

# **COVID-19: Town of Caledon Financial Update**

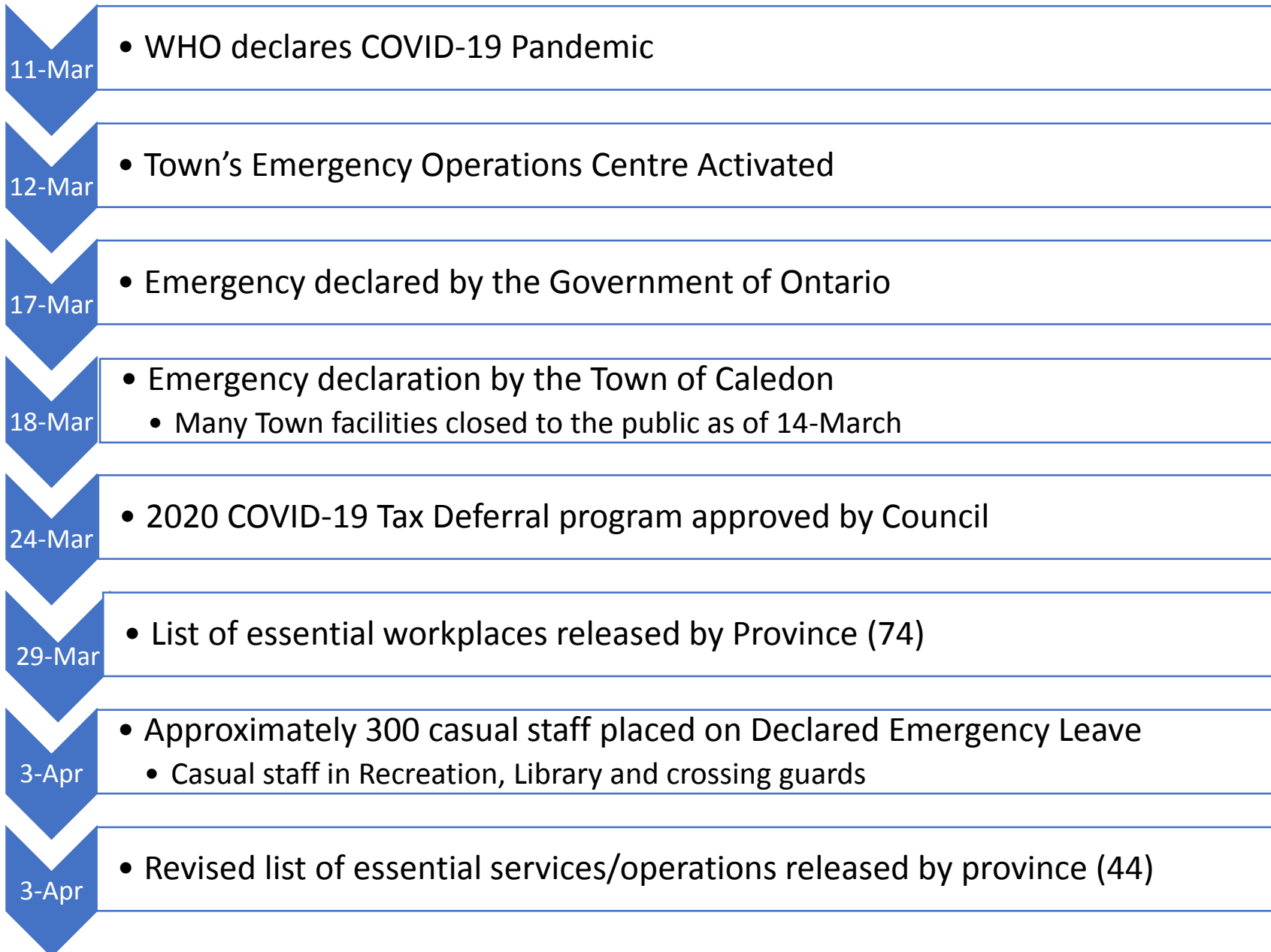
April 14, 2020

Presentation from:

Heather Haire, Treasurer

Fuwing Wong, General Manager, Finance & Infrastructure Services/Chief Financial Officer

# Timeline (2020)



# Financial Forecast Provided by Region of Peel (9-Apr-20)

## Economic Impact

## Expected Negative Growth in Q1 and Q2 2020

MOODY'S

- “G-20 economies to experience an unprecedented shock in the first half of this year and contract in 2020 as a whole, before picking up in 2021.” - **Moody's Rating Agency**



- “Our analysis suggests a sharp decline in GDP can be expected in Q1 followed by a steeper drop of over 30% annualized in Q2 before subsequent rebound in the second half of the year.” - **Krishen Rangasamy, National Bank**



- “The COVID-19 economic shock will initially be deeper than the worst quarter of the Great Recession.” - **Canadian Imperial Bank of Commerce (CIBC)**



- “The result [*of current social distancing*] is a much deeper and longer-lasting hit to economic activity in Canada. Instead of growing 0.3 per cent as in our baseline forecast, real GDP is now forecast to contract by 1.1 per cent in 2020.” - **Conference Board of Canada**

# Financial Forecast Provided by Region of Peel (9-Apr-20)

## Economic Impact

## Negative Shock To Canadian Labour Market

---



- “Job losses in Canada to be almost 3 times that of The Great Recession.”- *Royal Bank of Canada*



- “The Canadian unemployment rate could spike to over 9% by summer 2020.”- *Canadian Imperial Bank of Commerce (CIBC)*



- “Canadian job loss of over 330,000 in Q1 and Q2 2020 and Canadian unemployment rate to increase to 7.7% in 2020.”- *Conference Board of Canada*

# Federal/Provincial Financial Relief and Support for **Businesses**

- Wage Subsidy Program
  - 75% wage subsidy; up to \$847/week for 3 months
- Business Credit Availability Program through Business Development Bank of Canada and Export Development Canada
  - Includes an interest free \$40,000 revolving line of credit for eligible small businesses
- Sales Tax Remittance and Customs Duty Payments deferred to June 30, 2020
- Deferral of Workplace Safety and Insurance Board payments for up to six months
- A temporary (2020) increase to the Employer Health Tax exemption

# Federal/Provincial Financial Relief and Support for Residents

- Canada Emergency Response Benefit
  - \$2,000/month up to 4 months
- Assistance for families
  - \$300 per child for 2019-2020 period from the Enhanced Canada Child Benefit
  - Providing parents of young children with a one-time payment of up to \$250
- Special Goods and Services Tax Credit Payment
  - One time payment by May 2020 for low and modest income families
- Guaranteed Annual Income System
  - Doubling of maximum payment from April 2020
- Expanding access to the emergency assistance program administered by Ontario Works
- Providing electricity cost relief and expanding Low-Income Energy Assistance Program
- Offering 6 month Mortgage Deferrals and suspending repayment and interest on Student loans

# Local Government Financial Relief and Support for Residents and Businesses

- Two month deferral of property tax payments for the balance of 2020
  - Late payment charges on property tax accounts in arrears waived to July 2
  - May installment payments may be made in July
  - Last installment now due in November
- Regional Water/Utility Bills
  - Deferral of planned 2020 water rate increase of 7.2%
  - Deferral of late payment charges for an additional 91 days after the due date
- Regional TransHelp fares reduced to \$0 (zero)

# Financial Forecast Provided by Region of Peel (9-Apr-20)

## Economic Impact

## The Road to Recovery

### Short-Term: 1 Year

- Minimal population growth
- Steep decline in business activities
- Increase in unemployment rate
- Increase in Ontario Work's caseloads
- Decline in building permits
- Decline in housing starts
- Decline in labour force and employment
- Increased bankruptcies

### Medium-Term: 2-3 Years

- Slow population growth
- Increase in business activities
- Elevated unemployment rate
- Increase in OW caseloads
- Gradual increase in construction activities
- Significant increase in labour force and employment
- Small decline in business establishments

8.2-8

### Long-Term: 4-5 Years

- 1.0% population growth
- Growing business sector
- Decline in unemployment rate
- Decline in OW caseloads
- More buoyant construction activities
- Growing labour force and employment

8



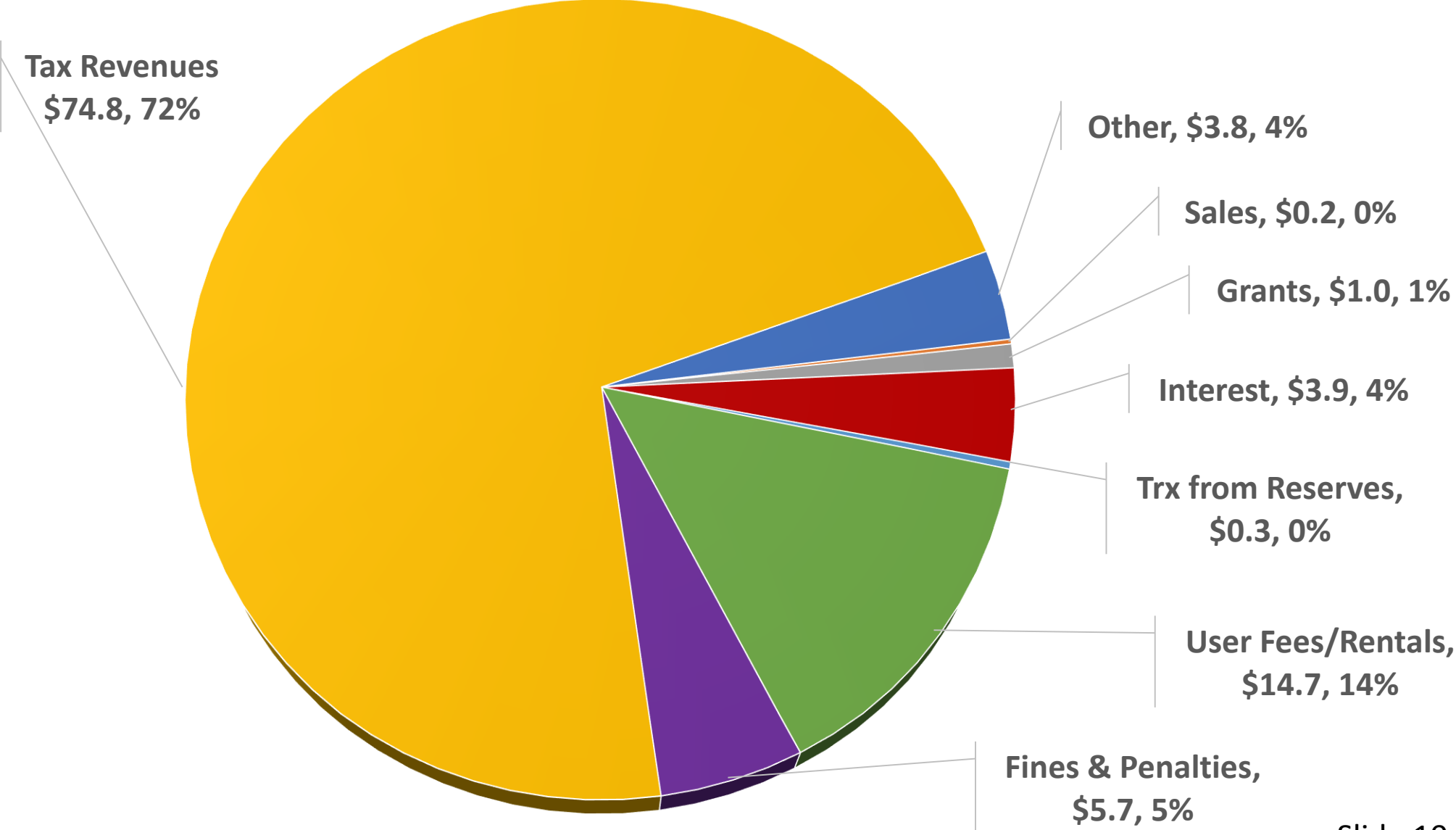
# Town of Caledon's Operating Budget

- Balanced Budget - *Municipal Act, 2001*
  - Deficits must be funded at year end or recovered in the next budget
  - Significant deficits could impact future service levels
- Council Approved 2020 (balanced) Budget:

|          |               |
|----------|---------------|
| Revenues | \$104 million |
| Expenses | \$104 million |

# Town of Caledon 2020 Operating Budget | Revenues (\$104 million)

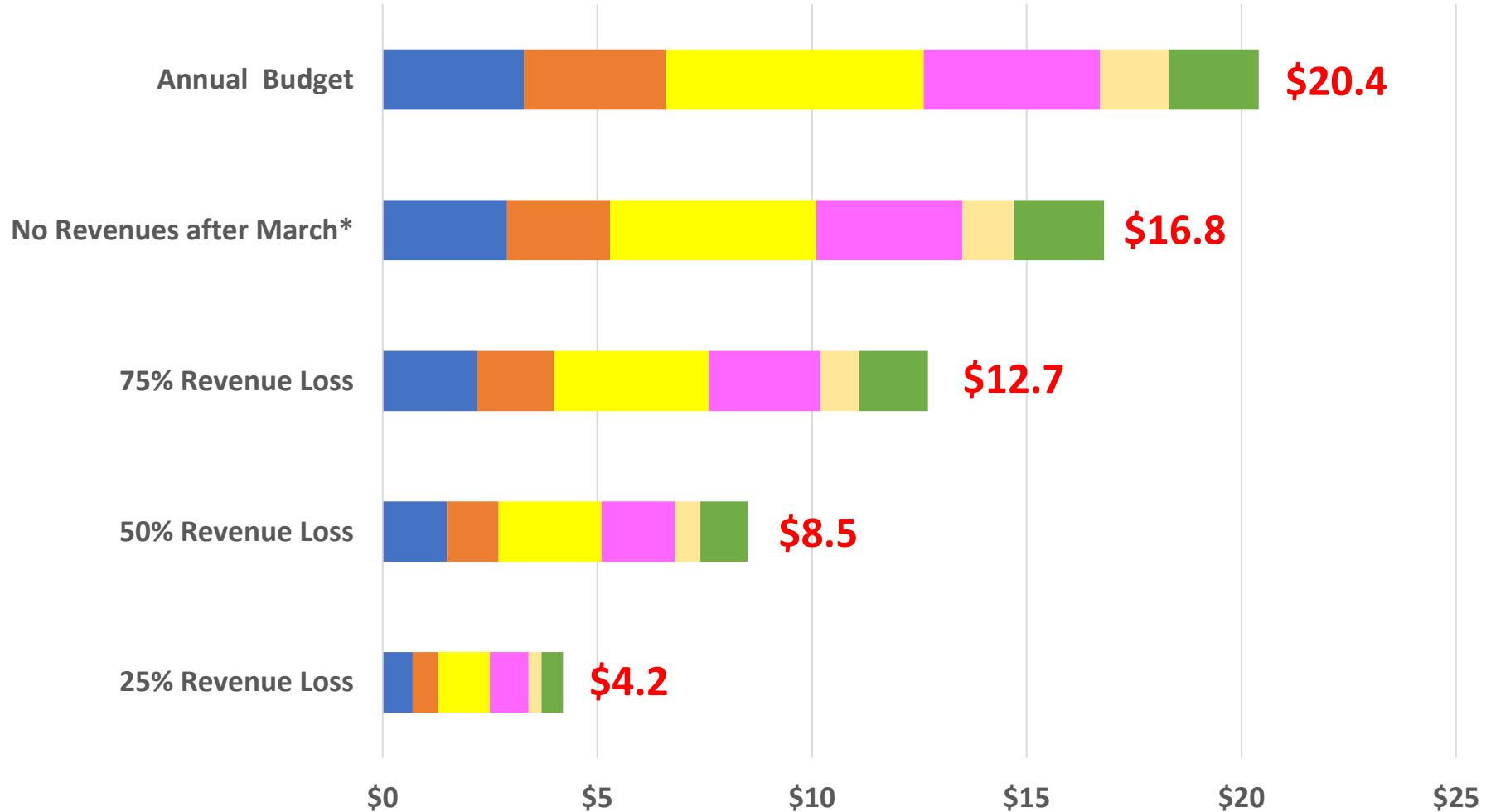
(\$ millions)



# Revenues projected to be impacted by COVID-19

## POTENTIAL NON-PROPERTY TAX REVENUE LOSS

(\$ millions)



■ Building Permit Revenues

■ Parks & Recreation User fees and Rentals

■ Late payment fees and interest on property taxes

■ Planning & Engineering application revenue

■ Fines & Penalties (POA, Parking fines, Library, Etc)

■ Net Investment Revenue (offset with interest on reserves)

\*- March month-end not finalized

# Property Tax Revenues/Cash Flow

- Property Tax Revenues
  - Deferral program: Projected \$0.7 million cost
  - Primarily Timing/Cash Flow Issue: Property taxes will be collected eventually
- Cash Flow Issue
  - Cash Outflows (or Payments) Exceeding Cash Inflows (or Revenues) and cash in the bank
  - Decrease expected in Development Charges Revenues and Development fees
  - Major Cash Outflows:
    - School Boards: \$38 million for balance of 2020;
    - Region of Peel : \$40 million for balance of 2020;
    - Town's Capital Program and Operating costs

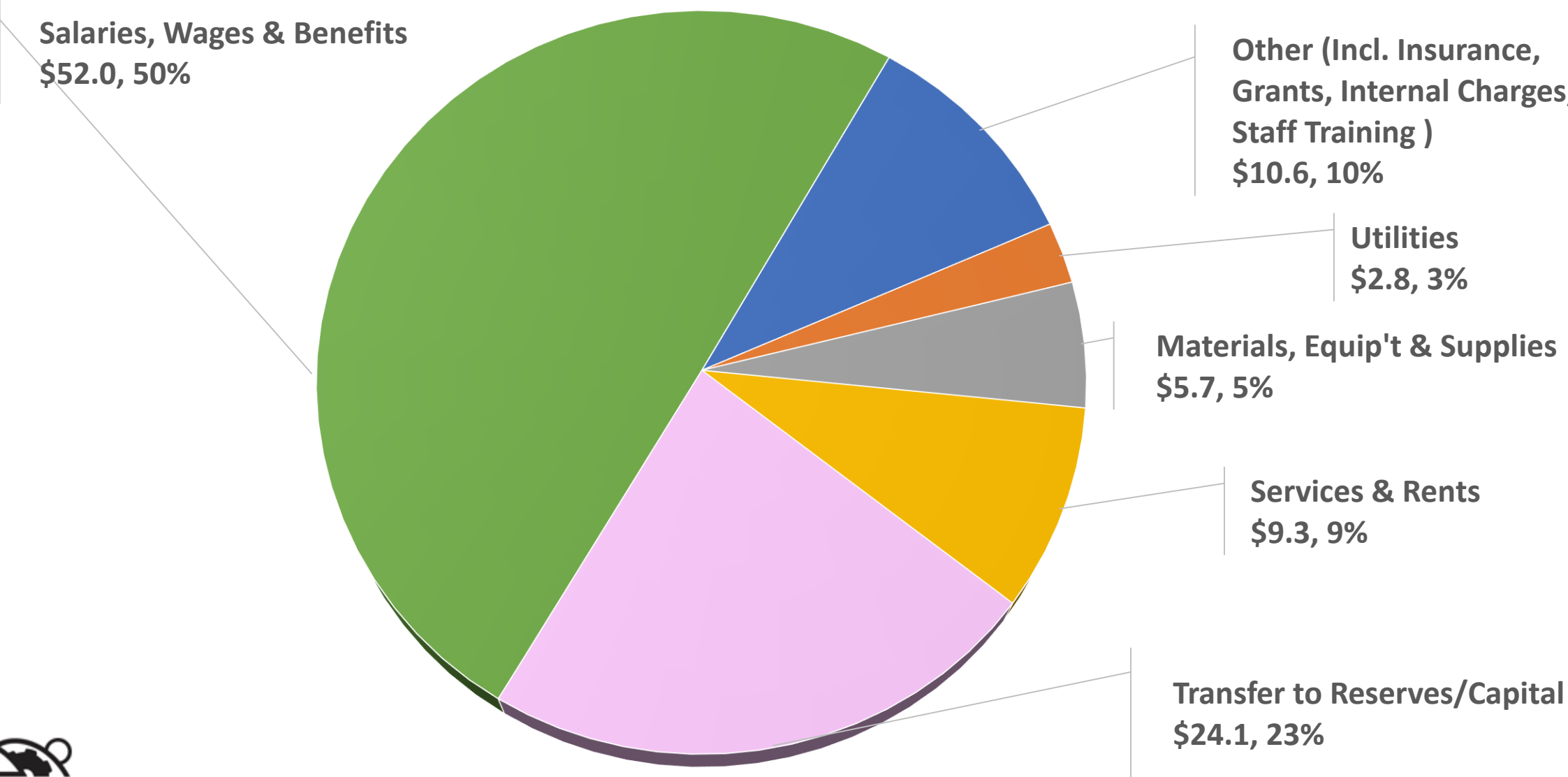
|  | April | May | June | July | August | September | October | November | December |
|--|-------|-----|------|------|--------|-----------|---------|----------|----------|
| <b>Cash Inflows</b><br>(Deferral of Property Taxes   72% Revenues) |       |     |      | ↑    |        | ↑         |         | ↑        |          |
| <b>Cash Outflows</b>   | ↓     | ↓   | ↓    | ↓    | ↓      | ↓         | ↓       | ↓        | ↓        |

# Property Tax Revenues/Cash Flow (Cont'd)

- Financial Assistance Provided to Town & Mitigation Measures
  - Province of Ontario deferred Education payments to September and December;
  - Region of Peel matching Town's deferral program;
  - Mitigation measures for Capital and Operating costs outlined later in presentation
- Town projected to have Financial capacity to meet all payments in the short-term (Q3/Q4 2020)
  - Cash Flow will also be managed through Reserve Funds (backed by cash/investments)
  - Situation rapidly evolving
  - Town is planning for long-term impacts
    - Funds required for immediate response to COVID-19 Pandemic;
    - Funds will also be required for recovery plan (2021 and future budgets)
  - Town also has ability to interim borrow (for operations), if required

# Town of Caledon 2020 Operating Budget | Expenses (\$104 million)

(\$ millions)



# Identified Operating Budget Issues To-Date

- Main issue is Projected Revenues have been impacted due to the Pandemic
  - Recreation
  - Planning Application Fees/Engineering Fees
  - Building Permit fees;
  - POA Courts & Parking Fine Revenue
  - Interest & Penalty Revenue on Property Taxes
  - Investment Income
  - Partially offset by lower operating costs with facilities closed to the public and salary gapping due to vacancies/retirements
- Employee costs for cancelled programs, staff not working per direction of health officials (e.g. self-isolation, sick)
- Incremental costs for the Town's response to the COVID-19 Pandemic
  - including sanitizing supplies, technology to work remotely, additional cleaning services

# Town of Caledon Reserve Funds

- Town's Operating Contingency ("rainy day") reserve \$3.3 million balance
  - To offset 2020 Operating deficit related to COVID-19 (if required)
- Total Town reserves \$72 million (current uncommitted balance)
  - Backed by cash/investments
  - reserves and cash/investments not two separate items
- Two broad category of reserves:
  - Restricted/Obligatory – established via legislation for a specific purpose
  - Non-Restricted/Discretionary – established by Council (for operating, capital, future liabilities)



# Town of Caledon Reserve Funds

- Current uncommitted Reserve Balances – Total \$72 million\*:

|   | \$ millions   |
|---|---------------|
| <b>Restricted/Obligatory</b>                    |               |
| Development Charges                             | 23.9          |
| Payment In Lieu of Parkland                     | 8.6           |
| Building Permit Stabilization                   | 4.3           |
| Federal Gas Tax                                 | 0.1           |
| Heritage Property (\$2K)                        | 0             |
|   | <u>\$36.9</u> |
| <b>Non-Restricted (Operating)</b>               |               |
| Development Approvals Stabilization             | 3.4           |
| Operating Contingency                           | 3.3           |
| Winter Maintenance                              | 1.3           |
| Working Funds                                   | 1.3           |
| Self-Insured Loss                               | 1.0           |
| Group Benefit Stabilization                     | 0.6           |
| Election  | 0.3           |
| Firefighter Post-Retirement Benefit Reserve     | 0.1           |
| Community Improvement Plan                      | 0.1           |
| Animal Shelter                                  | 0.1           |
| Economic Development (\$47K)                    | 0             |
| Development Charge Exemptions & Discounts (\$0) | 0             |
|   | <u>\$11.5</u> |

|  | \$ millions   |
|--|---------------|
| <b>Non-Restricted (Capital)</b>                              |               |
| Capital Asset Replacement Fund<br>(previously Caledon Hydro) | 15.3          |
| Tax Funded Capital Contingency Reserve                       | 3.7           |
| Surplus Land Sales   | 2.2           |
| Northwest Caledon Indoor Recreation Facility                 | 0.9           |
| Cash in Lieu of Parking                                      | 0.5           |
| Equipment  | 0.3           |
| Corporate Energy   | 0.2           |
| Accessibility  | 0.1           |
| Fitness Equipment Replacement                                | 0.1           |
| GO Transit   | 0.1           |
| Roads Capital  | 0.1           |
| Records Management (\$55K)                                   | 0.1           |
| Ice Resurfacer (\$45K)                                       | 0             |
| CAMP Agreement (\$42K)                                       | 0             |
| Animal Shelter Facility (\$28K)                              | 0             |
| Broadband (\$22K)  | 0             |
| Bridge Replacement (\$15K)                                   | 0             |
| Fire Equipment (\$1K)  | 0             |
| Facility Repairs & Reinvestment (-\$18K)                     | 0             |
|  | <u>\$23.6</u> |

\$23.6



\* Does not reflect 2019 year end surplus or surpluses from Completed Capital Projects that will be closed

Slide 17

# Cost Containment/Financial Liquidity Strategy

## 1) **Recruitment on hold** (except for essential positions)

- Projected Savings of \$0.8 million over 3 months or approximately \$0.25 million per month;

## 2) **Staffing decisions due to closure of facilities/services to the public**

- Declared Emergency Leave for approximately 300 casual staff (Savings of approx. \$0.2 million per month)

## 3) **Cost Savings Across the Corporation**

- Savings due to facility closures (including Recreation, Town Hall, Provincial Offences Courts)
- Town's whole management team working to further reduce costs not related to COVID-19 response to mitigate the 2020 deficit

## 4) **Defer Capital Projects**

- Maintain financial liquidity by deferring capital projects to 2021

# 2020 Capital Program – Impact of COVID-19

- 3-April-20: Revised Provincial list of essential services and operations
- Design projects and Road construction projects proceeding to be “shovel ready”
- Defer capital projects not awarded yet to 2021 (revisit later in 2020):
  1. Comply with Provincial Orders regarding physical distancing and essential services;
  2. Protect Liquidity/Reduce Cash Flow Pressure
  3. Prepare for anticipated Federal/Provincial stimulus funding in 2021
- Approximately 60 projects to be deferred: approximately \$12 million capital spending deferred to 2021
- Full list of projects to be provided on 28-April-2020

# Town of Caledon 2021 Budget

- Balanced Budget - *Municipal Act, 2001*
  - Deficits must be funded at year end or recovered in the next budget
  - Significant deficits could impact future service levels
- Town's 2021 budget to recognize
  - the economic impact the pandemic has on residents and business;
  - Economic uncertainty (growth, interest rates, inflation, utility prices, insurance premiums);
  - Potential opportunities related to expected Federal and Provincial Stimulus funding
- Municipalities, businesses, residents are still assessing and adapting to the impacts of the constantly evolving circumstances due to the COVID-19 pandemic
  - 2021 budget will be one of the most challenging budgets in recent history