,697,313	

Based on the Transit SRA reporting guidelines provided by the Province in early November which follows specific expenditure eligibility guidelines, it is estimated that full \$2.45 million of the phase-1 Transit SRA grant can be applied to support the Transit revenue shortfall and additional costs incurred in 2020. Staff are currently assessing how much of the additional \$4.9 million will be required to cover 2020 COVID impacts and how much will be carried over to 2021, however based on preliminary results it is estimated that an additional \$0.5 to \$0.8 million will be eligible to cover the Oct – December 2020. In addition, a further \$110,000 in Municipal Transit Enhanced Cleaning (MTEC) grant funding has been submitted for specific COVID related transit expenditures. Reporting and eligibility requirements for the general SRA stream have yet to be released, therefore the exact funding formula is not known. All that has been communicated is that, the municipality will be expected to report back to the province in March 2021 with details on 2020 COVID-19 operating costs and pressures and the municipality’s overall 2020 financial position.

PRELIMINARY OERATING BUDGET RESULTS

As noted earlier, staff have been monitoring expenditures and revenues very closely since the pandemic began. Staff have had to continuously manage under different operating conditions throughout the year and react to changes as the municipality

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moved through different stages of the pandemic from essential services only to a phased in reopening plan and finally the zone based COVID-19 framework.

While the 2020 year-end is not finalized, there have been significant one-time expenditure savings as an indirect impact of COVID. Various line items such as mileage, office supplies, skills improvement, miscellaneous contracted services and external reproduction costs are all expected to come in under budget. As well, gapping savings resulting from temporary vacancies are expected to be higher than average due to the delay in recruitment as focus shifted to responding to the pandemic.

Revenues from supplementary taxes and payment-in-lieu of taxes are also expected to exceed budget due to the high number of supplementary taxes added to the roll late in the year as well as retroactive payment-in-lieu of taxes received on provincial properties. It is recommended that the revenue in excess of budget for these revenue items be transferred to the tax stabilization reserve to offset future fluctuations in these line items.

As noted earlier in the report, the province has not yet released the reporting template for the safe-restart funding received in 2020. Municipalities have been told that we will be required to report on the use of the funds by March 31, however, without the template it is difficult to know how much of the funding can be applied to 2020 and how much, if any, must be transferred to a reserve for use in 2021. Staff will be reporting to Council in March on the final unaudited year-end financial results and the use of the safe-restart funds. Recommendation of the disposition of any surplus funds not required to offset COVID impacts will be included in the report.

CONSIDERATIONS:

(A) PUBLIC

This report provides information to the public regarding the town's preliminary 2020 financial performance and overall COVID-19 impacts. No specific groups have been notified directly regarding this report.

(B) FINANCIAL

This report and the information contained therein are in compliance with the town's financial policies.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

n/a

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(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- be accountable in everything we do
- be fiscally sustainable

(E) COMMUNITY SUSTAINABILITY

This report addresses the economic sustainability of the community.

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