

**RPT 20-398**

**TITLE:** Financial Implications of COVID-19

**DATE:** September 28, 2020

**TO:** Executive Committee

**PUBLIC:** X **INCAMERA:**

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**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 September 11, 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.

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- 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.
- May 22 City opens Cooke Municipal Golf Course.
- June 8 First day of Phase III of Re-Open Saskatchewan.
- June 22 First day of Phase IV, Part 1 of Re-Open Saskatchewan.
- Provided the ability to re-open Outdoor Pools, Spray Parks, Outdoor Sports Fields for training purposes and day camps for children and youth.
- June 29 First day of Phase IV, Part 2 of Re-Open Saskatchewan.
- Provided the ability to re-open Libraries, Museums, Art Galleries, Community Halls and Theatres. Games can also be scheduled on the Outdoor Sports Fields.
- July 6 Phase IV, Part 2 of Re-Open Saskatchewan.
- Provided the ability to re-open Indoor Pools, Indoor Rinks, and allow for indoor sports and activities and performing arts.
- July 16 Phase IV, Part 2 of Re-Open Saskatchewan.
- Allowed reopening of banquet and conference facilities.

**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 need 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.

**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. Potential cost of borrowing.

Savings have also been realized in multiple areas such as:

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

#### Analysis / Estimates Update Since August 10<sup>th</sup> Executive Committee Meeting

The impact of COVID-19 on facility closures has been updated based on the Re-Open Saskatchewan plan and decisions made by Council. The assumption is that most facilities will be able to return to modified operations in September or October. The forecasts within the report are based on actual results to date, the re-opening of facilities to date, and expected re-openings based on the Re-Open Saskatchewan Plan guidelines.

The forecast is utilizing actuals to the end of August. Actuals to the end of September were not finalized at the time of writing this report.

There have been changes to the estimated revenues and expenditures since presented at the August 10, 2020 Executive Committee meeting. Details are attached in Appendix B1 and Appendix B2.

As of September 11, the updated forecast of the financial impact of COVID-19 to December 31, 2020 is estimated at \$1,096,951 (previously \$906,606). The change is due primarily to the following items:

- Total cost of borrowing \$20M to stabilize cash flow until December 31, 2020 was initially estimated at \$176,250. The initial estimate was based on an increase to the line of credit of \$10M and a short term loan of \$10M. As of the date of this report, Administration does not believe that borrowing will be required for the following reasons:
  - Tax revenues were received in a timely manner as less than 50 taxpayers applied for an extension due to COVID-19.
  - The Provincial government disbursed the annual Municipal Revenue Sharing grant totalling \$7,245,008 for 2020/2021 by June 30, 2020 in order to assist municipalities with potential cash flow challenges due to COVID-19. This resulted in additional cash flow received of approximately \$4.1M by June 30, 2020 compared to disbursement frequency in prior years.
  - The City received \$5,163,587 of Municipal Economic Enhancement Program (MEEP) funding from the Provincial government in July 2020 to

assist with funding for capital projects. Due to the financial impact of COVID-19, approved capital projects for 2020 may not have proceeded without this funding.

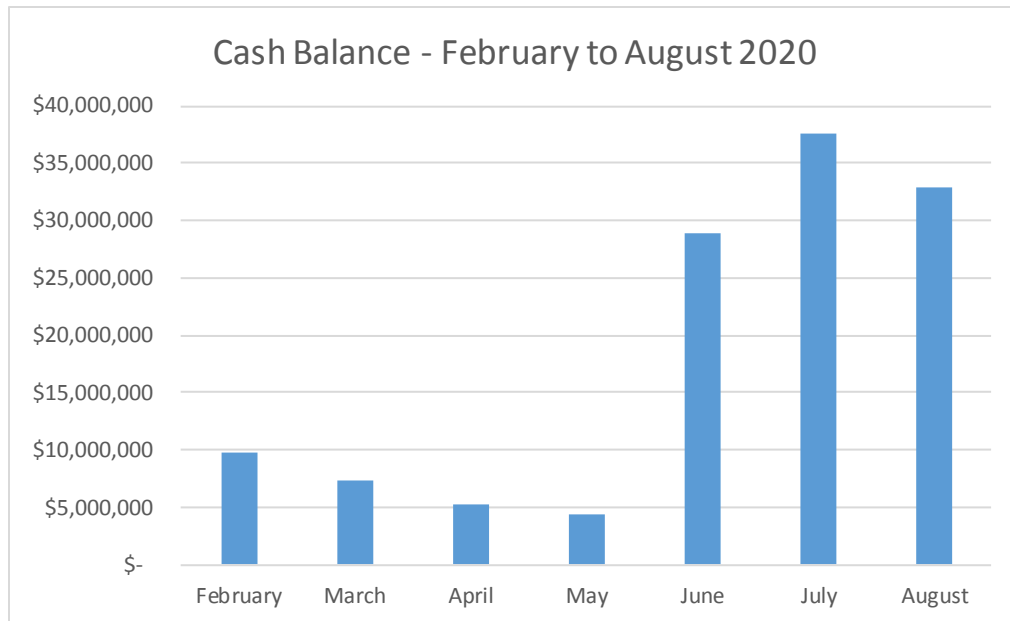
The estimated cost of borrowing has been reduced to \$14,000 (previously \$162,250).

- The projected lost revenue for Community Services recreation centres and programs has been increased to \$2,047,268 (previously \$1,782,249). The estimate has been increased based on a review of actual results to date and expected re-openings. Estimated revenue losses have been increased to be conservative as limitations on capacity have not been lifted.
- An increase of \$150,000 is due to an expected increase in bad debt expense related to an expected required increase in the allowance for doubtful accounts related to utilities. The amounts owing will not be written off with the hopes that the City can collect from the customer in the future.
- Landfill usage was down from April to June but revenues exceeded budget in July and August indicating that the impact from COVID-19 may not be as significant as initially estimated. The projected revenue loss is \$27,008 (previously \$129,174).

#### Funding and Cash Requirements:

- 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 was passed at the May 19 Council meeting. The line of credit increase is now in place. As of the date of this report, the increase in the line of credit has not been required and it is the City's intention that the increase in the line of credit will be removed on December 31, 2020.
- 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. As of the date of this report, the City does not believe that a short term loan will be required.

- Please refer to the chart below for information on the City's cash balance:



Note: The cash balance on June 30, 2020 was \$28.9 million which is comparable to the cash balance on June 30, 2019 of \$29.2 million

- 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 request April 27 and the increase has been approved.
- The City has recently received information that it will be receiving a total of \$2,284,582 in Federal funding related to Safe Restart Municipal allocations. \$141,453 of this funding is specific to the City's transit operations.
- 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 has contributed to reduced cash flow.

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.
- From April 1, 2020 to September 30, 2020 there were no penalties and no enforcement for collecting outstanding utility accounts. Some residents are experiencing financial difficulties and utilities have not been kept current. Therefore, there will be accounts that will remain unpaid past September 30, 2020, if not into 2021.
  - The substantial increase in active overdue water utility accounts. Risk of collection on these accounts will be higher as it will be difficult to bring their accounts back to current.
  - A \$150,000 increase in bad debt expense related to utilities is anticipated for 2020.
- When facilities and programs are re-opened to the public, reduced revenue and additional costs could result due to 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 has contributed to an increase in costs. The number of occupants as well as the public's desire to use these facilities will directly affect revenue and expenditures.

**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, Director of Financial Services.

**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