



Meeting Date: January 12, 2022

Submitted by: Tiffany Farrell, Director of Corporate Services

Report No: CPS-02-2022

Subject: COVID-19 Financial impacts update Q4 2021

Recommendation:

THAT Report CPS-02-2022 outlining the COVID-19 municipal financial update for Q4 2021 be received for information

Purpose:

To provide information to Council with respect to the financial impacts of COVID-19 for Q4 2021.

Background:

March 17, 2021 marked the one year anniversary to the Municipality of Middlesex Centre and the Province of Ontario declaring a state of emergency due to the COVID-19 pandemic. Since that time, the municipality's operations have changed significantly in response to this crisis. This includes facility closures, specific financial measures being put in place to assist the community and various service and operational reductions/modifications.

In 2020, Council received regular updates from staff on COVID-19 and the impact on operations and in 2021 these updates continued on a quarterly basis.

Main findings with respect to COVID-19:

- The COVID-19 pandemic has and is expected to continue to impact the world economy.
- The Federal and Provincial governments have established and implemented numerous financial programs for residents and businesses impacted by the pandemic.
- The Provincial government has announced many financial supports for municipalities, including the Safe Restart programs and recovery funding.

- Property tax registration process resumed after September 11, 2020, as regulation 72/20 was lifted.
- Locally, the pandemic is creating financial challenges for the municipality:
 - Increased costs related to the COVID-19 pandemic
 - Cleaning supplies
 - Personal protective equipment (PPE) for employees
 - Modifications to facilities for health and safety
 - Security personnel
 - Loss of revenues due to the pandemic
 - Closure of facilities
 - Loss of general revenues due to low demand in services
 - Loss of revenues due to financial measures implemented in response to the hardships faced by our residents and business community

Analysis:

Financial Measures:

In 2021 Council approved the following financial measures:

- The municipality did not transfer any unpaid balance to taxes in February 2021, therefore no Administration Fees-Transfer for unpaid accounts to taxes (\$30/transfer) were charged during that time. The total lost revenue for the 78 statements were \$2,340.
- Late payment charge for unpaid water/wastewater and stormwater billings due February 26, 2021 were waived as the due date was changed to March 31, 2021. The total lost revenue was \$3,234.62.
- The due date for the first tax installment for 2021 due February 26 was changed to March 31, 2021. This resulted in lower cash flows for March 2021. Interest and penalties on outstanding property taxes were still applied in February and March 2021.

These financial support measures were put in place to support the Province's stay at home order earlier this year. They have provided support and eased some of the financial burdens our community members are facing. These initial measures complemented the federal and provincial financial aid programs, providing relief until subsidies and/or payments were received by residents and businesses in need.

Community Services Impacts:

As a result of the COVID-19 pandemic, the municipality anticipates revenue losses from recreation, rentals and arenas to be noteworthy for 2021. Due to the Provincial lockdown in early 2021, the municipality has experienced \$319,249.19 in lost revenue from rental and booking cancellations. The lost revenues would exceed the budgeted assumptions due to the Provincial lockdown remaining in effect until June 2021, with many recreation facilities remaining closed or at limited capacity until Stage 3.

Effective September 22, 2021, as per Provincial regulation, patrons seeking access to the Wellness Centre, Ilderton Arena and all municipal community centres must show proof of identification and proof of being fully vaccinated against COVID-19 before they can enter the facilities, with limited exceptions. Due to this updated regulation, Middlesex Centre has hired a security company to assist in the screening. The cost of this service is outside the approved 2021 budget and the expected cost for 2021 is \$60,000.00 (waiting on final 2021 invoice).

Investments Impact:

The municipality's cash flow and investment income continues to be monitored in light of the interest rate cuts by the Bank of Canada announced in March 2020. There is no lost revenue at this time as staff budgeted for the lower interest rates and investment income in 2021. The interest earned by the municipality remains 0.925%.

Cost Containment:

The financial implications of the COVID-19 emergency response swiftly affected municipal operations, which feel like a downward spiral with loss in revenues, lost interest income and increasing costs. As a measure of good fiscal governance, municipal staff continue to deal with these challenges. Moving from reaction to resilience is critical to the sustainability of the municipality so that planning for recovery and a new reality can begin. Municipalities are on the front-line to address local needs and ensure vital services are maintained, and staff need to be prepared to do this for our community.

The 2021 budget was built with cost containment in mind and staff continue to monitor costs on a monthly basis and report to council

COVID-19 Funding:

In 2020, the Municipality received \$80,000 for 2021 that was placed in the Safe Restart obligatory reserve fund. Additionally, the municipality received \$254,118 in COVID-19 recovery funding from the Province. Therefore there is a total of \$334,118 in funding to support financial losses related to COVID-19 in 2021. Staff anticipate this funding to cover COVID-19 direct costs (budgeted for \$40,000 in 2021) and lost revenues in

community services due to the provincial lockdown and increase in security costs due to the mandatory vaccination mandate for arenas and community centre events.

Summary:

Municipal staff continue to monitor the financial situation at the municipality and provide recommendations on financial support measures to be implemented as appropriate. The financial relief measures that were offered to the community provided immediate support and eased some of the financial burdens our community members were facing. The initial measures complemented the federal and provincial financial aid programs and were a first step in long-term economic support for Middlesex Centre.

The municipality will continue to monitor and will recommend additional financial relief measures for the residents and businesses in the community if council deems necessary.

In times like these, municipalities rely on property taxes and user fees to meet our financial obligations and to ensure we have the financial liquidity to meet the needs of residents and businesses who rely on us in an emergency.

Financial Implications:

- Loss revenues and increased costs to date – \$384,823.81
 - Financial measures implemented to date – \$5,574.62
 - Community Services Loss Rental Revenue– \$319,249.19
 - Community Services Security Costs - \$60,000.00
- Government Funding for 2021– \$334,118.00

Staff will continue to identify areas where costs can be avoided but it is difficult to accurately forecast the full financial impact at this time since the end of the crisis cannot be predicted. Financial assistance may be required from the provincial and federal governments.

Strategic Plan:

This matter aligns with following strategic priorities:

- Responsive Municipal Government

The quarterly report responds directly to Objective 5.3– Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

Attachments:

N/A