

DATE: June 29, 2020
REPORT NO: RFD-T-12-20
SUBJECT: **May 2020 Budget Status Report**
CONTACT: Donna DeFilippis, Treasurer/Director of Finance

OVERVIEW:

- **Presentation and Analysis of operating and capital expenditures as of May 2020 compared to the 2020 approved budget.**
- **Analysis of COVID-19 Pandemic Impact on the Township of West Lincoln's Financial Position is included in this report**

RECOMMENDATION:

- 1) That, Report RFD-T-12-20, regarding the "May 2020 Budget Status Report", be received for information; and,
- 2) That, Council approves that water services will not be disconnected for non-payment for the remainder of 2020.

BACKGROUND:

The Finance Department has completed a review of operating results up to the end of May 31, 2020. **Appendix A** is a summary of the Operating Revenues and Expenditures up to May 31, 2020. The analysis has taken into account the timing and seasonality of certain budget lines. The column titled "Budget" under the "Operating YTD" heading on the attached analysis indicates the portion of the budget that would be expected to be expended as of May 31, 2020. This report summarizes the actual operating expenditures up to May 31st, 2020 by service area. **Appendix B** to this report is a presentation of May 31st results by "object" code and includes Capital expenditures. Finally, **Appendix C** to this report provides Council with a snapshot of the Uncommitted Reserve and Reserve Fund Balances projected to December 31, 2020.

Revenue Analysis:

At the end of February, the first property tax instalment bills have been generated, with the first instalment due and payable on February 28th, 2020. The second instalment date is April 30th, 2020. The final property tax bills should be issued in late June, with two instalment dates proposed for the end of July and the end of September. The impact of the COVID-19 Pandemic on Township Revenues will be discussed later in this report.

Expenditure Analysis:

Township operating budgets are currently within the approved budget. The impact of the COVID-19 Pandemic on Township Expenditures will be discussed later in this report.

Purchasing Activity:

The Township's purchasing policy grants the CAO purchasing authority up to \$100,000. In the month of May, the CAO approved the following (the Amount column is before taxes):

Vendor	Amount	Project
Associated Engineering	\$ 39,246	Brock St. Rd and Watermain
Watson & Associates	\$ 32,900	Water & Wastewater Study and Financial Plan
Premier Equipment	\$ 41,459	ParkTractor
Gauboc Construction Ltd.	\$ 69,225	Sidewalks-Townhall and John Street
Anthony's Excavating	\$5.40/m	Rural Ditching

The above prices are within the approved project budget.

Financial Impact of COVID-19:

Council has approved the following measures as a means of providing financial relief to West Lincoln residents and property owners:

Council approved the following effective March 17, 2020 to June 30, 2020:

- The waiver of penalty for non-payment or late payment of taxes levied and charged in 2020;
- The waiver of penalty and any other associated fees for non-payment or late payment of water bills issued in 2020;
- The waiver of penalty on Accounts Receivable amounts past due;
- The waiver of NSF (non-sufficient funds) charges; and,
- Water services will not be disconnected for non-payment of the first quarterly water bills, which will be due on May 1st, 2020.

The above measures resulted in a loss of revenue to the Township of \$56,470. Over the above period we have had 3 customers drop out of our Pre-Authorized Payment Plans. These plans currently have approximately 1,200 customers enrolled in them.

Staff is recommending that the current practice resulting from COVID-19 of not disconnecting water services be continued for the remainder of 2020. Staff is anticipating that this recommendation will result in an estimated loss in revenue of \$4,000. Before COVID-19, water customers would face disconnection of water services if balances were left unpaid following two months after the due date. Reconnection would take place only once payment was received in full. In order to manage water arrears for the remainder of 2020, staff will review individual cases and have the authority to add outstanding balances to property tax accounts.

Attached as **Appendix D** to this report is a summary of the financial impact of COVID-19 on the Township finances. The report outlines lost revenue, additional expenditures and mitigating factors. It is estimated that the Township would have an **overall negative impact of \$129,600 up to December 31, 2020** as a result of the COVID-19 pandemic. If savings in other budget lines are not realized, a transfer from the Contingency Reserve will be required. In addition, any Capital expenditures incurred related to the current crisis will be funded through the Contingency Reserve. The projected loss related to water of \$14,880 included in the above amount will have a negative impact on the water reserve.

The Township closed all of its facilities to the public, except the Township office, effective March 14th, 2020. The Township office closed to the public at noon on March 17th, 2020. The closure of the West Lincoln Community Centre resulted in the cancellation of booked rentals, March Break Camp, drop-in programs and fitness classes. In addition, the spring fitness program has been cancelled. These cancellations have resulted in estimated loss revenue to the Township of \$88,230. This figure assumes that no field rental fees are collected in 2020.

In addition, due to the current economic impact of COVID-19 on the business community, staff has made the decision not to approach local businesses for flower basket sponsorship, resulting in a further loss in revenue of \$5,000. Staff is also projecting a loss in investment and banking interest revenue of \$23,000 due to lower interest rates.

In response to the current crisis, the Township has incurred some additional costs such as the purchase of additional hand sanitizer, cleaning supplies, protective equipment and signage. Also, additional expenditures have been incurred related to Information Technology as the Township transitions to conducting business while maintaining social distancing. New ways of conducting business with the use of technology have been quickly implemented to ensure service continuity. At this point, actual costs incurred are \$16,620. An estimated additional cost of \$60,000 has been included in the analysis and includes anticipated Capital expenditures that will be incurred as the Township transitions into opening to the public. This figure is strictly an estimate, and will be updated as actual costs are determined.

Mitigating factors have provided an offset to the lost revenue and additional expenditures. The estimated total of \$89,000 results from the delay in hiring of new positions approved in the 2020 budget. This savings is up to June 30th, after which hiring would commence. Also, the Township will have lower expenditures due to the laying off of crossing guards and the cancellation of spring fitness classes. Canada Day will be celebrated virtually, in collaboration with other Niagara municipalities. Staff is projecting a savings from the cancellation of Township Canada Day programming of approximately \$34,700.

The Emergency Orders issued in response to the Pandemic and overall financial volatility has impacted the issuance of building permits. This may result in home building deferrals which would impact the Township's Supplementary Tax Revenues.

The Library will also have lower expenditures as they have had to lay-off part-time staff. However, the impact has not been reflected in this analysis, as any savings within the Library are transferred into the Library reserve.

Staff will continue to monitor the financial impacts as a result of the COVID-19 pandemic and will update Council as required. **Appendix D** includes an estimate of the loss in productivity costs that the Township has incurred. For example, several staff members have been active participants in the EOC (Emergency Operations Center) which has impeded their ability to complete their regular duties. In addition, certain employees have been working on modified schedules, resulting in a loss of productivity. Although these costs have been budgeted for, there has been a loss in capacity. This may result in delays to regular projects and may impact service delivery. Staff has estimated that the loss in productivity due to the current emergency is approximately \$729,700 up to the end of December 31, 2020. This opportunity cost is included in **Appendix D** as that data will be used by the Niagara Region in their advocacy activities to both the Provincial and Federal governments, on behalf of all Niagara municipalities.

CONCLUSION:

It is concluded that Council receive the May 2020 Budget Status Report as an item of information and that Council support the continuance of not shutting off water services to those customers unable to pay their water invoices.

Prepared by:



Donna DeFilippis
Treasurer/Director of Finance

Approved by:



Bev Hendry
CAO

APPENDIX "A"

TOWNSHIP OF WEST LINCOLN

For the Five Months Ending Sunday, May 31, 2020

	Operating YTD				Operating Total		
	Actuals	Budget	Variance (\$)	Variance (%)	Budget	Variance (\$)	Variance (%)
General							
General	(\$3,539,044.94)	(\$3,778,635.00)	(\$239,590.06)	6.%	(\$9,068,700.00)	(\$5,529,655.06)	61.%
Equipment	141,359.14		-141,359.14	0.0%		-141,359.14	0.0%
Total General	-3,397,685.80	-3,778,635.00	-380,949.20	10.0%	-9,068,700.00	-5,671,014.20	63.0%
General Government							
Governance	97,298.39	120,760.00	23,461.61	19.0%	289,800.00	192,501.61	66.0%
Corporate Management	852,440.40	684,580.00	-167,860.40	(25.0%)	1,643,000.00	790,559.60	48.0%
Total General Government	949,738.79	805,340.00	-144,398.79	(18.0%)	1,932,800.00	983,061.21	51.0%
Protection Services							
Fire	260,966.02	517,345.00	256,378.98	50.0%	1,241,600.00	980,633.98	79.0%
Building Permit & Inspection Se	57,656.37	40,375.00	-17,281.37	(43.0%)	96,900.00	39,243.63	40.0%
Provincial Offences Act	-7,032.05	-7,455.00	-422.95	6.0%	-17,900.00	-10,867.95	61.0%
Animal Control	4,775.76	8,835.00	4,059.24	46.0%	21,200.00	16,424.24	77.0%
Total Protection Services	316,366.10	559,100.00	242,733.90	43.0%	1,341,800.00	1,025,433.90	76.0%
Transportation Services							
Roads Paved & Unpaved	717,975.34	863,450.00	145,474.66	17.0%	2,072,300.00	1,354,324.66	65.0%
Traffic Operations & Roadside I	-22,020.37	101,435.00	123,455.37	122.0%	243,400.00	265,420.37	109.0%
Winter Control	224,196.53	285,240.00	61,043.47	21.0%	684,600.00	460,403.47	67.0%
Crossing Guards	23,694.50	28,505.00	4,810.50	17.0%	68,400.00	44,705.50	65.0%
Streetlights	-34,427.27	10,535.00	44,962.27	427.0%	25,300.00	59,727.27	236.0%
Bridges & Culverts	18,392.78	91,915.00	73,522.22	80.0%	220,600.00	202,207.22	92.0%
Total Transportation Services	927,811.51	1,381,080.00	453,268.49	33.0%	3,314,600.00	2,386,788.49	72.0%
Environmental Services							
Wastewater	-15,923.67		15,923.67	0.0%		15,923.67	0.0%
Storm Sewer	8,066.54	48,125.00	40,058.46	83.0%	115,500.00	107,433.46	93.0%
Water	-48,339.27	5.00	48,344.27	966885.0%		48,339.27	0.0%
Total Environmental Services	-56,196.40	48,130.00	104,326.40	217.0%	115,500.00	171,696.40	149.0%
Heath Services							
Cemeteries	16,365.56	34,670.00	18,304.44	53.0%	83,200.00	66,834.44	80.0%
Total Heath Services	16,365.56	34,670.00	18,304.44	53.0%	83,200.00	66,834.44	80.0%
Recreation & Cultural Services							
Parks	42,757.32	161,120.00	118,362.68	73.0%	386,700.00	343,942.68	89.0%
Recreation Programs	105,344.22	151,245.00	45,900.78	30.0%	363,000.00	257,655.78	71.0%
Recreational Facilities	199,344.37	232,450.00	33,105.63	14.0%	557,900.00	358,555.63	64.0%
Libraries	182,573.00	267,045.00	84,472.00	32.0%	640,900.00	458,327.00	72.0%
Total Recreation & Cultural Services	530,018.91	811,860.00	281,841.09	35.0%	1,948,500.00	1,418,481.09	73.0%
Planning & Development							
Planning & Heritage	181,018.55	114,865.00	-66,153.55	(58.0%)	275,700.00	94,681.45	34.0%
Drainage	14,062.28	17,335.00	3,272.72	19.0%	41,600.00	27,537.72	66.0%
Climate Change	14,824.74	6,250.00	-8,574.74	(137.0%)	15,000.00	175.26	1.0%
Total Planning & Development	209,905.57	138,450.00	-71,455.57	(52.0%)	332,300.00	122,394.43	37.0%
	-503,675.76	-5.00	503,670.76	(10073415.0%)		503,675.76	0.0%

APPENDIX "B"

TOWNSHIP OF WEST LINCOLN

Summary of All Units

For the Five Months Ending Sunday, May 31, 2020

	YTD				Annual		
	Budget	Actual	Variance (\$)	Variance (%)	Budget	Remaining (\$)	Remaining (%)
Operating Revenue							
Tax Levy	\$3,137,670.00	\$3,527,253.33	(\$389,583.33)	(12.%)	\$7,530,400.00	\$4,003,146.67	53.%
Street Light Levy	32,875.00	46,621.56	-13,746.56	(42.%)	78,900.00	32,278.44	41.%
Sidewalk Levy	45,625.00	56,225.16	-10,600.16	(23.%)	109,500.00	53,274.84	49.%
Supplemental Levy	25,000.00		25,000.00	100.%	60,000.00	60,000.00	100.%
Payment In Lieu	298,040.00	464.77	297,575.23	100.%	715,300.00	714,835.23	100.%
User Fees	2,103,345.00	1,233,980.00	869,365.00	41.%	5,048,000.00	3,814,020.00	76.%
Government Transfers	558,370.00	452,628.44	105,741.56	19.%	1,340,100.00	887,471.56	66.%
Other Revenue	466,535.00	187,225.69	279,309.31	60.%	1,119,700.00	932,474.31	83.%
Funding From Reserves	274,040.00		274,040.00	100.%	657,700.00	657,700.00	100.%
Total Operating Revenue	6,941,500.00	5,504,398.95	1,437,101.05	21.%	16,659,600.00	11,155,201.05	67.%
Operating Expenses							
Salaries and Wages	2,174,450.00	1,927,226.89	247,223.11	11.%	5,218,700.00	3,291,473.11	63.%
Benefits	622,790.00	538,365.57	84,424.43	14.%	1,494,800.00	956,434.43	64.%
Debt Interest	257,955.00	313,652.63	-55,697.63	(22.%)	619,100.00	305,447.37	49.%
Administrative Expenses	125,140.00	56,883.53	68,256.47	55.%	300,300.00	243,416.47	81.%
Supplies and Equipment	148,555.00	100,965.25	47,589.75	32.%	356,500.00	255,534.75	72.%
Repairs and Maintenance (Materials Only)	620,725.00	587,511.20	33,213.80	5.%	1,489,700.00	902,188.80	61.%
Utilities	201,530.00	143,932.90	57,597.10	29.%	483,700.00	339,767.10	70.%
Insurance	99,245.00	91,336.93	7,908.07	8.%	238,200.00	146,863.07	62.%
Subscriptions and Periodicals	2,960.00	3,666.06	-706.06	(24.%)	7,100.00	3,433.94	48.%
Contracted Services	1,293,520.00	704,031.13	589,488.87	46.%	3,104,400.00	2,400,368.87	77.%
Special Projects	277,675.00	142,519.86	135,155.14	49.%	666,400.00	523,880.14	79.%
Rents and Financial Expenses	27,375.00	11,893.73	15,481.27	57.%	65,700.00	53,806.27	82.%
External Transfers	15,540.00	34,050.00	-18,510.00	(119.%)	37,300.00	3,250.00	9.%
Internal Functional Adjustments	-5.00		-5.00	100.%			0.%
Allocation of Program Support	5.00		5.00	100.%			0.%
Tax Write Off	31,165.00	8,725.30	22,439.70	72.%	74,800.00	66,074.70	88.%
Debt Principal	297,875.00	331,139.97	-33,264.97	(11.%)	714,900.00	383,760.03	54.%
Contribution to Reserves	744,995.00		744,995.00	100.%	1,788,000.00	1,788,000.00	100.%
Total Operating Expenses	6,941,495.00	4,995,900.95	1,945,594.05	28.%	16,659,600.00	11,663,699.05	70.%
Operating Surplus/(Deficit)	5.00	508,498.00	-508,493.00			-508,498.00	0.%

APPENDIX "B"

	YTD				Annual		
	Budget	Actual	Variance (\$)	Variance (%)	Budget	Remaining (\$)	Remaining (%)
Capital Revenue							
User Fees	723,495.00		723,495.00	100.0%	1,736,400.00	1,736,400.00	100.0%
Government Transfers	417,500.00	90,930.00	326,570.00	78.0%	1,002,000.00	911,070.00	91.0%
Other Revenue	2,085.00	8,035.00	-5,950.00	(285.0%)	5,000.00	-3,035.00	(61.0%)
TCA Sale Proceeds		2.00	-2.00	0.0%		-2.00	0.0%
Proceeds From Debentures	392,750.00		392,750.00	100.0%	942,600.00	942,600.00	100.0%
Funding From Reserves	1,064,460.00		1,064,460.00	100.0%	2,554,700.00	2,554,700.00	100.0%
Total Capital Revenue	2,600,290.00	98,967.00	2,501,323.00	96.0%	6,240,700.00	6,141,733.00	98.0%
Capital Expenditures							
Land Improvements	166,665.00	28,058.63	138,606.37	83.0%	400,000.00	371,941.37	93.0%
Facilities	791,665.00	50,357.86	741,307.14	94.0%	1,900,000.00	1,849,642.14	97.0%
Equipment	88,085.00	42,636.23	45,448.77	52.0%	211,400.00	168,763.77	80.0%
Rolling Stock	263,330.00	680,488.45	-417,158.45	(158.0%)	632,000.00	-48,488.45	(8.0%)
Transportation Infrastructure	787,710.00	758,720.76	28,989.24	4.0%	1,890,500.00	1,131,779.24	60.0%
Environmental Infrastructure	502,835.00	6,330.08	496,504.92	99.0%	1,206,800.00	1,200,469.92	99.0%
Total Capital Expenditures	2,600,290.00	1,566,592.01	1,033,697.99	40.0%	6,240,700.00	4,674,107.99	75.0%
Capital Surplus/(Deficit)		-1,467,625.01	1,467,625.01	0.0%		1,467,625.01	0.0%

APPENDIX "C"

RESERVE FUND AND RESERVE BALANCES WITH 2020 BUDGET IMPACTS

	PROJECTED UNCOMMITTED December 31, 2019	BUDGET IMPACTS 2020	PROJECTED UNCOMMITTED 2020
RESERVE FUNDS:			
BUILDING REVENUES RESERVE	\$ 718,848	-\$ 196,500	\$ 522,348
LIBRARY	\$ 98,185	-\$ 26,200	\$ 71,985
TOTAL RESERVE FUNDS	\$ 817,033	-\$ 222,700	\$ 594,333
RESERVES:			
ARENA BUILDING FUND	\$ -	\$ 1,400	\$ 1,400
RECREATION	\$ 1,003	\$ -	\$ 1,003
TECHNOLOGY	\$ 21,878	-\$ 11,200	\$ 10,678
PLANNING RESERVE	\$ 15,114	\$ 80,000	\$ 95,114
CEMETARIES	\$ 30,000	-\$ 35,000	\$ 5,000
ACCESSIBILITY RESERVE	\$ 29,491	\$ -	\$ 29,491
EQUIPMENT RESERVE	\$ 284,443	-\$ 117,000	\$ 167,443
STREET LIGHTS	\$ 53,079	\$ -	\$ 53,079
ELECTION EXPENSE	\$ 50,765	\$ 36,000	\$ 86,765
RATE STABILIZATION RESERVE	\$ 59,000	\$ -	\$ 59,000
FIRE RESERVE	\$ 145,900	\$ 213,000	\$ 358,900
FACILITY RESERVE	\$ 84,242	-\$ 25,600	\$ 58,642
WORKING FUNDS	\$ 135,159	-\$ 45,000	\$ 90,159
SIDEWALKS	\$ 121,179	\$ 9,000	\$ 130,179
INSURANCE	\$ 187,655	\$ -	\$ 187,655
SETTLEMENT ROAD AGREEMENT RESERVE	\$ 361,112	-\$ 270,000	\$ 91,112
BRIDGES	\$ 72,498	\$ 23,000	\$ 95,498
WATER DEPT. PROJECTS	\$ 556,534	-\$ 157,500	\$ 399,034
ROADS-WINTER CONTROL	\$ 412,100	\$ 63,100	\$ 475,200
WIND TURBINE COMMUNITY FUND RESERVE	\$ 557,219	-\$ 243,000	\$ 314,219
SEWER PROJECTS	\$ 898,307	-\$ 266,300	\$ 632,007
CAPITAL	\$ 1,106,167	-\$ 177,500	\$ 928,667
CONTINGENCIES	\$ 704,599	-\$ 129,100	\$ 575,499
INDUSTRIAL PARK	\$ 160,570	\$ -	\$ 160,570
HOSPITAL RESERVE	\$ 1,250,000	\$ -	\$ 1,250,000
TOTAL RESERVES	\$ 7,298,014	-\$ 1,051,700	\$ 6,246,314
TOTAL RESERVE FUNDS AND RESERVES	\$ 8,115,047	-\$ 1,274,400	\$ 6,840,647

APPENDIX "D"

FINANCIAL IMPACT OF COVID-19 ESTIMATED TO DECEMBER 31, 2020

		Actual	Estimated	Total
REVENUE LOSS				
Relief Measures				
Waiver of Current Tax Interest				
	April	\$ 7,020.00	\$ -	\$ 7,020.00
	May	\$ 20,030.00	\$ -	\$ 20,030.00
	June	\$ 16,045.00	\$ -	\$ 16,045.00
		<u>\$ 43,095.00</u>	<u>\$ -</u>	<u>\$ 43,095.00</u>
Waiver of Water Penalty & Charges				
	April	\$ 1,340.00		\$ 1,340.00
	May	\$ 5,200.00	\$ -	\$ 5,200.00
	June	\$ 2,380.00	\$ 1,980.00	\$ 4,360.00
	July to Dec	\$ -	\$ 3,980.00	\$ 3,980.00
		<u>\$ 8,920.00</u>	<u>\$ 5,960.00</u>	<u>\$ 14,880.00</u>
Waiver of AR Interest				
	April	\$ 1,260.00		\$ 1,260.00
	May	\$ 280.00	\$ -	\$ 280.00
	June	\$ 935.00	\$ -	\$ 935.00
		<u>\$ 2,475.00</u>	<u>\$ -</u>	<u>\$ 2,475.00</u>
Total Relief Measures		<u>\$ 54,490.00</u>	<u>\$ 5,960.00</u>	<u>\$ 60,450.00</u>
Closures				
	Facility Rentals (includes Arena)	\$ 33,260.00	\$ -	\$ 33,260.00
	March Break Camp	\$ 7,490.00		\$ 7,490.00
	Fitness Classes	\$ 2,080.00	\$ 9,000.00	\$ 11,080.00
	Public Skating & Drop-In		\$ 5,800.00	\$ 5,800.00
	Field Rental		\$ 30,600.00	\$ 30,600.00
Total Closures		<u>\$ 42,830.00</u>	<u>\$ 45,400.00</u>	<u>\$ 88,230.00</u>
Other				
	Beautification Sponsors	\$ -	\$ 5,000.00	\$ 5,000.00
	Decrease in Bank Interest Revenue		\$ 23,000.00	\$ 23,000.00
Total Other		<u>\$ -</u>	<u>\$ 28,000.00</u>	<u>\$ 28,000.00</u>
TOTAL REVENUE LOSS		<u>\$ 97,320.00</u>	<u>\$ 79,360.00</u>	<u>\$ 176,680.00</u>
ADDITIONAL EXPENSES		<u>\$ 16,620.00</u>	<u>\$ 60,000.00</u>	<u>\$ 76,620.00</u>
MITIGATING FACTORS				
	Non-Hiring of New 2020 Staffing Positions	\$ -	\$ 69,500.00	\$ 69,500.00
	Cancellation of Township Canada Day Programming		\$ 34,700.00	\$ 34,700.00
	Crossing Guard Layoffs	\$ -	\$ 14,000.00	\$ 14,000.00
	Fitness Classes Instructors	\$ -	\$ 5,500.00	\$ 5,500.00
TOTAL MITIGATING FACTORS		<u>\$ -</u>	<u>\$ 123,700.00</u>	<u>\$ 123,700.00</u>
TOTAL		<u>\$ 113,940.00</u>	<u>\$ 15,660.00</u>	<u>\$ 129,600.00</u>
OPPORTUNITY COST (note 1 below)				<u>\$ 729,700.00</u>

Note 1: Opportunity Cost represents staff time allocated towards managing the pandemic, as well as staff at-home, unable to work