



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

Department: Financial Services
Division: Finance
Report Number: 2020-320-Financial Services
Prepared By: Tracey Bailey, General Manager
Meeting Date: August 10, 2020
Subject: Second Quarter Financial Report 2020

Purpose

The purpose of this report is to provide Council with an update on the City's financial activity for the second quarter of 2020 and compare that activity with the 2020 Financial Plan.

Recommendation

That Council receive the second quarter Financial Report for the period ending June 30, 2020.

Financial Implications

Managers have reviewed their respective financial reports for the period ending June 30, 2020. Variances known to-date as well as the expected departmental results to the end of the year are included in the departmental commentary. Financial impacts in the form of increases in costs, savings in costs, and revenue losses as a direct result of the ongoing COVID-19 pandemic are included in this report.

The preliminary projections for this year, indicate that the City will run a deficit of \$499,906 for the Taxation budget, and will have an estimated savings of \$75,000 for the Water budget and \$50,000 for the Wastewater budget.

On July 16, 2020, the Federal Government announced that it signed a Safe Restart Agreement with Provinces and Territories. The Safe Restart Agreement with Ontario will provide up to \$4 billion (\$2 billion for Operating Municipal Relief Funding and \$2 billion in funding for public transit) in one-time emergency assistance to all of Ontario's 444 municipalities. The funding, aimed at supporting critical municipal services, will support front line workers, will help communities prepare for a potential second wave and will go towards boosting testing capabilities, stockpiling personal protective equipment, and will invest in municipal infrastructure and transportation.

The City is hopeful that this funding will meet the level required to resolve the budget shortfall and looks forward to further details on the funding allocations in the coming weeks.

The City has limited reserves to manage the financial unpredictability resulting from the COVID-19 crisis. If reserves are required to be used to offset deficits at the end of the year, a plan to pay back reserves would be necessary.

The attached reports summarize the operations of the City for the period ending June 30, 2020.

1. Schedule I – variances to the Taxation Budget
2. Schedule II – variances to the Water and Wastewater Budgets
3. Interim financial statements by Department for the period ending June 30, 2020 including comments from Managers with respect to their business unit operations.
4. Capital Report as at June 30, 2020.
5. Schedule of Reserves and Reserve Funds as at June 30, 2020.
6. Summary of Progress Funds as at June 30, 2020.

Administration will continue to monitor and assess the evolving situation and take appropriate actions to respond to the financial situation.

Strategic Priority Implications

This report addresses Council's accountability and transparency to the ratepayers of the City of Cornwall.

Background / Discussion

Since the pandemic began the City, like other municipalities, has taken measures to mitigate the financial impact.

The most significant impact on City finances is related to loss of revenues which is partially offset by savings in expenditures due to reduced levels of service and lower than planned fuel prices. The City has taken a number of actions to respond to the 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.

Approach to Recruitment and Staffing during the Pandemic

With the COVID-19 pandemic disrupting the services and operations of the City, as a group we reviewed and adjusted our approach to both recruiting activities and how we staffed certain areas/departments with the available resources throughout the City. The decisions we undertook upon realizing the longer-term impact of COVID-19 was to suspend all non-critical recruitment until such a time as we are able to return to normal operations and services. In support of this activity, we also reviewed the existing staff that were available and deployed them to other areas of the City to be able to assist with the ongoing operations of those departments.

Finance and Taxation

In light of the evolving situation with COVID-19 and in order to offset the financial impact on residents and businesses, the City deferred property tax due dates and interest charges. The revised due date schedule for the interim and final billing is as follows:

- Interim property taxes due March 31, 2020 and April 30, 2020 were deferred 45 days to May 15, 2020 and June 15, 2020, respectively.
- Final instalment due dates of July 31, 2020 and August 31, 2020 were deferred to August 31, 2020 and September 30, 2020.
- The April, May, and June monthly interest and penalty charges were automatically waived on all property tax and water accounts in arrears.

The City has been able to maintain its cash balances by deferring the remittance of education property taxes to school boards and payment to the Municipal Property Assessment Corporation (MPAC). Also, the government transferred the



federal gas tax funding in one payment to municipalities in June giving municipalities earlier access to previously allotted funding.

Since the pandemic began, the Bank of Canada cut its overnight rate by 150 basis points to 0.25 percent. In an economic downturn, lower interest rates ensures the availability of credit, supports economic activity, and keeps inflation low and stable. On July 15, 2020, the Bank of Canada announced that it will keep this rate at 0.25 percent until the national economic picture improves. This has driven central banks to lower their rates, as well.

The immediate impact of lower interest rates to the City's budget is a loss of revenue in investment income. It is also a time where the City is seeing better rates when borrowing.

Additional Expenditures Incurred / Funding Received

The City has incurred additional expenditures as a result of COVID-19, such as, the purchase of more personal protective equipment (PPE), cleaning supplies and equipment, public advertisements, signage to provide information to the public, the installation of barriers at customer service counters at City facilities and on Transit buses, IT technology and telecommunication expenses and staffing.

The City received funding through the Social Housing - CHPI to financially assist the City of Cornwall, the United Counties of SDG, Akwesasne, and Community Social Service Providers to support, enhance, and expand a wide range of services and supports for vulnerable populations as we continue to respond to this emergency crisis. The City has also received and will be receiving other provincial funding to assist in responding to the pandemic. Further funding details are provided in this report. The provincial government has noted that it will continue to work closely with municipalities to ensure that funding provides the support municipalities need to address budget shortfalls related to COVID-19.

Overview of Impacts of the Pandemic to Transit Services

Cornwall Transit has been operating a reduced schedule since March 9, 2020. Ridership decreased to a low of 30%, backdoor boardings and no fare collections have been in place to keep employees and passengers at safe distances.

All buses now have driver enclosures installed. The office has been rearranged to allow for physical distancing and a complete enclosure has been installed to separate visitors from staff. All drivers are supplied with sanitizing wipes,



sanitizing gel, appropriate face coverings, face shields, and arm coverings (when transporting HT passengers). A sneeze shield has been installed in the maintenance department along with chains restricting access through vehicle doors.

Ridership was approximately 2,700 and 1,700 boardings per weekday and Saturdays respectively before the COVID-19 service reductions. Ridership is presently at 1,700 and 900 respectively. Summer always has lower ridership and the Read to Ride program partnership with the Library was not implemented which usually accounts for 6% of summer ridership. Cornwall Transit has seen some new riders use the service because of free fares and will monitor to see if these riders will continue to ride now that fares are being collected. Cornwall Business Park ridership was unaffected. The 2020 budgeted fare increase will not be implemented.

Key dates for Recovery:

Aug 1, 2020 Front door boardings will begin. A reduced fare of \$1.00 per ride will be in effect and transfers will be issued. A no touch procedure is being used to collect transfers. Some passes and tickets have been issued at the request of various organizations. PSW's can ride for free in August with appropriate identification. An educational approach will be taken with passenger fare collection.

Aug 4, 2020 The Transit office will open for business, pre-COVID-19 hours of operation will be in effect.

Aug 13, 2020 Ticket Outlets will begin selling tickets and passes.

Sep 1, 2020 Full fares will be in effect.

Sep 8, 2020 To coincide with the Drivers Bid schedule, full service (92%) begins. Some adjustments have been made. Express College routes will be reduced, and the hours will be used to increase service to the Cornwall Business Park to help promote physical distancing.

Face coverings for all passengers are mandatory. Enhanced cleaning practices will continue. Hand sanitizer dispensers are installed at the front and rear doors. Voice announcements through the Voice announcement system will promote physical distancing and mandatory masks.

Handi Transit (HT) travel is limited to a capacity of two (2) passengers on board. Each passenger will be allowed one (1) support person. It should be noted that HT ridership was at a low of 15% of pre COVID-19 levels. Dialysis patients were the only passengers that were being transported. Ridership is slowly increasing now that doctors' offices and clinics are re-opening. The GSDL day-away program is not expected to restart in 2020 and therefore transportation will not be required.

Face coverings are mandatory for both passengers and drivers. Passengers continue to be called daily and asked the appropriate screening questions before travel is allowed.

It is estimated that Transit ridership will take a full year to return to normal. This depends on many factors including a possible second wave of COVID-19 and the introduction of a vaccine. The Federal and Ontario governments have agreed to financial support for Transit Services, but the details have not yet been released. Flexibility will be required to cover any unexpected service levels that may be required. Supervisors continue to monitor both passenger and employee safety.

Overview of Impacts of the Pandemic for Tourism

Due to travel restrictions, the COVID-19 pandemic has had a significant impact on the tourism industry. Resulting from reduced travel, the City will see a reduction in the Municipal Accommodation Tax (MAT) revenue. MAT revenue forms the single largest revenue item supporting the Tourism budget. The lower than expected MAT revenue will impact transfers to the Tourism Development Corporation of Cornwall.

Tourism marketing activities have been scaled back as much as possible and reoriented to provide support to the local small business sector.

The City received a grant from the Regional Relief and Recovery Fund to help fund tourism initiatives for the remainder of the year. This grant will help offset some of the loss in MAT revenue.

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 MAT remittances until August 31, 2020. Accommodation providers are required to remit MAT on a quarterly basis. This deferral would affect remittances for the period January 2020 through June 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.

Overview of Impacts of the Pandemic to Parking Enforcement

On Monday, March 16, 2020, the Corporation's facilities were closed to the public in response to the commencement of the COVID-19 pandemic. At the time, the decision was made that By-Law Enforcement Services would not issue any parking tickets due to the pandemic.

The By-Law Enforcement Officers were recruited by Cornwall Police Services to assist with enforcing the Emergency Orders issued by the government in response to COVID-19. This came about, as the police resources were being stretched and Police Services had made requests to have other enforcement personnel assist with enforcing the Emergency Orders being made by the province.

Paid parking was not enforced, and parking violation tickets were not issued leading up to June 8, 2020, at which time Council approved that there be a free 2 hour parking period provided to all patrons within the City of Cornwall. The short-term initiative by Council was formed to promote residents to attend the local small businesses in the City after experiencing hardships during the pandemic.

A grace period for free 2 hour parking started at that time. There was no parking enforcement after this decision was made by Council until the Building and By-Law Division was able to prepare for the programming of the pay and display machines, order signs to be erected, and prepare the App for use. There were 82 bilingual signs erected within the City as well as an additional sign posted on each Pay-By-Plate pay station (13 locations). Once all the programming for the pay stations was completed and the signage erected, the new free 2 hour parking started on June 27, 2020.

Due to the newness of this initiative, it was decided that parking enforcement would not start until a week later, Monday, July 6, 2020. Therefore, since the decision of Council at its meeting of June 8, 2020, there has been a four week grace period provided to the public.

The pandemic has caused considerable financial hardship to the revenues of the Building and By-Law Enforcement Division. The most significant being the revenue for the parking enforcement services portion of the Division. The Division has not restored the services of the Commissionaire for parking enforcement, therefore there should be a slight savings in the contract services area.

If Council continues to approve the free 2 hour initiative throughout the City of Cornwall after the September 14, 2020 meeting, Parking Enforcement Services will experience a continued significant decrease in revenues for the By-Law Division. A report with further information and financial details will be presented to Council at the September 14, 2020 meeting.

Overview of Impacts of the Pandemic to the Recreation Department

The Pandemic has resulted in some significant financial implications to the Recreation Department, largely related to lost revenue due to facility closures (Benson Centre, Aquatic Centre, Civic Complex, etc.) and delayed opening of seasonal facilities (Marina 200). The pandemic has also resulted in additional costs related to heightened sanitation requirements, purchase/installation of glass barriers for public service counters, hand sanitizing stations, specialized disinfection equipment, etc. As recreation services have begun to be restored, some services such as the City splashpads and swimming pools have been subject to additional staffing costs to provide COVID-19 screening of patrons accessing each facility. Administration is striving to mitigate the financial impacts of the COVID-19 pandemic by reducing staffing complements when possible, cancelling services (Summer Playground Program, Arts in the Park) and reducing facility hours of operation.

The Recreation Department has begun to progressively restore recreation services beginning with splashpads in May, followed by the opening of outdoor pools and the Aquatic Centre in June, and most recently the Benson Centre in July. Both the Aquatic Centre and the Benson Centre have only partially opened and are operating with reduced hours (Aquatic Centre 7am-12pm, Benson Centre 7am-3pm) and on weekdays only. It is expected that these reduced hours will remain in place throughout the month of August and possibly longer. At the Aquatic Centre only the 25m lap pool is open for public use with a reduced capacity of 20. At the Benson Centre only one ice pad was available for rent with a 20 person limit per rental for two weeks in July, and a second ice pad will be available for rent commencing the beginning of August. Some indoor amenities at the Benson Centre (tennis court and fieldhouse) remain closed as the recreation activities that take place in those facilities are able to safely occur outdoors. As the fall season approaches and the weather becomes less conducive for those activities to continue outdoors, staff will look to reopen those indoor facilities with restrictions in place.

Staff plan to continue a progressive approach regarding the reopening of the City's recreation facilities, by monitoring our clients' demand for facility space and adjusting the hours of operation and staffing levels as required to meet those demands.

Capital

Brookdale Avenue CNR Overpass Rehabilitation Capital Project

The Brookdale Avenue CNR Overpass Rehabilitation capital project, budgeted at \$4.9M, is over budget at project end by \$470,000. The over expenditures is due to two items: emergency repairs to the girder ends and pier caps at \$144,000 and from overages in estimated quantities for bridge deck removals and repairs of approximately \$375,000. The construction contract for the Brookdale Avenue CNR Overpass Rehabilitation did not include a contingency allowance in order to set money aside to cover any unforeseen costs or changes in scope of work that can arise throughout a construction project. Typically, construction contracts use a contingency allowance of 5% to 10% depending on the scope and nature of the work. The following provides further information regarding the repair work.

In 2017, the City retained HP Engineering to complete the detailed design and construction administration of the Brookdale Avenue CNR Overpass Rehabilitation project. During the initial structural condition assessment for the overpass, HP Engineering noted to the City that major structural deterioration of the girder ends and pier caps had occurred at the locations of the deck expansion joints since the last inspection of the structure. As such, HP Engineering recommended that the City perform emergency repairs to the girder ends and pier caps immediately. HP Engineering also recommended that the structure be immediately load posted until the emergency repairs took place. Following the recommendations from the City's consultant, Administration issued an emergency Request for Quotation (RFQ) to have the emergency repairs completed. The emergency repair work was awarded to Clearwater Structures Inc. for \$144,000 in 2017. The emergency work was not included in the scope of the original structural rehabilitation project; therefore, it resulted an increase to the project budget of \$144,000.

Additionally, the construction contract experienced overages in estimated quantities for items related to Partial Depth Concrete Removals/Replacement for both the Bridge Deck and Pier Cap repairs which resulted in the contract exceeding the original awarded amount. For municipal infrastructure related projects, tenders are issued as unit rate contracts which means that the

designer/engineer estimates the quantity of work per each item which will need to take place and the contractor submits a unit rate for each of the items based on the estimated quantities. The quantities for the project were estimated based on the designer/engineer's review of field investigation results which included: concrete coring/testing, bridge deck sounding, visual observations as well as review of available records for any past construction work (as-built drawings, reports, etc.). Once the existing asphalt was removed and the bridge deck was scarified, numerous additional large areas of deterioration were discovered on the scarified deck surface resulting in the need to proceed with additional bridge deck removals/repairs. As part of the last rehabilitation project (1991), a large portion of the pier cap areas were repaired with 'shotcrete'. When the pier cap removals commenced, large areas of previously 'sound' concrete became debonded as removals were ongoing in adjacent delaminated areas. Upon further review, it was observed that the previous shotcrete repairs did not contain reinforcement and/or were not tied to underlying concrete surface. Due to the lack of reinforcement of the previous shotcrete repairs, the estimated quantities were exceeded for the pier cap removals/repairs. Due to the increase in quantity of work completed compared to original tender estimated quantities, the contract exceeded the tender amount.

The City has received \$3M in Connecting Link funding and has contributed \$338,000 of federal gas tax funding to this project. As noted in the 2nd Quarter Capital Report, the City plans to borrow the necessary funds to finance the balance of project.

Emergency Repair of the Wastewater Treatment Plant Travelling Screen

On May 16, 2020, the automated travelling screen located in the raw sewage pump station at the Wastewater Treatment Plant (WWTP) experienced a major mechanical failure. The travelling screen removes large floatable materials from the incoming raw sewage. Removal of floatable material is imperative to prevent plugging of, and/or damage to, WWTP pumps, centrifuges, clarifiers etc. A temporary solution has been put in place until the travelling screen is repaired.

To repair the screen, we have commissioned a contractor to remove the damaged screen. The screen has been transported for repair to the manufacturer. The contractor will conduct some infrastructure modifications within the screen house which will serve to better facilitate the impending reinstallation of the repaired screen and the removal of the screen in the future if and when required.

Administration will provide a subsequent report to Council regarding funding recommendations associated with this emergency work.

Cancellation of a Capital Project and Reallocation of Funding

Included in the 2020 capital budget is \$100,000 for the Piping and Control for Using Excess Blower Capacity (part of the '20 Treatment System Upgrades project). This project was part of the WWTP's vision to become net zero for energy and to shift towards resource recovery at the plant. The WWTP's net zero initiative identified that the air blowers used for the secondary plant have excess capacity. This project would commission a qualified contractor to design and install piping and control systems to direct the excess capacity from the secondary clarifier to the primary clarifiers reducing the number of operating blowers from six units to one unit. All other blower units would remain in place for use during maintenance events and redundancy purposes. It was expected that the project would save approximately 370,000 kwh per year. It has been determined that this project will not be able to produce the energy savings as was calculated when the capital budget was approved.

Administration is recommending cancelling this project and reallocating \$70,000 to the Thick and Sludge Modification capital project which is trending over budget. As noted in the 2nd Quarter Capital Report, this project (part of the '18 Treatment System Upgrades project) has essentially no remaining budget. The department has estimated that an additional \$70,000 is required to complete the project. Both projects are funded through the Wastewater Budget.

Document Title:	Second Quarter Financial Report 2020 - 2020-320-Financial Services.docx
Attachments:	<ul style="list-style-type: none">- Operating June 30 2020.pdf- Capital Report June 30 2020.pdf- Reserves June 30 2020.pdf- Progress Fund June 30 2020.pdf
Final Approval Date:	Aug 5, 2020

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

Tracey Bailey - Aug 5, 2020 - 5:12 PM

Maureen Adams - Aug 5, 2020 - 5:24 PM