Subject: Forecast of Operational Impacts on Town Finances from COVID 19
Report Number: FIN 20-15
Author: Dave Rushton, CPA, Director of Finance
Meeting Type: Council Meeting
Meeting Date: Tuesday, April 14, 2020

RECOMMENDATION
THAT Council receives Report FIN 20-15 Forecast of Operational Impacts on Town Finances from COVID-19, as information.

BACKGROUND

In mid-March Tillsonburg, like many communities in Canada and around the world reacted to a pandemic that is impacting the world. Actions have been taken to protect the citizens of Tillsonburg and stop the spread of this disease. Operational activities in Town facilities have a far different look than just a month ago. The Tillsonburg Community Centre and Museum have been closed to the public. The Corporate office, Customer Service Centre, Airport and the Cemetery have closed their doors but are available by appointment if needed.

DISCUSSION

The entire corporation has had major impacts with many staff working from home or in a different location to create physical separation. To date the Recreation Culture and Parks Department has experienced the largest operational and financial impact and as such here is the data and concerns thus far.

Revenue Losses:
All facility booking and program revenue for RCP ceased beginning with March 15. Prorated credits or refunds have been issued for cancelled programs and lessons. The only RCP revenue sources that have not been reduced to zero are from the Cemetery operations and from the Elliott Fairbairn lease. Building/By-law revenue has been reduced as a result of Provincial direction, however this should not result in any impact on taxation.

Labour Cost Reductions:
To date, there have been 44 Records of Employment (ROEs) issued as a result of COVID-19 impacts. The majority of the ROEs consist of crossing guards and RCP part time staff. In addition, there are approximately an additional 34 positions, comprising of
full-time, part-time, seasonal, and summer student positions that will not be filled as a result of impacts to services and redeployment of current staff, as a result of COVID-19. Furthermore, there is a moratorium on hiring across the Corporation, except for positions deemed essential by the CAO. As of the writing of this report no full time personnel have been laid off, but some have had to go on medical leave as a result of COVID-19. Several full time RCP program staff have been redeployed to the facilities operations to provide enhanced sanitizing at all Town facilities or redeployed to support essential cemetery administration work normally done by part time staff. Further redeployment of full time RCP program staff is being implemented starting in mid-April to carry out parks and facilities functions that would normally have been done by seasonal workers and/or students or to backfill for essential workers who must self-isolate and therefore cannot come to work. Directors are reviewing their Business Continuity Plans on an ongoing basis.

Other Cost Reductions:
All reasonable utility conservation steps have been taken at closed facilities under the current operating model, balancing the need to conserve energy with the need to avoid humidity and circulation related damage to the building and contents (i.e. mould). Across the Corporation, any workers that can perform their work from home are being asked to do that. Contracted janitorial services at closed facilities have been stopped and scaled back at minimally staffed locations. However, janitorial services have been enhanced at key operational locations. Elective training expenditures across the Corporation have been stopped. Spending on advertising has been stopped, except for the weekly newspaper content and special COVID-19 radio messages.

COVID-19 Related Costs:
The pandemic has required additional spending in a number of areas, for example on IT equipment to support alternative work arrangements, PPE for workers, additional cleaning services and sanitization supplies, signage for closed amenities and open spaces, and mileage for staff who must travel in separate vehicles. These costs are being tracked and kept separate from normal expenses so that the Town can report on the costs associated with managing the pandemic response.

Staff Redeployment:
With the elimination of seasonal and summer student work, the reason that redeployment of full-time program staff to parks functions is necessary is that Municipal trails are seeing a much higher level of use than usual for this time of year because of the limited options available, even with the social distancing requirements being observed. As well, the Town and its community partners and user groups have spent many thousands of dollars and hundreds of hours improving the condition of municipal sports fields and in beautification efforts downtown and at ANHS. Failing to maintain at least a basic level of seasonal maintenance work in these areas will result in those investments having been wasted and require a much greater expense to bring them back to an acceptable standard. When the restrictions are lifted, the community will expect to be able to enjoy these facilities right away.
CONSULTATION

Members of the Senior Leadership Team, Finance Staff and the Director of Recreation Culture and Parks assisted in the preparation of this report.

FINANCIAL IMPACT/FUNDING SOURCE

From mid-March until the end of June RCP will lose about $425,000 in revenue. In an effort to mitigate this loss, RCP has implemented steps to reduce costs such as labour, utilities, contracted cleaning, training and supplies by about $250,000. This creates a large negative variance from our current 2020 budget which will be impossible to mitigate by the end of the year. Staff from all departments will be working to reduce costs however except for RCP, Airport and Building, service levels have not decreased. By the year end, any shortfall will have to be funded through the tax rate stabilization reserve as, unlike the Provincial and Federal governments, Municipal Governments cannot operate in a deficit. The reserve can support a COVID-19 related variance of about $500,000.

COMMUNITY STRATEGIC PLAN (CSP) LINKAGE

1. Excellence in Local Government
   ☒ Demonstrate strong leadership in Town initiatives
   ☒ Streamline communication and effectively collaborate within local government
   ☒ Demonstrate accountability