To: Mayor and Council  
From: Janet Koziel, Treasurer  
Date: April 15, 2020  
Committee of the Whole Date: April 20, 2020  
Title: COVID-19 – Preliminary Overview of Potential Financial Impacts

Recommendation: The Council of the Corporation of the Town of Smiths Falls receive this report for information purposes only.

Purpose:  
To provide Council with an early indication of potential financial impacts of the COVID-19 pandemic on the Town of Smiths Falls.

Background:  
Staff have been monitoring and assessing the potential financial impacts to the Town since the onset of the pandemic. Only a few months after approving the 2020 budget, a variety of operating expenditures and revenues are now expected to be impacted.

Budget/Financial Implications:  
While it is too early to quantify all of the potential impacts, some of the more significant variances (both favourable and unfavourable) are outlined below.

- POA Court – Potential reduction in POA revenue due to lower ticket volumes. However, it is important to note that road safety is still a policing priority and traffic enforcement will continue.

- Parking Meter Revenue – Suspension of parking payment at meters and municipal parking lots.

- Museum/Library/Arena/CDC – Some expenditure savings/revenue loss due to facility closures.
• Technology Services – Additional costs related to increased internet bandwidth which is required to ensure capacity for staff working remotely and the need to purchase additional laptops, etc.

Other expected savings across multiple services and departments include:

• Fuel – Short/medium term savings due to significant drop in fuel prices
• Operational savings relating to travel, meeting expenses, conferences, training and mileage due to office closure, travel restrictions and cancelled events

In addition, there is a possibility of major longer-term impacts depending on the duration and severity of the pause in economic activity including:

• Cost of Borrowing – a lower cost of borrowing for planned 2020 capital financing (total projected borrowing is $1.9M) would lower the amount of debt servicing costs required in the 2021 budget and beyond

• Property taxes – the economic disruption could lead to a material increase in tax write-offs

• Delay in 2021 increased tax assessments by MPAC – The 2021 assessments will remain consistent with 2020 assessment

• Building Activity – If construction activity is materially reduced, there could be a lower amount of supplementary taxes collected as well as a reduction in building permit revenue

• Additional costs related to COVID-19 (i.e. personal protective equipment, cleaning supplies, overtime costs, etc.) which may or may not be recovered through the Province. To date, staff are tracking these costs which equate to approx. $24K

The above is by no means meant to be a comprehensive list but rather an early view of some of the potential financial impacts.

Cash Flow Implications
Staff have been assigned to monitor and analyze the level of cash flow. Here are some points to consider:

• Waived Penalty - As of March 23rd, Council approved a by-law to waive penalty for late payments. Until such time as this by-law is repealed, the impact of loss revenue will be approximately $25K per month for tax and utility bills

• Delay in payment of tax and utility billing could be significant due to the temporary closure of several local businesses deemed to be non-essential (Tax and utility revenue accounts for 75% of the town’s revenue sources)
• Fees and Charges – This revenue source (i.e. ice rental, child care, cemetery fees, etc.) accounts for approx. 6% of our overall revenue. Loss of ice rental revenue “alone” has been estimated to be approx. $87 K

• OMPF and other grants – This revenue source accounts for approx. 14% of our overall revenue. The next installment for OMPF is historically received mid-April which equates to $897 K. Other grant installments are typically paid in July (i.e. federal gas tax, OCIF formula-based funding @approx. $565 K.) We have not received any indication that these payment dates have been altered in any way

• Potential Adjustment to 2020 Final Tax Bill Installment Dates - More significant implications would result if it is deemed necessary to adjust future tax installment dates for the 2020 final tax bill (approximate revenue $7,196,752) which have historically been June 30th and August 31st

• Temporary Borrowing Capacity - One option available to the Town to manage cash flow is available through our 2020 Temporary Borrowing By-law 10119-2020; maximum temporary borrowing limit of $3 M. The Treasurer will report to Council prior to borrowing, if short-term borrowing should be required. Note: The Town would be required to pay interest on such short-term borrowing which has not been budgeted for. As of March 23, interest rate is 2.45%

• Deferral/Delay of 2020 Capital Projects – Staff are in the midst of reviewing construction projects approved as part of the 2020 capital budget and connecting with the construction community to assess the practically of issuing certain tenders in 2020. At this point, the two significant projects that are deemed essential and will continue are the Town Hall complex renovations and the Beckwith St. reconstruction project. Here is a brief summary of delayed or potentially deferred projects; subtotal approx. $605 K:

  ✓ Pumper Truck (10% holdback) $ 35,074  
  ✓ Plow Truck $285,000  
  ✓ Data Retention (Multi-Year) $ 30,000  
  ✓ Library Renovations (Multi-Year) $200,000  
  ✓ Park Improvements $ 25,000  
  ✓ Benches/Chairs/Picnic Tables $ 30,000

• Bridge Borrowing – As noted above, the 2020 capital budget includes approx. $1.9 M in capital financing which is allocated to the complex renovations and infrastructure projects. Hence, if required, we could obtain partial funds to offset the ongoing cost of construction. We would be required to pay interest on this bridge borrowing which has not been budgeted for

• Additional Internal Borrowing from Building Services Obligatory Reserve Fund – The current balance in this reserve fund is approx. $1.37 M (Council has approved approx. $575 K of these funds for the LED streetlighting project; projected balance $795 K.)
Other strategies to be considered if further cost reductions are necessary:

- Short-term hiring freeze including summer students
- Review material and contractor costs short-term needs
- Reduce service levels, where deemed possible
- Reduce contribution to capital reserves
- Staff will continue to work with other financial associations and municipal treasurers in the area to share ideas and strategies to respond to the financial and operational impacts of this pandemic
- Other cost reduction strategies

Staff will continue to monitor and assess the financial implications of what has been a rapidly evolving and highly unpredictable situation. As indicated, it is difficult at this time to quantify the impact of individual items as well as the overall impact to the Town. That being said, staff are of the preliminary view that ultimately the pandemic will result in a 2020 operating shortfall at year-end. Hence, discussions have commenced with respect to opportunities to reduce discretionary spending across both the operational and capital budgets.

**Link to Strategic Plan (By-Law 10054-2019):**
Guiding Principle – Financial Accountability & Transparency

**Existing Policy:**
By-Law 8892-2016 “Reserve Management Policy”

**Consultations:**
Senior management

**Notes/Action (space for Council Member’s notes):**

Respectfully Submitted:  

Janet Koziel  
Treasurer

Approved for agenda by CAO:  

Malcolm Morris, CMO  
Chief Administrative Officer