



**The Corporation of the City of Cornwall**  
**Regular Meeting of Council**  
**Report**

Department: Financial Services  
Division: Finance  
Report Number: 2020-263-Financial Services  
Prepared By: Tracey Bailey, General Manager  
Meeting Date: April 29, 2020  
Subject: Financial Impact Related to the COVID-19 Response

**Purpose**

The purpose of this report is to provide Council and the public with preliminary information on the financial implications of the COVID-19 pandemic to the City.

**Recommendation**

That Council receive report 2020-263-Financial Services.

As a continued option to support residents and businesses during this time, Staff recommend to delay the remittance due date for the July 31, 2020 property tax payment by two months, in order to allow taxpayers more time to pay the required taxes. Final instalment due dates for property taxes would change from July 31, 2020 and August 31, 2020 to August 31, 2020 and September 30, 2020.

**Financial Implications**

There are a number of financial implications that will impact the City as it relates to the COVID-19 response. Like all municipalities, the funding capacity to deal with unprecedented events such as this is limited. As the situation evolves, Staff are monitoring ongoing operations and cash flows.

**Background / Discussion**

Both the federal and provincial governments have implemented financial assistance programs to help citizens and businesses that may be struggling



financially as a result of COVID-19.

The City has taken a number of actions to respond to the immediate financial impacts and risks related to this crisis, while considering continued service and safety measures for the residents of our community and employees of the City.

## **Staffing**

To date we have kept all employees of the City employed in regular city operations; with the exception of part-time, school crossing guards, and lifeguards.

We have also been able to maintain the employment of most resources within their home department to this point. However, as certain areas within the city are preparing for the busier summer months, we are now reviewing with departments the opportunities to redeploy people to various parts of the city. The best example of this was the early deployment of some employees from the Recreation Services and Municipal Works area to the Glen-Stor-Dun Lodge (GSDL). Our Union partners have been very supportive and helpful as we work through this process.

The City's Bylaw Enforcement Officers are supporting the Police in dealing with enforcement orders by the Province specific to COVID-19.

As new information becomes available and restrictions are either loosened or tightened, we will reassess our staffing levels and areas of redeployment.

## **Financial Assistance to the Community**

At its March 20, 2020 meeting, Council approved a Tax Relief Deferral Program to assist property owners through the deferral of the interim tax due dates for residents and businesses in our community.

Property taxes due March 31, 2020 and April 30, 2020 were deferred 45 days to May 15, 2020 and June 15, 2020, respectively.

The April, May, and June monthly interest and penalty charges were automatically waived on all property tax and water accounts in arrears.

To April 24, 2020 just over 3,000 properties deferred their payment. This totals approximately \$4.5 million in taxes not paid at due date. The change from the April 7, 2020 report is the property taxes paid through financial institutions. Following April 30, 2020, we will have an update for Council of those properties who have deferred the April instalment.



The delay in receiving tax payments and the decrease in interest rates will have an effect on the City's projection for investment income. The City has budgeted to receive \$1.2 million of interest revenue in the 2020 budget.

In order to assist local accommodation providers with cash flow, the City of Cornwall has provided hotels, motels and other accommodation providers with an option to defer Municipal Accommodation Tax (MAT) remittances until August 31, 2020.

Accommodation providers are required to remit MAT on a quarterly basis. The above temporary change would affect remittances for the period January 2020 through June 30, 2020 due on April 30, 2020 and July 31, 2020 respectively and would be consistent with deferrals being provided to businesses for other types of taxes.

Staff have been monitoring cash flow to ensure sufficient liquidity to provide for ongoing operations. While there is no immediate concern, Staff will continue to monitor the City's cash flow position.

### **City Departmental Financial Impacts**

Changes to City services and response to community needs within the context of COVID-19 have put pressures on the City's finances. A number of departments such as Recreation Services, Transit, and Parking have experienced significant revenue loss.

Operating budget expenditures are also impacted as a result of COVID-19. Expenditures related to salary costs, personal protective equipment, supplies, and cleaning have increased due to the need to ensure safety of the public and City staff. For the most part, these increases are related to essential services provided by Paramedics, the GSDL, for Transit, Police, and Fire services.

Other operating service areas are also affected. Currently, Building Services is closed to public but continues to provide building permit/inspection services. It is anticipated that building permit activity will increase gradually once restrictions are lifted on construction activity.

Resulting from reduced travel, a reduction in the Municipal Accommodation Tax (MAT) within the Tourism division of Economic Development is expected. MAT revenue budgeted in 2020 (\$600,000) forms the single largest revenue item supporting the Tourism budget. It is estimated that the 2<sup>nd</sup> quarter will see a reduction of 75% (approximately \$200,000). A request has been made to the Province as to whether assistance may be provided to municipalities for Tourism efforts.

Updated information regarding 2020 allocations for Child Care and Ontario Works are still pending. We do not anticipate confirmation of our 2020 allocation until July 2020. The Ministry of Education (EDU) has indicated that a potential new funding framework and retroactive funding changes may occur. These changes could potentially impact our cost of administration, as well as the ability to flow funds to our operators and providers. EDU has not confirmed whether the increased cost for emergency child care will be covered by EDU, or if the City can use funding from our general allocation to support emergency child care provided to frontline workers. If the City of Cornwall's allocation decreases, the cost of administration allocation will also decrease, resulting in an increased municipal cost to fund staffing. Enquiries have been made by Ontario Service Managers to the Ontario Municipal Social Services Association (OMSSA).

Certain expenditures are forecasted to decrease as a result of facility closures and service changes, including staffing cost decreases from temporary staffing reductions and energy savings. The City is estimating a savings in fuel as prices continue to decrease. Staff are reviewing other costs for opportunities to further reduce costs.

Projections by department are provided in Appendix A of this report. The analysis provides for loss of revenues and incremental expenses from mid-March and estimated to the end of April. It is important to note that the amounts included in Appendix A are based on decisions made to date with respect to service levels and other operational adjustments. Staff continue to compile and update estimates related to loss of revenues, additional costs, cost savings, and provincial funding.

## **Funding Announcements**

On April 1, 2020, the City received notice from the Minister of Municipal Affairs and Housing that additional funding will be provided through the Community Homelessness Prevention Initiative (CHPI).

The City, as the Service Manager for the City and the Counties of SDG, will receive \$4,342,100 for the period April 2020 through March 2021. Additional Municipal costs incurred in responding to the COVID crisis for personal protective equipment, supplies, signage, the installation of barriers at customer service counters, etc. are eligible under this program.

On April 9, 2020, the Minister of Long-Term Care provided notice of emergency funding for the long-term care home sector. This funding is to support the extraordinary costs related to the rapid response required to prevent and contain the spread of COVID-19.

GSDL will receive \$75,000 and is expecting to receive additional funding to ensure that staffing and resources are available to help care for and protect long-term care residents and staff during the COVID-19 crisis.

To sustain municipal operations and essential services, on April 23, 2020, the Federation of Canadian Municipalities (FCM) made an urgent request to the Federal Government on behalf of cities and communities across Canada calling for emergency operating funding for municipalities. The proposed funding model features two components: a base allocation for all municipalities and a supplementary allocation for municipalities that own and operate transit systems.

Last week, Minister Mulroney, the Minister of Transportation (MTO), asked the Ontario Public Transit Association (OPTA) to provide details, on a municipality by municipality basis, of expected revenue shortfalls. The City of Cornwall submitted this information to OPTA at its request. This information will allow MTO to understand the local and regional impacts of reduced transit ridership due to COVID-19.

Unlike the provincial and federal governments, municipal governments cannot run deficits. As noted, the funding capacity for municipalities to deal with unprecedented events such as this is limited and the support of senior governments is needed.

### **Longer-Term Planning**

The duration of the current circumstances is unknown. Currently, the ongoing financial challenges relate to frontline staffing, Recreation programming revenue, Transit revenue, and Tourism (MAT). In the months ahead, Administration will bring a report to Council outlining operational savings and the possible deferral of capital projects in order to balance the City's budget.

Staff will continue to develop response strategies as the situation unfolds and take appropriate actions to respond to the needs of the community and the related financial situation.

Document Title:	Financial Impact Related to COVID-19 Response - 2020-263-Financial Services.docx
Attachments:	- COVID-19 Financial Reconciliation (Appendix A).pdf
Final Approval Date:	Apr 27, 2020

This report and all of its attachments were approved and signed as outlined below:

**Tracey Bailey - Apr 27, 2020 - 6:06 PM**

**Maureen Adams - Apr 27, 2020 - 6:11 PM**