



## Report to Council

Department: Corporate Services  
Division: Finance and Business Services  
Date: May 3, 2021  
Prepared by: Katelynn Giurissevich, CPA, CA, Manager, Finance and Business Services  
Report Number: Finance and Business Services-2021-05  
Subject: COVID-19 Financial Impact at December 31, 2020  
Number of Pages: 18 (including attachment)

### Recommendation(s)

**That** Finance and Business Services- 2021-05 entitled COVID-19 Financial Impact at December 31, 2020 prepared by Katelynn Giurissevich, CPA, CA, Manager, Finance and Business Services dated May 3, 2021 be received.

### Purpose

To provide Council with the estimated financial impact of the COVID-19 pandemic as of December 31, 2020.

### Background and Discussion

The extraordinary nature of the COVID-19 pandemic has and will continue to impact the **Town's financial position for the foreseeable future, the degree is uncertain.**

Council and administration have monitored and continue to monitor the COVID-19 environment and the impacts as a result of COVID-19. Measures were introduced throughout

the onset of the pandemic, throughout 2020, and have continued into 2021 to ensure the health and safety of staff and residents. Additional measures attempted to provide economic relief where possible.

## Timeline of Events

On March 11<sup>th</sup>, 2020 COVID-19 was declared a pandemic by the World Health Organization.

Immediately following the emergency declaration, Administration put into place processes to track the financial impact that may be experienced due to the pandemic. This included the creation of an Emergency Event cost centre which would allow the Town to quantify additional and non-budgeted expenditures, and or costs associated with the COVID-19 pandemic.

On March 16<sup>th</sup>, at a special meeting of Council, Council approved the waiver of penalty and interest on property tax and interest on water and sanitary accounts, to provide financial relief to residents.

On March 17<sup>th</sup>, the Government of Ontario declared a state of emergency which included the closure of indoor recreational programs, indoor dining, public libraries, schools, and daycares. It also introduced a gathering limit to help reduce the transmission of the disease.

On March 18<sup>th</sup>, following the emergency order, all Town facilities were closed to the public. **Staff at Town offices were redeployed to multiple facilities or used a temporary “work-from-home” model to ensure the proper social distancing guidelines were being followed. As a result of the closures, all Town recreational programming and rentals were cancelled until further notice.**

On March 22<sup>nd</sup>, the County of Essex and all lower-tier municipalities, including the Town of Essex, declared a state of emergency. Administration worked with neighboring municipalities to ensure a consistent approach in the fight against COVID-19.

On March 25<sup>th</sup>, more orders were introduced including the closure of all “non-essential businesses” as well as outdoor recreational programs or facilities.

On April 27<sup>th</sup>, the Government of Ontario unveiled its “Framework for Reopening our Province”. The framework laid out three stages of reopening, which required assessments at the provincial level before a region was permitted to move into the next stage.

On May 4<sup>th</sup>, Council approved the recommendation of the Essex Fun Fest Committee to cancel the 2020 Essex Funfest.

On May 19<sup>th</sup> the province, including the Town of Essex, entered Stage 1 of the framework.

Effective June 1<sup>st</sup>, the Town began reopening administrative buildings to the public with several new protocols, following the guidance of the local Health Unit. All non-sport field parks and beaches, as well as the Harbor, were reopened for passive use only.

Throughout June, business owners were encouraged to apply for reimbursement of patio or outdoor expansion through the Town’s “Community Improvement Plan”. On June 15<sup>th</sup>, Council approved the creation of the “Digital Grant Program” to assist local business in digital marketing and online sale expansion.

On June 25<sup>th</sup>, the Town of Essex entered Stage 2, which permitted the reopening of certain businesses including hair and beauty, personal services, as well as restaurants and bars for outdoor dining.

On July 6<sup>th</sup>, the “Business Relaunch Fund” was approved by Council to assist eligible business owners in their safe reopening. This program was the first of its kind in Essex County and neighboring municipalities have since launched their own concept.

On July 27<sup>th</sup>, the Government of Ontario announced funding of up to \$4 billion in emergency assistance for municipalities through the Safe Restart Agreement.

Although the reporting period for this report is for month ending July 31, 2020, it is important to note the following events since this date, which include:

On August 12<sup>th</sup>, the Town of Essex was moved into Stage 3 by the Government of Ontario. This meant that non-essential businesses and other previously closed facilities, were able to re-open with increased social distancing measures and health and safety protocols, as **recommended by the local Health Unit. Some “larger scale” or higher risk venues are still not permitted for reopening.**

On August 12<sup>th</sup>, the Town received further details on the funding investment through the federal-provincial Safe Restart Agreement. For the municipal operating stream, \$1.39 billion will be available to address pressures and local needs arising from COVID-19. The funding will be allocated in two phases: 50% in Phase 1 for all municipalities based on household count, and 50% in Phase 2 for municipalities that require additional funding.

On September 28<sup>th</sup>, **Premier Doug Ford states that the province has entered the “second phase” of the coronavirus pandemic.**

On October 9<sup>th</sup>, under Phase 1 of the Safe Restart Agreement, the Town received \$543,800. Excess funding is required to be placed into reserves for future costs or pressures as a result of the pandemic. Reporting will also be required with details on the 2020 COVID-19 operating costs and pressures as well as the overall 2020 financial position. To date, the required reporting and submission thereof has not been received by the Town for completion.

On November 3<sup>rd</sup>, the province releases a five-tiered colour system for determining the regulations in place of geographic zones dependent on their current pandemic state. Green (standard measures) **being “prevent”, Yellow (strengthened measures) being “protect”, Orange (intermediate measures) being “restrict”, Red (stringent measures) being “control”, and Grey (maximum measures) being “lockdown”.**

On December 11<sup>th</sup>, Windsor-Essex moves into lockdown under this new system.

On December 21<sup>st</sup>, a province wide shutdown is announced to commence Boxing Day and end 4 weeks after that date for certain Southern Ontario zones and 2 weeks after that date for Northern Ontario zones.

December 28<sup>th</sup>, an announcement is made detailing that vaccinations are in the beginning stages with 13,200 being administered at that date.

This report captures the estimated financial impact to the Town of Essex as a result of COVID-19 up to December 31, 2020. The following events have occurred outside of the reporting period captured within this report:

On January 8<sup>th</sup>, 2021, under Phase 2 of the Safe Restart Agreement, the Town received \$230,000 to assist with 2021 COVID-related operating pressures.

On February 1<sup>st</sup>, 2021, a variant case is announced in Mississauga.

On February 16<sup>th</sup>, 2021, a large portion of Ontario moves out of **shutdown** and into **“red zone”** lockdown.

On March 4, 2021 it was announced the Town would receive \$441,468, in two equal installments on or before May 1, 2021 and November 1, 2021. These funds were approved under the COVID-19 Recovery Funding for Municipalities program.

On April 1<sup>st</sup>, 2021, **Ontario activates the “emergency brake” for a four week period, Ontario-wide.**

April 16<sup>th</sup>, 2021, Ontario enhances restrictions and extends the **“emergency brake”** to last until at least May 20, 2021.

## COVID-19 Financial Impact Analysis

Administration identified revenue or expense groupings that were at higher risk of impact as a result of the COVID-19 pandemic. For relevancy, administration identified, analyzed and

removed all groupings that were identified as having a low risk of being affected by COVID-19. Summarized below are the account groupings that have been and will likely continue to be affected during the COVID-19 pandemic. Due to the instability of the events and measures surrounding the pandemic, it is extremely difficult to forecast the pandemic's annual impact. Therefore, it is important to note that this report is compiled at a point in time, utilizing the best available information at that point. What has been stated below is the total actual impact as of December 31<sup>st</sup>, not including user rate supported services such as water and sanitary sewer. The estimated impact on these divisions has been identified as low risk and impacted minimally by the COVID-19 pandemic.

## Revenue Impacts

The total impact to revenue for period ending December 31, 2020 versus period ending December 31, 2019 is a decrease in revenue of \$2,204,764. This decrease is further broken out by department and impacted revenue groupings as summarized below.

Revenue by Department	Year to date: December 31			
	2019	2020	Actual 2020 vs 2019	
Grouping	Actual	Actual	\$ Change	% Change
Community Services	2,582,323	1,299,839	(1,282,484)	-50%
General Government	584,914	336,764	(248,150)	-42%
Infrastructure Services	519,341	448,518	(70,823)	-14%
Development Services	94,631	72,061	(22,570)	-24%
Other (Animal Control, Conservation, Health Services)	13,109	73,861	60,752	464%
Reserve Revenue (not within divisions)	1,240,212	598,723	(641,489)	-52%
<b>Total</b>	<b>5,034,530</b>	<b>2,829,766</b>	<b>(2,204,764)</b>	<b>-44%</b>

Revenue by Grouping	Year to date: December 31			
	2019	2020	Actual 2020 vs 2019	
Grouping	Actual	Actual	\$ Change	% Change
User Fees and Service Charges	3,254,854	1,981,908	(1,272,946)	-39%
Fines and Penalties	303,090	130,541	(172,549)	-57%
Investment Income - operating	236,374	118,594	(117,780)	-50%
Investment Income - reserves	1,240,212	598,723	(641,489)	-52%
<b>Total</b>	<b>5,034,530</b>	<b>2,829,766</b>	<b>(2,204,764)</b>	<b>-44%</b>

The most significant impact(s) to each revenue grouping are summarized below.

#### User Fees and Service Charges

As part of the government orders introduced, the Town saw the immediate closure of all recreational facilities including the Essex Recreation Complex, all four community centers, and both arenas. This meant that user fee revenue from programming and rentals during the closure period were significantly impacted.

The majority of the decline in User Fees for period ending December 31, 2020 versus the same period for 2019 was experienced within the Community Services Department, and is from the cancellation of recreational programming, harbor rentals, ice rentals and other various facility rentals. It should be noted that these impacts will continue until operations return to where they were pre-COVID-19.

Listed below is a summary of the top 10 decreases found within the Community Services Department. These decreases amount to nearly 80% of the total decline in User Fees and Service Charges Revenue.

Revenue Account	Decrease from Revenue 2019 to 2020
Ice Rental	431,954
Youth Recreation Programs	138,538
Youth Swim Lessons	128,366
Sign Advertising	81,349

Preschool Swim Lessons	59,673
Building Leases and Rentals	51,657
Recreation Equipment Sales	37,292
Preschool Recreation Programs	34,670
Entertainment Gate	32,200
Auditorium and Gym Rental	23,447
<b>Total</b>	<b>1,019,146</b>

### Fines and Penalties

The main contributor to the decline in Fines and Penalties revenue grouping was a direct result of the waiver of penalties and interest on property tax accounts. In March, the **Essex County Treasurer's group met and developed a recommendation for the waiver of penalties** and interest on property tax accounts as a way to provide flexibility to residents as they work through the financial hardships of the pandemic. Council approved this waiver to provide relief and align with neighboring lower-tier municipalities. The waiver of interest expired on October 1, 2020. Below is a summary of the monthly financial impact resulting from the waiver:

<b>Penalty and Interest Waived on Property Tax</b>	
<b>Month</b>	<b>2020</b>
April	16,353
May	33,828
June	29,192
July	23,893
August	36,699
September	28,937
<b>Total</b>	<b>168,902</b>

### Investment Income

At December 31, the Town experienced a decline in investment revenue, compared to 2019 figures, of over \$720,000 as summarized in the table below. This decrease can be directly attributed to interest earned. Losses due to the March 4, 2020 decrease in the Bank of Canada's overnight rate will have one of the largest impacts on the municipality. Much of the



impact to interest earned is not directly captured within the Town's Budget; with 89% falling within the Town's Reserve and Reserve Funds.

The interest rate earned on Town investments dropped from 2.42% to 0.92% during the pandemic. The Town was projected to earn an approximate \$1.5 million (balance of \$60 million) on Reserve and Reserve Funds and \$145,000 (balance of \$6 million) on the Town's general fund which is captured within the 2020 Budget.

	Operating Funds			Reserve Funds			Total Operating and Reserve Interest Loss
	2019	2020	Loss	2019	2020	Loss	
March	8,852	5,895	<b>2,957</b>	130,360	130,003	<b>357</b>	3,314
April	11,283	6,759	<b>4,523</b>	126,635	89,237	<b>37,398</b>	41,921
May	11,602	3,484	<b>8,118</b>	131,774	49,959	<b>81,815</b>	89,933
June	16,916	7,314	<b>9,602</b>	128,709	48,797	<b>79,912</b>	89,514
July	10,877	6,705	<b>4,172</b>	133,454	50,596	<b>82,858</b>	87,030
August	8,806	6,359	<b>2,447</b>	139,364	52,836	<b>86,528</b>	88,975
September	21,810	9,802	<b>12,008</b>	110,434	48,236	<b>62,198</b>	74,206
October	21,739	8,264	<b>13,475</b>	113,722	43,233	<b>70,489</b>	83,964
November	15,049	5,721	<b>9,328</b>	111,836	42,516	<b>69,320</b>	78,648
December	20,334	7,730	<b>12,604</b>	113,924	43,310	<b>70,614</b>	83,218
<b>Total</b>	<b>147,268</b>	<b>68,033</b>	<b>79,235</b>	<b>1,240,212</b>	<b>598,723</b>	<b>641,489</b>	<b>720,724</b>

## Expense Impacts

The total impact to expenses for period ending December 31, 2020 versus period ending December 31, 2019 is a decrease in expenses of \$1,148,519. This decrease is further broken out by department and impacted expense groupings as summarized below.

Expense by Department	Year to date: December 31			
	2019	2020	Actual 2020 vs 2019	
	Actual	Actual	\$ Change	% Change
Community Services	6,550,531	5,280,684	<b>(1,269,847)</b>	-19%
General Government	3,133,624	2,807,559	<b>(326,065)</b>	-10%
Infrastructure Services	4,022,094	4,441,086	<b>418,992</b>	10%
Development Services	1,413,494	1,523,688	<b>110,194</b>	8%
Other (Animal Control, Health Services, etc.)	713,042	631,249	<b>(81,793)</b>	-11%
<b>Total</b>	<b>15,832,785</b>	<b>14,684,266</b>	<b>(1,148,519)</b>	-7%

Expense by Grouping	Year to date: December 31			
	2019	2020	Actual 2020 vs 2019	
	Actual	Actual	\$ Change	% Change
Contracted Services	1,029,268	1,175,708	<b>146,440</b>	14%
External Transfers	568,908	538,556	<b>(30,352)</b>	-5%
Materials and Supplies	2,344,576	2,164,124	<b>(180,452)</b>	-8%
Miscellaneous Services	526,560	352,865	<b>(173,694)</b>	-33%
Repairs and Maintenance	558,132	456,454	<b>(101,677)</b>	-18%
Salaries, Wages, and Benefits	9,670,705	9,159,230	<b>(511,475)</b>	-5%
Utilities	1,134,638	837,329	<b>(297,309)</b>	-26%
<b>Total</b>	<b>15,832,785</b>	<b>14,684,266</b>	<b>(1,148,519)</b>	<b>-7%</b>

## Cost Mitigation

Due to the timing of the COVID-19 pandemic and the state of emergency, the Town, and in particular Community Services were able to act quickly to identify and implement cost containment measures. Due to this the Town has been able to reduce operational expenses related to facilities and programing. Summarized below are the most significant areas of cost savings.

### Contracted Services

Contracted services noted an increase overall. This is largely due to increases in Municipal Drainage works of \$36,000 and Paved Roads works increase of \$85,000, which is work known to fluctuate annually depending on need. While facilities may have been shut down, most planned work was continued thus explaining the similar usage of expense when compared to 2019, in absence of the anomalies mentioned above.

### Materials and Supplies. Repairs and Maintenance and Utilities

The decline in the cost of Materials and Supplies includes the internal equipment charge and costs associate with programming and rentals.<sup>1</sup> As programs were no longer running and facilities were closed, the need for supplies for programs were eliminated. Additionally, the Town realized a slight decrease in the cost of repairs and maintenance and utilities associated with facilities that offer programming and rentals.

### Salaries and Wages

Administration immediately **reduced the Town's** workforce wherever possible and appropriate. Upon the provincial mandated closure of recreational facilities, contract and casual aquatic and programming staff were not offered hours as the programming was cancelled. Additionally, after the emergency orders came into effect the Town entered into an agreement with CUPE to allow employees to accept a voluntary layoff and/or leave of absence. This provided staff options as it related to their own person situation and organically reduced staff levels, providing cost savings to the Town, which contributed to the overall decrease in Salaries and Wages of \$511,000, noted above. The start of the Summer Student Program which normally begins the first week of May was postponed to July 4, 2020 for most positions. The number of summer students hired was significantly reduced. In 2019, the Town employed 29 summer students, and in 2020 the Town employed 15 summer students in total.

Included in Salaries and Wages is the cost of employee training. A significant reduction in the utilization of training expense was realized. As a result of the emergency orders, administration cancelled any out-of-town training and significantly reduced the amount of approved training throughout the course of the pandemic resulting in a cost savings of approximately \$68,000 or 50% over 2019. These cost savings are expected to continue into

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<sup>1</sup> The internal equipment charge is a charge to divisions for their use of Town Equipment.

the future, until the health and safety of staff can be ensured when attending training or conferences.

## COVID-19 Pandemic Related Expenses

Immediately following the emergency declaration, Administration put into place processes to track the financial impact that may be experienced due to the pandemic. This included the creation of an Emergency Event cost centre which would allow the Town to quantify additional and non-budgeted expenditures, and or costs associated with the COVID-19 pandemic.

Through the specialized cost center, the financial data on certain accounts was easily obtainable. These individual accounts have been separated below, with a brief explanation on each.

	Year to date: December 31		
	2019	2020	Actual 2020 vs 2019
Cost Centre: Emergency Event	Actual	Actual	\$ Change
Materials, Janitorial Supplies	0	100,151	100,151
Donation and Grants	0	49,327	49,327
Computer Hardware	0	21,672	21,672
Security	0	16,872	16,872

### Materials and Janitorial Supplies Account

At the onset of the pandemic and based on local Health unit guidelines, administration implemented health and safety controls which included the enhanced cleaning of Town facilities, as well as the requirement of increased signage. There were also increased expenditures in sanitizers, cleaning products and Personal Protective Equipment. These enhancements resulted in an increase to the Materials and Janitorial Supplies expense, of over \$100,000, as summarized above.

### Donation and Grants Account

Council recognized the need to provide support to businesses in these unprecedented times and approved the creation of two unique grant programs.

- **Business Relaunch Grant:** On July 6<sup>th</sup> 2020, eligible business owners were able to receive up to \$500 for their efforts in enhancing health and safety protocols within their place of business. Council approved up to \$100,000 to be allocated to eligible applicants. At December 31, 2020 approximately \$49,327 had been disbursed to local businesses from the designated fund.
- **Digital Growth Grant:** Council approved a \$15,000 contribution from the Tourism and Events budget to this program, to assist local business in the expansion and improvement of their digital presence. At December 31, 2020, the fund had been disbursed in full to local businesses.

#### Computer Hardware and Software

With mandated shutdowns there was an **eminent need to transition staff to a “virtual setting”** where possible. Council meetings also transitioned to an electronic format being held in the renovated Council Chambers. These updates include new carpeting, blinds and separation partitions. New technological equipment was added which includes a large screen TV, microphones and a booking I-pad at entrance. These enhancements have allowed Council and Staff Meetings to be held in an environment that minimizes connectivity issues.

#### Security

Security enforcements were hired to patrol the Colchester Beach / Harbour area, to ensure resident safety and adherence to enacted government measurements.

#### **Total Impact**

As demonstrated above, the events surrounding COVID-19 have had a significant financial impact on the organization.

Revenues such as property taxes, local improvements, and confirmed grant funding were identified as low risk and highly collectible. However, the waiver of penalties and interest may impact the timing of collection. At December 31<sup>st</sup>, the collection rates compared with prior year remains relatively stable (2020 - 97% vs 2019 - 96%).

Expenses such as debt servicing and rents also remain a low risk as they would exist regardless of the pandemic.

For the Operating Summary of COVID-19 pandemic related groupings as outlined in this report please refer to Table A (attached). As identified in Table A, the total loss to date, for COVID-19 impacted revenue and expense groupings, is approximately **\$1,056,245**, when comparing period ending December 31, 2020 to 2019. However, it should be noted that the **total “operating” loss (removing the reserve interest impact as it falls outside of budget)** equates to approximately **\$414,755**.

#### Additional Considerations - 2021 Financial Concerns

Outlined below are some of the major expected impacts to 2021 and potentially into the forecast years of 2022-2025.

- Continued revenue declines
  - Postponement of 2021 MPAC Assessment Adjustment

As a cost relieving measure for residents, the Municipal Property Assessment Corporation (MPAC)<sup>2</sup>, has deferred the introduction of new assessment values from 2021 to 2023.

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<sup>2</sup> The Municipal Property Assessment Corporation provides the Town of Essex with property assessment values which are used to calculate annual property taxation.

Previous communication with MPAC had predicted a significant increase to the **Town's assessment base for the next upcoming assessment cycle, which was** scheduled to take effect at the beginning of 2021.

- Fluctuation of User Fees and Service Charges

While different “zones” have allowed for the reopening of Town facilities, it comes with the requirement for continued social distancing and enhanced health and safety recommendations. This may mean the Town could see a reduction in rental revenues as events may be cancelled, or programming reduced, to ensure adherence to guidelines.

- Continued expenses

- Materials and Janitorial Supplies and Salaries Expense

In order to protect the health and safety of the public, the local Health Unit has released some extensive guidelines. These guidelines mean that the Town will incur ongoing costs towards the acquisition of various items of Materials and Janitorial Supplies (hand sanitizer, facility modifications, cleaning supplies, etc.) as well as an anticipated increase in expenses for enhanced cleaning at all Town facilities. This ongoing cost as well as potential increases will need to be considered in the upcoming budget and forecast development.

## Consultations

Alex Denonville, Manager, Communications

Nelson Silveira, Economic Development Officer

Lori Chadwick, Director, Development Services

Kevin Girard, Director, Infrastructure Services

Doug Sweet, Deputy CAO, Director

Jeffrey Morrison, Director, Corporate Services/Treasurer

Chris Nepszy, Chief Administrative Officer

## Link to Strategic Priorities

- ☐ Manage, invest and plan for sustainable municipal infrastructure which meets current and future needs of the municipality and its citizens.
- ☐ Create a safe, friendly and inclusive community which encourages healthy, active living for people of all ages and abilities.
- ☒ Provide a fiscal stewardship and value for tax dollars to ensure long-term financial health to the municipality.
- ☐ Manage responsible and viable growth while preserving and enhancing the unique rural and small town character of the community.
- ☐ Improve the experiences of individuals, as both citizens and customers, in their interactions with the Town of Essex.
- ☐ **Improve the Town's capacity to meet the ongoing and future service needs of its citizens** while ensuring the corporation is resilient in the face of unanticipated changes or disruptions.