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Covid-19 Pandemic Financial Impact and Service Delivery Options Staff Report to Council

Report Number: 2021-13

Department(s): Financial Services

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Meeting Date: February 22, 2021

Recommendations

1. That the report entitled Covid-19 Pandemic – Financial Impact and Service Delivery Options dated February 22, 2021 be received; and,
2. That Council provide direction on service level options; and,
3. That staff provide monthly progress reports; and,
4. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

The Covid-19 pandemic could create a significant deficit for the Town of Newmarket's tax supported operating budget. The extent of this impact is dependant on how long restrictive measures are in place and on which service delivery options are chosen by Council.

It must be emphasized that the projections presented in this report are based on the best information prepared at a certain point in time. These are estimates under the current understanding and measures in place. There is a lot in motion. As the Province brings in changes to regulations during the emergency period, costs and savings are subject to fluctuation.

However, there are decisions that need to be made on a timely basis.

Purpose

Normally, Financial Services would prepare a financial update with the results of the first quarter of the year – usually distributed in May. To facilitate proper planning, staff require direction of possible adjustments to service levels. The purpose of this report is to provide Council with information that they may provide that direction.

Background

On December 14, 2020, Council approved the 2021 budgets. These budgets assumed returning to a more normalized level of business. The Covid-19 pandemic continues to challenge achieving that goal.

The [Draft 2021 Operating and Capital Budgets Report 2020-96](#) addressed the funding for the financial impact of Covid-19. It projected the net cost for service delivery responses, Operations Centre health and safety precautions, the Financial Relief Program and support for local businesses. Funding would be from the new Contingency Reserve with an excess funded from the Rate Stabilization Reserve.

[Report 2020-87, Service Delivery Responses in line with Provincial Covid-19 Responses](#), was presented to Committee of the Whole on November 16, 2020. [Report 2021-02, 2021 Financial Relief Program in Response to Covid-19](#) was adopted by Council on January 18, 2021.

Current status

The Covid-19 pandemic has created challenges to meeting the approved budget. The projected variances, based on existing circumstances and Council's prior decisions are summarized below.

This is our default position, the starting point. It assumes that we will not return to “normal” until 2022. Decision point, options for Council, are provided in the Discussion section.

	Winter/Spring To June	Summer July to August	Autumn Sept. to Dec.	Full year
Service delivery	\$ 1,350,000	\$ 620,000	\$ 666,000	\$ 2,636,000
Health and safety	\$ 200,000	\$ 90,000	\$ 80,000	\$ 370,000
Financial Relief Program	\$ 176,000	\$ 38,000	\$ 75,000	\$ 289,000

Support for local businesses	\$ 40,000	\$ 20,000	\$ 40,000	\$ 100,000
By-law enforcement	\$ 72,000	\$ 43,000		\$ 115,000
	\$ 1,838,000	\$ 811,000	\$ 861,000	\$ 3,510,000

Service Delivery

There will be reduced revenues and increased costs to deliver services to the public in 2021. Report 2020-87, Service Delivery Responses in line with Provincial Covid-19 Responses, provided details to Committee of the Whole on November 16, 2020.

There have been two updates since then:

- Two months of lockdown has added \$500,000 in net operational costs
 - \$600,000 in lower net revenues for Recreation & Culture
 - Partially offset by \$100,000 in Facility savings
- Lost revenue on parking tickets; bingo, lottery and other licences is projected to be \$380,000

Some of the assumptions are:

- Continue operating the fitness centre out of the dry pad rink until September
- A modified summer camp program that complies with public health measures, at a reduced number of sites
- Open the Ray Twinney pool at the start of June
- Open Gorman Pool with reduced capacities and programming in accordance with public health requirements
- Offer 5 to 10 modified special events in accordance with public health requirements

Service level options are provided below.

Health and safety

Health and Safety representatives and management have proposed physical modifications, improvements and trailer rentals to achieve acceptable spacing for Public Works staff at the Operations Centre, in line with Public Health requirements.

The measures to protect staff will be \$20,000 a month. An additional; \$130,000 will be required to accommodate summer seasonal hires.

Financial Relief Program

The 2020 Financial Relief Program expired on January 31, 2021 and was replaced by the 2021 program approved by Council on January 18, 2021. The new program is scheduled to last until the end of the year. If circumstances change, Council could change that.

The following summarizes the projected financial impact of the financial relief program:

Measure	Tax-supported Budget	Rate-supported Budget
2020 Financial Relief Program extended to January	\$ 83,000	
Waving penalties and interest (applications)	\$ 180,000	
Enhanced rebate programs for residents	\$ 13,500	\$ 10,000
Rebate program for small businesses		\$ 420,000
Administrative staff	\$ 12,500	\$ 12,500
subtotal	\$ 289,000	\$ 442,500
Less adjustment to Region's water charges		\$ 442,500
	\$ 289,000	\$ 0

Support for local businesses

The original amount included with the 2021 draft budget was for up to \$50,000, but Council increased it to \$100,000. The plan is to continue support of the local business community's recovery programs with the new programs developed throughout the pandemic to help support local business (i.e. Business Assistance Concierge Program (BAC); Mentorship Access Program (MAP); Shop Local campaign; expanded patio support program, etc.), while also striving to re-focus on programs, projects and initiatives that historically (pre-pandemic) were focus areas in helping to grow a diverse, strong local economy.

There will be a separate report with details on this in the next 30 days.

By-law Enforcement

To support existing staff with Covid-19 enforcement, eight part-time by-law ambassadors will be hired for a period of six months (until approximately mid-summer). Staff expect to initially recruit the additional staff complement from the Town staff who were recently laid off due to the pandemic. These former staff members have customer service and accessibility training, which could reduce the amount of time spent in orientation. These eight additional staff will need technology to support their work in being by-law ambassadors, such as iPads or phones to allow in-field communication. The by-law ambassadors will be responsible for supporting Municipal Law Enforcement Officers through an 'observe and report' function. Any matters requiring enforcement actions will be escalated to a Municipal Law Enforcement Officer. Funding for eight additional staff resources and technology over a period of six months is expected to cost the Town \$115,000.

Community Support

In 2020, Council directed that \$50,000 be provided for meal support to the community. This was done through subsidies and direct programming. There is \$18,000 that was allocated but unspent and will be available for use in 2021. As part of the 2021 budget process, Council approved an additional \$15,000, bringing the total to \$33,000

Funding

In approving the 2021 budget report, Council has adopted the recommendation:

That costs for the Covid-19 pandemic outlined in this report in excess of the Contingency, be funded by the Rate Stabilization Reserve

The Contingency Reserve will be able to provide \$1,469,000:

- \$200,000 from the estimated 2020 surplus, the remainder of the Safe Restart phase 1 funding
- \$769,000 from the Safe Restart phase 2 funding
- \$500,000 from the 2021 contingency levy included in the 2021 budget

In addition to drawing on \$1.5 million in the Corporate Rate Stabilization Reserve, consideration can be given to other reserves as well. For instance, it would be appropriate to fund \$100,000 in support for local businesses from the Economic Development Reserve.

There is a review of reserves and reserve funds underway, as part of the implementation of the Fiscal Strategy which may identify the other potential funding sources.

Although it is very early in the year, projections have been provided for discussion purposes. Please note that there has been insufficient time to test the assumptions. Monthly updates will include revisions as required.

Discussion

Options for Council

These are the decision points for Council to provide direction on. They include adjustments to fees and charges and service levels. Consideration has been given to significant financial impact while minimizing disruption to the public:

1. Maintaining the garbage bag limit at 5

In response to the pandemic, the Town changed its garbage bag limit in 2020 from three (3) bags to five (5) per household, which is collected every two weeks on the regular scheduled collection day. As a result of this service level change there was an increase in tonnages collected and in turn higher costs.

Potential cost: \$34,000

2. Reduced maintenance levels

This would include:

- Postpone playground rehabilitations by extending the life cycle of playground equipment, temporarily for an additional two years
- Reduce the frequency of grass cutting, to the service level applied in 2020 (10 working day rotation)
- Reduce the number of sport fields being maintained for permitted play by 50%
- Reduce the catch basin cleaning program by 50%
- Reduce the tree planting program by 50%

Please note that these recommendations should not have a significant impact on the long term condition of the assets noted.

Potential savings: \$500,000 tax-supported (\$125,000 stormwater rate-supported)

3. Magna Fitness Centre & Ice Considerations

Details of this option are in Appendix A.

Potential cost: \$60,000

4. Cancel Summer Camp Programs for 2021

This option would see no summer camp program offered again in 2021. There is currently a full-time position vacancy that oversees these programs. This position would not be filled until 2022 if no camps are offered in 2021.

Potential savings: \$10,000

5. Open Ray Twinney Pool in September

It is anticipated that by September the capacity will be increased and swimming lessons will be able to resume.

Potential savings: \$130,000

6. Do not open Gorman Pool this summer

This option represents the best potential cost savings but eliminates the service for residents – though service will be reduced this year to accommodate public health requirements.

Potential savings: \$60,000

7. Offer no special events until the fall

This option provides the greatest financial relief but deprives residents of opportunities they are looking for after the extended lockdown periods.

This will allow for events to be organized monthly in accordance with the public health requirements during the various stages of recovery.

Potential savings: \$100,000

In total, the above measures, exclusive of potential cost increases, offer potential savings of \$800,000.

Conclusion

There are a lot of unknowns: how long will restrictions be in place and what level will they be at. Regardless, operational and financial decisions need to be made now with the best information we currently have.

Updates will be provided on a monthly basis to monitor results and provide the opportunity to make operational and financial adjustments as required.

Business Plan and Strategic Plan Linkages

This report supports the Council priority of maintaining long-term financial stability while ensuring a thriving community.

Consultation

Members of the Strategic Leadership Team and Back to Business Task Force participated in the preparation of this report and the supporting analysis.

Human Resource Considerations

Recommendations within this report will have no impact on regular staffing levels, however based on the services referenced this may impact the hiring of casual/seasonal/sessional staff.

Budget Impact

On December 14, 2020, Council approved the 2021 budgets. These budgets assumed returning to a more normalized level of business. The Covid-19 pandemic is projected to create a deficit with reduced revenues and increased expenses. This forecast assumes that we will not return to “normal” until 2022.

To summarize the potential budget challenge:

Projected budget shortfall – Current Status	\$ 3,510,000
Contingency reserve available for 2021	\$ 1,469,000
	\$ 2,041,000

To offset this the report identified:

Return to “normal” prior to 2022	TBD
Council options for potential savings	\$ 800,000
Drawing on the Corporate Rate Stabilization Reserve	\$1,500,000
Drawing on the Economic Development Reserve	\$100,000
Use of other reserves and reserve funds	TBD
Potential offsets	\$ 2,400,000

Although we have identified options to mitigate our current projected challenges, it is important to stress that this is drawing on resources that will not be available, at the same level or potentially at all, later in 2021 or 2022.

Attachments

Appendix A – Magna Fitness Centre & Ice Considerations

Approval

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Contact

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