

RPT 20-232

TITLE: Financial Implications of COVID-19

DATE: June 4, 2020

TO: Executive Committee

PUBLIC: X

INCAMERA:

RECOMMENDATION:

That this report be received and filed.

TOPIC & PURPOSE:

This report is to provide members of Council with a high level estimate of the potential financial impact that the COVID-19 pandemic has had to the corporation of the City of Prince Albert utilizing the most current information available as of June 4, 2020.

BACKGROUND:

The City's operations have been considerably impacted in many ways as a result of mandated closures and recommendations from the Provincial Health Authority in response to the spread of the COVID-19 virus in Saskatchewan.

Summary of COVID-19 events and City responses:

- March 18 State of Emergency is declared by the Saskatchewan government.
- March 17 Closure of all public facilities except City Hall, Transit, Airport, Cemetery, and Landfill.
- March 20 Prince Albert City Hall - last day open to the public.
- March 20 Cease water shut offs, except in regard to the water meter replacement project.

March 27	Cease ticketing for parking enforcement.
April 6	Suspension of Destination Marketing Levy.
April 8	Motion to waive utility penalties from April 1 to September 30.
April 8	Motion for property tax deadline to be moved from June 30 to September 30 via signed declaration of financial hardship from the property owner.
April 23	The Saskatchewan government announces Re-Open Saskatchewan.
May 4	First day of Phase I of Re-Open Saskatchewan.
May 19	First day of Phase II of Re-Open Saskatchewan.
May 19	Parking and ticketing enforcement is reinstated.

PROPOSED APPROACH AND RATIONALE:

This financial forecasting provides a financial impact for the remainder of the fiscal year, calculated to December 31, 2020. Several assumptions and forecasts have been included within this report to forecast projections. Due to the fluidity of the situation, the forecasts could significantly change as the phase-in of the Saskatchewan Re-Open Plan progresses.

The following key objectives are largely reflective of those which Administration utilized when making the urgent decisions in the early days of the pandemic through the Emergency Operations Centre (EOC). As the Corporation continues to address the many issues it faces in this unprecedented time, these objectives need to guide the decisions moving forward.

1. Compliance with Provincial Legislation, the Saskatchewan Health Authority and Union Contracts.
2. Financial stresses of the Corporation, along with residents & commercial industry.
3. Need to preserve the Corporation's assets.
4. Monitor the Corporation's cash and liquidity.
5. Utilization of reliable information that is based on factual evidence when making decisions.
6. Pursue all available funding alternatives to fund the deficit for 2020 and potential financial implications in 2021.

There are many possible solutions and options available for each situation that needs to be addressed by Administration and City Council with varying impacts that may be positive for some and negative for others. The complicated task is finding a reasonable balance of actions to address these, at times, competing priorities.

Preliminary Financial Projections Due to Pandemic

In addition to over a dozen recreational facilities and parks, operational impacts including the loss of revenue and additional expenses have been experienced in areas such as:

1. Property tax interest and penalty revenue;
2. Waiving of utility fund penalties;
3. Parking meter and fine revenue;
4. Transit;
5. Landfill;
6. Airport; and,
7. Cost of borrowing.

Savings have also been realized in multiple areas such as:

1. Utility savings at recreation facilities; and,
2. Staffing wages and benefits (lay-offs of casual employees, vacancy savings, voluntary leave and postponed call-backs of seasonal employees).

Analysis / Estimates Update Since June 1st Council Meeting

The forecasts within the report are based on facilities closed to December 31, 2020 (with the exception of the Cooke Municipal Golf Course which has been adjusted). The forecast is utilizing actuals to the end of April with improved estimates for May. Actuals to the end of May were not finalized at the time of writing this report.

There have been changes to the estimated revenues since presented at the June 1st Council meeting but there have been no adjustments to expenditures at this time. Details are attached in Appendix B1 and Appendix B2.

As of June 4, the updated forecast of the financial impact of COVID-19 to December 31, 2020 is estimated at \$632,588. The change is due to the following items:

- a. Parking and ticket enforcement resumed May 19. The estimated total impact revenue loss is \$541,185 (previous estimate of revenue loss was \$775,026). See 2, 3, 7, 8 in the revenues chart below.

- b. Transit revenue loss is \$222,912 (previous estimate was \$189,912). The savings from temporarily removing the rush bus route is \$33,000 instead of \$68,000. See 4 below.
- c. Landfill revenue loss increased to \$178,475 (previous estimate was \$116,450). May volume was lower than expected. The estimated revenue loss is 7.8% up from 5.1%. See 6 below.
- d. Airport revenue loss increased to \$70,711 (previous estimate was \$49,955). May traffic was lower than expected. See 10 below.

2020 YEAR-END PROJECTIONS RELATED TO COVID IMPACTS				
	March - June	July - September	October - December	Total
Revenues:				
1 Recreation Centres & Programs Revenue	\$ 1,060,522	\$ 842,894	\$ 1,178,324	\$ 3,081,740
2 Parking Ticket Revenue	97,671	79,952	42,090	219,713
3 Parking Meter Revenue	90,724	68,077	35,839	194,640
4 Public Transit Revenue	110,255	55,369	57,288	222,912
5 Utility Fund Penalty & Interest Revenue	82,575	82,575	-	165,150
6 Landfill Fee Revenue	115,433	33,972	29,070	178,475
7 Parking Lot Revenue - Sask Polytech	24,635	20,440	34,270	79,345
8 Parking Lot Revenue - Downtown Lots	23,608	18,205	5,674	47,487
9 Building Permit Revenue	16,650	16,650	16,700	50,000
10 Airport Landing Fee Revenue	30,719	20,004	19,988	70,711
11 Property Tax Penalty Revenue	-	35,940	-	35,940
Net Revenue Cost (Savings)	\$ 1,652,791	\$ 1,274,078	\$ 1,419,243	\$ 4,346,113

	March - June	July - September	October - December	Total
Expenditures:				
12 Reduced Staffing	(\$ 1,037,025)	(\$ 960,610)	(\$ 512,090)	(\$ 2,509,725)
13 Saved Expenses at Recreation Centres & programs	(419,088)	(456,895)	(513,866)	(1,389,850)
14 Grant Reduction - Tourism & Marketing	(35,230)	(35,230)	(29,540)	(100,000)
15 Council meetings	3,400	2,800	3,600	9,800
16 Unexpected Costs/Revenue	35,000	35,000	30,000	100,000
17 Borrowing - Tax Deferral	39,167	117,500	19,583	176,250
Net Expenditure Cost (Savings)	(\$ 1,413,777)	(\$ 1,297,435)	(\$ 1,002,313)	(\$ 3,713,525)
Total Estimated Net Cost	\$ 239,015	(\$ 23,785)	\$ 416,930	\$ 632,588

Other impacts to note:

- Social distancing has significantly altered the way the workforce provides services which significantly impacts service levels and delivery methods which could result in the loss of revenue and/or increased costs.
- The hold on property water shut offs due to outstanding accounts contributes to the need for cash. There is no enforcement to pay and some residents are experiencing financial difficulties so there is the expectation that some accounts will remain unpaid until September 30, 2020.
- There could be additional costs if facilities and programs are re-opened to the public, but with limited attendees and usage. There is a point where cost could substantially exceed revenue if attendance is limited and fails to bring in corresponding budgeted revenue.

Closure of public recreation facilities provide some savings but reopening of these same facilities will contribute to an increase in costs. This will be due to the number of occupants allowed entry as well as the public's desire to use these facilities.

Cash liquidity:

- Line of Credit increase of \$10 million – Required for cash liquidity due to the deadline extension of property taxes for three (3) months and the waiving of utility penalties for six (6) months (no enforcement). Bylaw 11 of 2020 will be presented at the May 19 Council meeting for 3rd reading.
- Short term loan for \$10 million – Required for cash liquidity and same reasons as the request for the line of credit increase. Bylaw 12 of 2020 was passed at the April 27 Council meeting.
- Debt Limit increase of \$10 million – Increase the debt limit from \$55 million to \$65 million. The unexpected need to borrow for cash requirements has pushed the City to the current debt limit. The increase may be required in order to fulfill the 2020 planned capital projects that were identified as needing debt financing. Council approved the increase April 27 and this will be pursued with the Saskatchewan Municipal Board (SMB).
 - No impact to impound lot.
 - The operating budget has been thoroughly reviewed and expenditures have been reduced such as travel, education and supplies, however, this will not be enough to offset the additional costs incurred due to COVID-19.
 - Ceasing water shut offs for outstanding accounts. This reduces payment enforcement and there will be some accounts that will not be paid prior to September 30, 2020.
 - Funding the deficit for 2020 will need to be addressed. If relief is not provided by the Federal or Provincial government, the City will need to identify how the deficit will be funded at year-end. It is likely that any deficit from 2020 will be carried over to 2021.

COMMUNICATION AND/OR ANNOUNCEMENT PLAN:

The Communication Manager will provide the required public update.

FINANCIAL IMPLICATIONS:

The financial implications are outlined within the report.

OTHER CONSIDERATIONS/IMPLICATIONS:

There is no privacy implications, options to the recommendation, official community plan implementation strategies or other considerations.

STRATEGIC PLAN:

Fiscal Management and Accountability – Administration is providing the potential financial impact as a result of COVID-19. This is to align priorities and initiatives and to deliver municipal services in cost-effective ways.

Infrastructure – Administration is presenting a sustainable plan that supports the long-term strategy of supporting growth.

PUBLIC NOTICE:

Public Notice pursuant to Public Notice Bylaw No. 24 of 2015 is not required.

PRESENTATION: Verbal presentation by Cheryl Tkachuk

ATTACHMENTS:

Appendix A1 – Financial Impact Update: COVID-19

Appendix A2 – Financial Impact Update: COVID-19, Quarterly Summary by Area

Appendix B1 – Financial Impact Update: COVID-19

Appendix B2 – Financial Impact Update: COVID-19, Quarterly Summary by Revenue and Expenditures

Written by: Cheryl Tkachuk, Director of Financial Services

Approved by: City Manager