



SUBJECT: F-27-20 Strategies to Address the Financial Impacts of COVID-19

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Finance Department

Report Number: F-27-20

Wards Affected: All

File Numbers: 435-03

Date to Committee: May 14, 2020

Date to Council: May 25, 2020

Recommendation:

Approve the financial strategy to address the impacts of COVID-19 as outlined in finance department report F-27-20; and

Direct the Chief Financial Officer to implement the recommendations outlined in finance department report F-27-20 related to the 2020 approved business cases and in Appendix A related to the proposed list of delayed capital projects.

PURPOSE:

- The purpose of this report is to provide further information regarding recommended 2020 operating budget business cases and capital projects that should be deferred to assist with the city's cash flow and year-end financial position.

Background and Discussion:

On March 17, 2020, the Province of Ontario declared an emergency under Section 7.0.1 (1) of the Emergency Management and Civil Protection Act. As a result of this declaration and its associated orders, certain establishments were legally required to close immediately.

On April 3, the Ontario government announced it was further reducing the list of businesses and services classified as essential and ordering more workplaces to close to prevent the spread of COVID-19 and protect public health.

Schedule 1 of the amended Provincial Order provides that nothing in the Order precludes operations or delivery of services by any government, or by any person or publicly funded agency or organization that delivers or supports government operations and services. This provision allows municipalities to continue to operate and provide services and those which support such operations and service during the emergency. It therefore falls to each municipality to consider what operations and services it will continue to provide as essential in order to do its part in responding to the continually evolving health crisis and take the necessary steps to help protect the health of their communities.

As part of our ongoing response to the COVID-19 pandemic and based on the advice being provided by the provincial and regional Medical Officers of Health, the City of Burlington has enacted its emergency planning operations, closed city facilities and parks, and focused efforts on delivering only essential and critical services to ensure the safety of the community.

Strategy/process

Service Level Impacts

In a crisis period, such as the world is experiencing, the City has made significant changes to operations to keep the public and employees safe. This includes the closure of facilities and park amenities, cancellation of events, and modifications to service delivery in areas such as transit, operations and by-law enforcement. Regrettably, this has directly impacted a significant portion of the City's workforce through temporary layoffs and deferral of start dates for the majority of the city's part-time, seasonal and student workforce as well as volunteers.

While the ultimate economic impact of the pandemic will not be understood until we are well past the state of emergency, the City must consider the preliminary financial picture related to COVID-19 impacts in order to make strategic decisions today that are in the best interest of the organization and the community for the long term.

Although not explicitly documented, the recurring themes and principles that have guided the City's decision making as it relates to managing the impacts of COVID-19 have included:

- Safety of the community and staff;
- Continuation in the delivery of essential and emergency public services;
- Agile response to the needs of the community as the pandemic evolves;
- Fiscal responsibility and appropriate use of taxpayer funding.

Financial Matters:

Senior staff and the Financial Management Service have been monitoring the potential financial impacts to the City since the onset of the pandemic. Less than 5 months after approving the 2020 budget, a variety of operating expenditures and revenues are now expected to be impacted.

As indicated in the Financial Status Report (F-22-20) on this same agenda the City is currently projecting an unfavourable year-end operating budget variance of \$268,945. This variance includes significant projected revenue losses largely offset by a number of expense mitigation strategies and draws from program specific reserve funds.

This shortfall is likely to grow depending on the length of the COVID-19 related service restrictions and length of the recovery period once restrictions are lifted. Future updates to Committee will include analysis of various scenarios on the City's overall financial impact.

Mitigation Strategies

Expenditure Restraint Program and Staffing Adjustments

On March 30, the Chief Financial Officer announced an expenditure restraint program to eliminate all discretionary spending for a three-month period. A key aspect of this policy includes a temporary freeze on all non-essential staff recruitments. This policy will be extended as required.

In addition to the expenditure restraint program the City has laid off or deferred the hiring of over 680 part-time, contract and seasonal staff.

Recommended Operating Business Case Deferrals

Business cases approved as part of the 2020 budget have been carefully reviewed. The following are recommended for deferral until September and will be revisited should the situation change:

Business Cases to be delayed	2020 Approved Cost	One Time Funding	2020 Net Cost	Notes
Green Fleet Strategy	\$ 100	\$ -	\$ 100	
Brant Hills Splash Pad Operating Expenses	\$ 30	\$ -	\$ 30	Delay in operations
Staffing for Joseph Brant Museum	\$ 120	\$ (120)	\$ -	
Gardeners for Downtown Streetscapes	\$ 147	\$ -	\$ 147	2 positions
Climate Action Plan Support Staff	\$ 100	\$ -	\$ 100	1 position
Urban Forestry Management Plan Update	\$ 200	\$ (200)	\$ -	
Corporate Security	\$ 140	\$ (140)	\$ -	Contracted services
Steps to Safety Home Visit Program	\$ 100	\$ (100)	\$ -	Funding for 4 years

Total	<u>\$ 937</u>	<u>\$ (560)</u>	<u>\$ 377</u>
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Deferral of these business cases would provide additional operating savings for those items funded from the tax base as well as additional cash flow for one-time funded items.

Proposed Capital Program Deferrals

The capital program has been reviewed to determine the impacts of COVID-19 on the delivery of specific projects. Projects have been reviewed vis a vis Ontario Regulation 82/20 – Closure of Non-Essential Businesses and the Schedule of Essential Businesses contained in the Regulation which at the time of the writing of this report had been revised 3 times and it is anticipated that further amendments will be made as more businesses are allowed to re-open and restrictions are relaxed.

In addition, any of the workplaces, including construction sites, that have remained have had to abide by the directives from the Chief Medical Officer or local public health units and comply with the Occupational Health and Safety Act (OHSA). Further, the Ministry of Labour, Training and Skills Development recently issued revised guidelines for construction sites. Failure to comply with OHSA and its regulations could result in a stop work order.

Broadly speaking the Regulations and list of Essential Businesses does not apply to government including Municipal government, however this needs to be interpreted in the context of the provinces essential services list. Staff continue to monitor this and city capital projects through the lens of the provinces essential services list, the nature of the work and if the health and safety of the public, workers and staff can be maintained and if the undertaking.

While some projects may be slowed or stopped, other projects will need to continue for essential capital work required to meet regulatory requirements, safety, or asset preservation. Projects that are currently underway and have contractual requirements are expected to continue if funding is secured, work can be performed safely, and where work is considered an essential service (e.g. road construction).

While other capital projects would be eligible to proceed, there are circumstances that would prevent that from happening given the need for public engagement and because of delays out of our control such as permits, and other approvals required. These delays are the result of impacts created by COVID-19 on the workforce both at the City and with local authorities, that has pushed the approval process beyond a typical permit window, thus hindering the ability to deliver the project this year for the 2020 construction season. Also included in this category is the construction for the Skyway Arena Revitalization project which is awaiting approval under the Investing in Canada Infrastructure funding program.

Appendix A provides a list of projects that currently fall under these two categories for deferral. These deferred capital projects total \$31.2 million, which assists with the management of the city's cash flow.

Continuing with the balance of the capital program is important for a few reasons. First, in the last couple of months, we have seen favourable tender prices from the marketplace and we expect that to continue over the coming months. Based on 6 tenders which have closed since the pandemic began, the City has realized \$3.2 million in capital funding savings. In comparison, the one project which closed prior to the pandemic in February was slightly above budget. Depending on the overall financial impact of the pandemic, some of these tender savings may be used to offset operational losses or could be used as a municipal contribution towards a future stimulus program if announced.

Also, it is important to continue to invest in our infrastructure and stimulate the economy during these times as long as the construction can be completed in a safe manner in accordance with the revised guidelines for construction sites.

Finally, municipalities have also played an important role in economic recovery by delivering infrastructure projects as part of senior government cost shared infrastructure programs. As such, it is important the work continue to prepare projects in anticipation of government funding programs (e.g. design work to bring a project to shovel ready conditions).

Climate Implications

Assets need to function reliably and be resilient to future climate change related risks. Staff will continue to manage the risks of climate change on existing infrastructure by ensuring repairs and renewals are completed at the optimum time as identified in the Capital Program.

While the City has made significant changes to operations and service levels, facilities remain in a low to unoccupied state in turn reducing utility costs and associated carbon footprint. To keep the public and staff safe the city has increased staff social distancing by introducing a remote work environment. This change alone has reduced staff daily commuting and associated carbon footprint with the increase use of technology.

Engagement Matters:

With physical distancing measures in place a number of capital projects are recommended for deferral to ensure that adequate public consultation can take place

prior to final design and construction. Projects that are proceeding have completed their public engagement prior to Covid-19 restrictions.

Conclusion:

The review of the capital program as well as business cases in the 2020 operating budget have identified several areas where decisions can be made to delay projects and initiatives given workload, required engagement and essential vs non-essential services/ priorities. This enables the corporation to continue to focus on the delivery of essential services and provide much needed cash flow during this crisis.

Respectfully submitted,

Lori Jivan

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Appendices:

- A. Proposed Capital Project Deferral Listing

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.