



REPORT

ADMINISTRATION/FINANCE/FIRE COMMITTEE

DATE: November 16, 2020

REPORT NO: T-24-2020

SUBJECT: **October 2020 Budget Status Report**

CONTACT: Donna DeFilippis, Director of Finance

OVERVIEW:

- **Presentation and Analysis of operating and capital expenditures as of October 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 T-24-2020 dated November 16, 2020, regarding the "October 2020 Budget Status Report", be received for information.

ALIGNMENT TO STRATEGIC PLAN:

Theme #6

- **Efficient, Fiscally Responsible Operations-** the Township of West Lincoln is a lean organization that uses sustainable, innovative approaches and partnerships to streamline processes, deliver services and manage infrastructure assets.

BACKGROUND:

The Finance Department has completed a review of operating results up to the end of October 31st, 2020. **Appendix A** is a summary of the Operating Revenues and Expenditures up to October 31st, 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 October 31st, 2020. This report summarizes the actual operating expenditures up to October 31st, 2020 by service area. **Appendix B** to this report is a presentation of October 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. In addition to the monthly status reports, staff have included **Appendix D**, which is a summary of the impact of the COVID-19 pandemic on Township finances, projected to December 31st, 2020.

CURRENT SITUATION:

Revenue Analysis:

The final property tax bills were issued at the end of June, with two instalment dates: the last business day of July and September. The impact of the COVID-19 Pandemic on Township Revenues will be discussed later in this report. Planning Department revenues are below expected budget as at the end of October 31st, 2020, resulting in the budget line being over-budget. If this trend were to continue for the last quarter of 2020 a deficit compared to budget would occur. Staff is hopeful that this decrease in revenue could be offset by other mitigating items in other budget lines.

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 October, the CAO approved the following (the Amount column is before taxes):

Vendor	Amount	Project
Niagara Motors	\$ 66,800.00	Pickup Trucks(2)

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 for the remainder of 2020.

The cost to the Township for the above relief measures is \$60,470.

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 \$285,064 up to December 31, 2020** as a result of the COVID-19 pandemic.

On August 12th, staff were notified that the Township would be in receipt of **\$329,800** through the federal-provincial Safe Restart Agreement. This allocation was calculated on a per household basis. Our Township will be accountable for using this funding for the purpose of addressing the impacts of COVID-19 on the Township's operations. Any excess funds will have to be placed into a reserve to be accessed to support COVID-19 operating costs and pressures that will continue into 2021. At the time of preparing this report, there has been no announcement regarding any funding available to municipalities to manage 2021 COVID-19 operating costs.

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 (WLCC) resulted in the cancellation of booked rentals, March Break Camp, drop-in programs and fitness classes. In addition, the spring and fall fitness program have been cancelled. Field rental income was extremely limited and arena revenue from September to December 2020 is anticipated to only be 68% of the budget. All of these items results in a forecasted decrease in revenues of \$139,580.

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 \$89,129. An estimated additional cost of \$6,900 has been included in the analysis and will be updated as actual costs are determined.

Additional expenses also include increased staffing costs for cleaning and screening at the Community Centre, estimated at \$26,415 in total. In addition, the line item "Wastewater Reconciliation Increase attributable to COVID-19" totalling \$66,300 has been added to Appendix D as a cost attributable to the Pandemic.

The Niagara Region bills the lower tier municipalities wastewater fixed costs based on an estimated share (a distribution based on average wastewater flows of each municipalities previous three years). An annual adjustment or reconciliation is applied to apportion the budgeted cost using actual flows. The most recent data received from the Niagara Region indicates that the Township is currently in a position to pay an additional \$241,000 on top of the annual cost of \$1,238,000 which is billed equally over a 12-month period. The Township budgets an annual amount in anticipation of this reconciliation, based on the average prior five years. For 2020, this amount was \$60,700. Staff have analysed a large amount of data related to wastewater flows as a result of this large reconciling figure. Staff have noted that the months of April to July 2020 have seen the Township experience lower wastewater flows than the same period of the previous year. Although flows have decreased, the Township's percentage of total flows measured has increased. Staff has recognized that this is attributable to other Niagara Municipalities having much larger drops in flows. This particularly impacts municipalities that were

impacted by large decreases in commercial and industrial usage. For example, in May 2020, the Township experienced a 10% reduction in flows, however, the average among the other Niagara municipalities was approximately 30%. In essence, West Lincoln is contributing a larger percentage of the total. The impact calculated during the months of April to July 2020 has been estimated at \$66,300. The remainder of the reconciliation, estimated at an additional \$174,700 will be partially funded through the 2020 budget (\$60,700) with the remainder funded through the sewer reserve (\$114,000).

During the month of October, it was necessary for staff to transfer additional Hall Board Grants totalling \$7,570 to Wellandport Hall Board and Caistor Community Center Hall Board. These additional grants will assist the Hall Boards with their ability to pay their utility bills. Council is reminded that the two facilities represented through these two Hall Boards are owned by the Township. Typically, the revenue generated through Hall Board rentals is sufficient to cover utility costs. Unfortunately, the current pandemic has severely restricted their ability to raise funds.

Mitigating factors totalling \$151,200 have provided an offset to the lost revenue and additional expenditures. An estimated total of \$69,500 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 was 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 Library has also incurred costs related to the Pandemic, which at this point will be mitigated by the laying off of part-time staff for a period of time while the Library was closed. However, the impact has not been reflected in this analysis.

As part of their advocacy efforts to both the Provincial and Federal Governments, the Niagara Region requested that the lower tier municipalities summarize any COVID-19 related costs that may fall within their approved budget. These items do not have any financial impact on the Township, instead, they represent items that are related to the Township's response to the COVID-19 Pandemic using resources already budgeted for. At the start of this pandemic, certain employee groups adopted work schedules that impeded their ability to attend work on a full-time basis. A total of \$166,000 is attributable to the staff time related to the above circumstance.

In addition, several staff members and all of Senior Management have been active participants in both the EOC (Emergency Operations Centre) and the COVID-19 Recovery Team. It has been estimated that for the first 15 weeks of the pandemic (March to June) Senior Management spent approximately 60% of their time managing the pandemic, with other senior staff spending approximately 40% of their time. For the period July 1st to December 31st, we are estimating that Senior Management and other senior staff are spending on average approximately 29% of their time on COVID -19 related issues. The staff costs related to the estimates above equate to approximately \$531,900.

The total of the two situations above is \$697,900. Again, this is not a cost to the Township, but instead is an approximation of staff time both spent managing and responding to the COVID-19 pandemic

INTER-DEPARTMENTAL COMMENTS:

This report was reviewed by the CAO.

CONCLUSION:

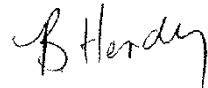
It is concluded that Council receive the October 2020 Budget Status Report as an item of information.

Prepared & Submitted by:



Donna DeFilippis, Director of Finance

Approved by:



Bev Hendry, CAO