



REQUEST FOR DECISION

File # 1715-20, 7130-20

Report To: Mayor and Council
From: General Manager of Corporate Services
Presenter: David Joy
Subject: Administration Report No. 0054/20
Pandemic Effect on the Operating Budget 2020-2024
Meeting: Special Open Council Meeting
Meeting Date: 30 Mar 2020

RECOMMENDATION:

"THAT, Council direct Administration to review the 2020-2024 operating budget with regard to the effect of actions taken and the options available to be considered as a result of the pandemic."

CITY MANAGER'S COMMENTS:

The City's Operating Budget was developed prior to the COVID-19 outbreak. The world has changed significantly since the Province declared a Public Health Emergency. Council may wish to take a second look at the budget in light of recent events. However, the situation changes daily and Council may wish to direct staff to monitor the situation and provide options in meeting the community's future needs.

ALTERNATIVE RECOMMENDATION: "THAT, Council receive Administration Report No. 54/20 - Pandemic Effect on the Operating Budget 2020-2024, for information."

KEY ISSUES(S)/ CONCEPTS DEFINED:

The COVID-19 pandemic has required a significant scaling down of the City's local operations and levels of service, resulting in a significant temporary reduction in personnel. The closing of most of its facilities has significantly reduced revenues and to a lesser extent expenses. The City's financial policy framework requires that we respond to external events such as the pandemic, in a planned, adaptable and protective way. We do have the ability to financially respond in a measured way to avoid an operating deficit while at the same time providing financial relief to residents and businesses.

It is unknown at this time as to how long the pandemic will last along with the orders to self-isolate, physical distance and work from home. Administration is currently working on producing an operating budget with 3 scenarios; the effect on the fiscal year 2020 as if the pandemic will last for 3 months or 6 months or 9 months.

Administration has brought forward to Council the effect of the pandemic on the income statement and the financial mechanisms and options available to the Council to provide relief to our community. As stated in the approved financial framework document: "The very essence of being a sustainable community is that it allows the City to develop in such a way that it meets the needs of the present without compromising the ability of future generations to meet their own needs." The City of Fort St. John has available to it a contingency reserve whose primary purpose is to mitigate the financial impacts of extraordinary events, such as the current pandemic. Utilization of upwards a third of this reserve will not deteriorate the City's financial position nor compromise its future.

To provide relief to the community, Council can consider some options and authorize the deferral of payments for taxes and utilities. Since the pandemic will have a negative financial impact for which not-for-profit and church organizations might feel the effect into 2021, some consideration may also be given to defer the implementation of the permissive tax exemption policy until 2022. It can also decide to rescind all or a portion of its recent tax rate increase; reduce or eliminate this year's business licence fees; waive the penalties of tax and utility late payments, and; provide relief on concession leases at the pool and Pomeroy Sports Centre facilities. If Council provides residents with some financial relief, then the expected operating deficit can be offset by a corresponding transfer from the contingency reserve. Replenishment of this reserve can be recovered from future year operating surpluses.

RELEVANT POLICY: Financial Framework Policy Document

IMPLICATIONS OF RECOMMENDATION

COMPLIANCE WITH STRATEGIC GOALS:

Goal No. 3 - Build and manage public assets and human resources that support the current and future needs of the community.

COMPLIANCE WITH STRATEGIC PRIORITIES:

GENERAL:

ORGANIZATIONAL:

FINANCIAL:

FOLLOW UP ACTION:

COMMUNITY CONSULTATION:

COMMUNICATION:

DEPARTMENTS CONSULTED ON THIS REPORT:

Finance

Human Resources

Attachments:

Pandemic Effect on the Income Statement

RESPECTFULLY SUBMITTED:

David Joy, General Manager of Corporate Services

26 Mar 2020

Pandemic Effect on the Income Statement

Reductions in revenues and expenses

		Effect on Financial Results for the Year if the Pandemic lasts for		
	2020 Budget	3 months to June 30th	6 months to Sept 30th	9 months to Dec 31st
Revenues:				
Government transfers	30,025,904	29,490,654	28,955,404	28,420,154
Other Revenue from own Sources	7,608,825	6,006,789	4,807,107	3,098,565
Payments/Grants in Lieu of Taxes	450,000	400,000	400,000	400,000
Return on investment	2,678,557	2,678,557	2,678,557	2,678,557
Sale of Services	11,693,500	11,669,125	11,644,750	11,614,262
Services Provided to Other Governments	536,771	451,578	366,386	281,193
Taxes	32,070,258	32,070,258	32,070,258	32,070,258
Transfers In	1,451,638	1,779,143	1,779,143	1,779,143
Total Revenues	86,515,453	84,546,105	82,701,604	80,342,131
Expenses:				
Contracted and general services	15,913,616	15,448,791	14,825,327	14,293,484
Interest and Bank Charges	1,382,702	1,382,702	1,382,702	1,382,702
Material, goods and supplies	3,892,235	3,601,574	3,343,641	3,099,023
Other Expenses	2,563,119	2,415,626	2,214,007	2,116,723
Principal on Long Term Debt & Actuarial Adjustments	2,054,966	2,054,966	2,054,966	2,054,966
Salaries, wages and employee benefits	24,626,409	24,069,749	22,892,996	21,882,691
Transfers Out	34,074,156	34,009,156	34,109,156	34,209,156
Utilities	2,008,250	1,707,013	1,365,610	1,024,208
Total Expenses	86,515,453	84,689,576	82,188,405	80,062,953
Surplus (Deficit)	0	(143,472)	513,199	279,178
Options for Council to Provide Relief to the Community				
1. Waiving Penalties (Taxes, Utilities)		(690,000)	(690,000)	(690,000)
2. Eliminating the 1.25% Tax Rate Increase		(356,501)	(356,501)	(356,501)
3. Eliminating Business Licence Fees		(240,000)	(240,000)	(240,000)
4. Providing Relief on Concession Leases		(18,500)	(37,000)	(55,500)
Total Possible Relief		(1,305,001)	(1,323,501)	(1,342,001)
Surplus (Deficit)		(1,448,473)	(810,302)	(1,062,823)
Contingency Reserves Applied		1,448,473	810,302	1,062,823
Effect of Layoffs:				
Wages		475,865	1,486,630	2,353,001
Receiver General Contributions		23,060	71,854	113,746
Pension		45,871	142,933	226,266
WCB		8,623	25,756	40,465
Reduction in Costs		553,420	1,727,173	2,733,478