



THE CORPORATION OF THE TOWN OF PETROLIA

To:	Mayor and Members of Council
From:	Rick Charlebois
Date:	May 25, 2020
SUBJECT:	<u>2020 Financial Forecast</u>

REPORT:

Purpose

To inform Council on our current 2020 year end forecast factoring in the known impacts of COVID-19 and management's risk mitigation actions.

Background

COVID-19 is an unprecedented global pandemic that has affected every country across the world and every community in Canada. At the writing of this report, there were close to 5 million coronavirus cases and over 320,000 deaths world-wide. Closer to home, Lambton Public Health was reporting 225 confirmed cases, 19 deaths and 163 recovered. These are uncharted waters for everyone and every organization. The safety of our residents and our staff has been our over-riding objective while focusing on maintaining excellent customer service given the limitations imposed by COVID-19. We have maintained our critical infrastructure and our essential services such as safe drinking water, sanitary sewers, fire protection, police, garbage collection, etc.

These are very stressful times. Town employees have been up to this ongoing challenge. We have an excellent management team that is capable of being successful in the face of any challenge. Our organization is well managed with a robust financial management control and reporting framework confirmed by independent reviews such as our strong external audits and winning or coming close to winning the prestigious provincial Financial Information Returns for the past six years. Throughout this global crisis our management team has done and will continue to do what we do best – manage and adjust to our constantly changing environment. I am very proud of each and everyone of our management team, and each of our dedicated employees.

For the past four weeks, amongst many other tasks, our management team has been developing our updated 2020 year end forecast which is attached. This updated forecast reflects our known COVID-19 impacts and our risk mitigation actions across all activities. The bottomline is that based on our current assumptions, we are projecting that we will manage within our 2020 approved budgets for Town General, Water and Sewer operating and capital budgets. Over the past several weeks we have conducted a detailed review of each budget and account code. Key actions and assumptions are highlighted below following our standard Quarterly financial reporting format to Council. There are three columns: our approved 2020 Budget; updated 2020 Year End Forecast; and the difference.

Town General Operating Budget:

Please note that our property tax revenue is not recorded until August when the final tax levies are billed. The updated 2020 year end forecast for our Town General operating budget is forecasted to be zero (no surplus, no deficit) by the end of this fiscal year. Some key actions and assumptions:

- a. Revenues and expenditure forecasts have been adjusted as appropriate with a goal of achieving a **balanced budget**;
- b. The forecast incorporates Council's approved temporary financial relief measures for property owners; and our general accounts receivables;
- c. All COVID -19 expenses to date and known planned expenditures have been incorporated. These expenditures are being tracked for any potential provincial financial relief program for municipalities (as a risk mitigation strategy, we have included COVID-19 expenses fully in our forecasts in case no provincial relief program occurs);
- d. General Administration forecasts an additional deficit of about \$58K, but that includes an Unforeseen Expenditure of \$85K which will be used to fund unforeseen COVID-19 expenditures and any financial pressures elsewhere in the Town General Operating Budget;
- e. We have assumed that minor hockey and figure skating programs will start up in September;
- f. The Petrolia YMCA is forecasted to achieve its approved 2020 budget and assumes to gradually reopen starting in July (note Ys in BC are opening the first of June). The Y qualifies for the federal Canada Emergency Wage Subsidy (75%) and with the new 100% funded federal student program;
- g. Marketing expenditure forecasts have been increased due to extra COVID-19 communications activities and funding to launch a downtown business revitalization and re-opening plan post COVID-19 marketing campaign;

- h. Staff have taken full advantage of the new federal student employment program that covers 100% of student wages;
- i. Another layer of financial risk mitigation practice put into place about 5 years ago is our Budget Stabilization Reserve. The purpose of this Reserve is to fund any year end Town General Operations deficits which also facilitates being able to conduct an efficient budgeting process the following year. We have had a Town General operating surplus for each year since 2013 and have never had to use this Reserve, but this is not a normal year. Currently, the Reserve has about \$130K.

VPP Operations:

As per the Town's Financial Policy the VPP, which is an integral part of the Town, is reported on separately to Council as the VPP strives to be self-funding including any capital and operating deficit requirements. Some key actions and assumptions:

- a. Council is aware that we have moved our 2020 VPP shows to 2021 due to COVID-19. This was an extremely difficult decision that affects many VPP people and affects our local commercial businesses. We have assumed that the Christmas shows will take place this year in some format.
- b. The VPP updated 2020 year end forecast has a balanced budget. This includes a transfer of \$151K from the VPP Reserve to cover off the projected VPP deficit. The balance of the VPP Reserve at the end of 2019 was about \$570K.
- c. In discussion with our external auditors, there are 2020 VPP costs that will be carried forward into 2021 as prepaid expenditures, such as, the cost to build two 2021 show sets and work completed in 2020 for the 2021 season;
- d. Work continues regarding writing shows, arranging music and promoting the VPP future performances;
- e. VPP is planning online events, future events in 2020 (if possible), and fundraising ideas for 2020 – announcements coming soon;
- f. We are creating a capital fundraising plan for an elevator; and
- g. The federal and provincial governments recognize the importance of the entertainment industry and we anticipate some financial relief programs to be announced in the future.

Town General Capital Program (excludes Water and Sanitary capital):

Some key actions and assumptions:

- a. Our new Fire Ladder truck has already been paid (\$783K);
- b. Several projects are on hold and will be delayed to our 2021 budget process for consideration (\$184K);

- c. Our planned R1/R2 (road repaving) capital project will be shovel ready for this year to take advantage of any new COVID-19 infrastructure grant programs. If this capital project is eligible for a new federal/provincial COVID-19 municipal infrastructure grant program, we can execute this work in 2020. If not, this project will be delayed to 2021 budget process for consideration;
- d. Under the Investing in Canada Infrastructure Program (roads and bridges component) we submitted a major road grant request, but we were not successful in the first round of grant approvals, but we were close and there is potential for this capital project to be approved under a new COVID-19 municipal infrastructure program; and
- e. Council has already approved our Wingfield Street total road reconstruction (includes a water and sewer component) project and work should start in June.

Water Operating and Capital

Summary Water Operating and Capital 2020 year end forecasts are attached. By legislation, water is self-funding and any surplus or deficit at the end of the year will be transferred to the Water Reserve. Some key actions and assumptions:

- a. We have maintained this essential service throughout COVID-19 and we do not anticipate any disruptions;
- b. We have projected the same revenues as approved in 2020 budget;
- c. The forecast incorporates Council's approved temporary financial relief measures for water ratepayers;
- d. We submitted a joint infrastructure grant application for the Investing in Canada Infrastructure Program: Green Stream to replace our water in-take with an estimated capital costs of about \$12M. The other three municipalities that feed off our safe drinking water system agreed on a joint application which improves our likelihood of success;
- e. Staff recently completed and submitted the final grant reports for our \$8M Water Treatment Plant – Clearwell and Pumps capital project and we should receive our final grant payments this summer. This also was a joint project for which we received 90 percent grant funding; and
- f. The updated forecast projects an additional \$36K would be transferred to the Water Reserve, but it is very difficult to forecast water revenues.

Sanitary Operating and Capital:

Summary Sewer Operating and Capital 2020 year end forecasts are attached. By legislation, sewer is self-funding and any surplus or deficit at the end of the year will be transferred to the Sewer Reserve. Some key actions and assumptions:

- a. We have maintained this essential service throughout COVID-19 and we do not anticipate any disruptions;

- b. We have projected the same revenues as approved in the 2020 budget;
- c. The forecast incorporates Council's approved temporary financial relief measures for sewer ratepayers;
- d. Staff recently completed and submitted the final grant reports for our \$21M Wastewater Treatment Plant replacement capital project and we should receive our final grant payments this summer. We received \$14M grant funding for this important project; and
- e. The updated forecast projects an additional \$48K would be transferred from the Sewer Reserve, but it is very difficult to forecast sewer revenues.

Next Steps

Management:

- a. will continue to closely monitor and manage all revenues and expenditures on a daily basis;
- b. will update our 2020 year end forecast in September and present it to Council on 28 September;
- c. is ready to respond to any new federal/provincial municipal infrastructure grant programs released (we anticipate details of a new grant program before the end of June 2020); and
- d. has already started collecting COVID-19 expenditure and revenue loss tracking in preparation of potential provincial municipal financial relief (we anticipate details by this fall).

REPORT:

For Information

FINANCIAL IMPLICATIONS:

Code to Account #: All GLs

RELATIONSHIP TO THE STRATEGIC PLAN:

- Community Service & Engagement – Communication strategy, Service excellence, providing citizens with prompt supportive assistance
- Economic Support & Development - Financial viability, partnerships with senior levels of government, Community events, Business retention and expansion
- Sustainability - Sound infrastructure
- Growth & Innovation - Benchmarking and best practices

POLICY IMPLICATIONS:

N/A

NOTICE/CONSULTATION:

Senior management team; provincial contacts; and contractors.

ATTACHMENTS:

[2020 YE Forecast as of 19-May-2020](#)

RECOMMENDATION:

THAT the Council of the Town of Petrolia, receive and file the report of the CAO/Treasurer dated May 25, 2020 regarding 2020 Financial Forecast.

TOWN OPERATING BUDGET

	Budget	Year End	YE Forecast vs. Budget
	2020	Forecast	
<u>REVENUE (Non Department Specific)</u>			
MUNICIPAL TAXES	(5,745,921)	(5,745,921)	0
PAYMENTS IN LIEU	(46,051)	(46,051)	0
OMPF FUNDING	(869,800)	(897,400)	(27,600)
OTHER REVENUE	(826,498)	(864,247)	(37,749)
PRIOR YEAR DEFICIT/SURPLUS	0	0	0
TOTAL REVENUE (Non Departmental)	(7,488,270)	(7,553,619)	(65,349)
LESS: GAS TAX RESERVE	174,191	174,191	0
LESS: OCIF FORMULA BASED RESERVE	291,186	338,441	47,255
	(7,022,893)	(7,040,987)	(18,094)
<u>NET DEPARTMENTAL OPERATING SUMMARY</u>			
HERITAGE & LIBRARY	25,197	21,035	(4,162)
PLANNING & DEVELOPMENT	19,783	22,283	2,500
CEMETERY	44,325	47,780	3,455
GENERAL ADMINISTRATION	1,311,524	1,369,808	58,284
FACILITIES MAINTENANCE	104,276	104,276	0
PROTECTIVE SERVICES	1,194,958	1,188,005	(6,953)
FIRE DEPARTMENT	237,894	230,238	(7,656)
PUBLIC WORKS DEPARTMENT	1,114,307	1,079,707	(34,600)
COMMUNITY CENTRE	371,908	371,908	0
ARENA	199,348	224,587	25,239
PARKS & RECREATION	347,864	335,625	(12,239)
COMMUNITY EVENTS	111,979	87,814	(24,165)
FARMERS MARKET	17,257	21,766	4,509
MARKETING	142,112	155,995	13,883
LOANS (excluding VPP loans)	305,723	305,723	0
TOTAL DEPARTMENTAL EXPENDITURES	5,548,456	5,566,550	18,094
<u>NET OPERATING (SURPLUS) / DEFICIT</u>	(1,474,436)	(1,474,436)	(0)
	<i>surplus</i>		
Less: TRANSFER TO WORKING CAPITAL RESERVE	1,474,436	1,474,436	0
Net Operating (Surplus)/Deficit before VPP	-	0	0
Less: VPP NET DEFICIT(SURPLUS)	-	0	0
<u>TOTAL NET OPERATING (SURPLUS) / DEFICIT</u>	-	0	0

VPP

Budget	Year End Forecast	YE Forecast vs. Budget
2020		

THEATRE REVENUE

TICKET SALES	\$ (1,100,000)	\$ -	\$ 1,100,000
OTHER REVENUE	\$ (479,500)	\$ (320,495)	\$ 159,005
TOTAL REVENUE	\$ (1,579,500)	\$ (320,495)	\$ 1,259,005

THEATRE EXPENSES

SALARIES & REMUNERATION	\$ 369,143	\$ 129,306	\$ (239,837)
SPECIAL EVENTS	\$ 15,000	\$ 15,000	\$ -
OTHER EXPENSES	\$ 138,300	\$ 70,333	\$ (67,967)
ADVERTISING & MARKETING	\$ 192,100	\$ 58,932	\$ (133,168)
PERFORMER & SHOW COSTS	\$ 800,646	\$ 5,500	\$ (795,146)
BUILDING COSTS	\$ 41,414	\$ 18,500	\$ (22,914)
TOTAL EXPENSES	\$ 1,556,604	\$ 297,571	\$ (1,259,033)

REHEARSAL HALL & OFFICE

REHERSAL HALL AND OFFICE EXPENSES	\$ 12,280	\$ 12,307	\$ 27
TOTAL EXPENSES	\$ 12,280	\$ 12,307	\$ 27

GENERAL ADMIN - DEBENTURE PAYMENT

VPP - DEBENTURE PAYMENTS	\$ 10,616	\$ 10,616	\$ -
TOTAL DEBENTURE PAYMENT	\$ 10,616	\$ 10,616	\$ -

DEPARTMENTAL TOTALS			
EXPENDITURES OVER (UNDER) REVENUE	\$ -	\$ (0)	\$ (0)

TOWN GENERAL CAPITAL BUDGET

G/L #	Department	Description	Budget 2020	New 2020 Estimate	
	Community Centre	Building repairs including roof and basement	50,000	50,000	
	Community Centre	Carpet Replacement front desk	5,000	5,000	
01-5000-2261			55,000	55,000	
01-5000-2291	Community Centre	Computer upgrades	11,000	11,000	
01-5000-2301	Community Centre	Pool System Revamp	30,000	30,000	
01-2310-103	Community Centre	Community Cen Reserve Funding	-96,000	-96,000	
	Community Centre Total		0	0	
01-5000-8041	Fire Department	Replace 1995 Foreman Freight Liner	782,250	783,379	
01-5000-8021	Fire Department	Electric PPV Fan	6,500	6,500	
	Fire Department Total		788,750	789,879	
01-5000-1011	General Government	Replace 2 Main Servers	25,000	25,000	
01-5000-1021	General Government	Firewall with VPN & Unified Threat Protection	11,000	11,153	
01-5000-3211	General Government	Town Entrance Signs - former landfill	5,000	-	Delayed
	General Government Total		41,000	36,153	
01-5000-2331	Parks & Recreation	Washrooms - Interior Upgrades to meet accessibility	7,500	-	Delayed
	Parks & Recreation Total		7,500	0	
	Public Works	Building exterior lights	6,000	6,000	
	Public Works	Concrete Bunks	6,500	-	Delayed
01-5000-3441			12,500	6,000	
01-5000-3451	Public Works	Replace 1992 John Deere Gator	25,000	22,794	
01-5000-3191	Public Works	General Engineering Consulting	50,000	50,000	
01-5000-3401	Public Works	Capital required to set up at Maude St.	63,000	63,000	
	Public Works Total		150,500	141,794	
01-5000-3311	Roads	Sidewalk Replacement Program	25,000	25,000	
01-5000-3431	Roads	Wingfield from Petrolia Line to Dufferin	521,105	521,105	
01-5000-3281	Roads	R1/R2/All Other	464,062	10,000	Delayed to 2021
01-4900-0802	Roads	Gas Tax Rebate (Road Projects)	-174,191	-174,191	
01-4900-0802	Roads	Gas Tax One-time extra grant 2019	-176,072	-176,072	
01-4900-0701	Roads	OCIF Formula Based Grant	-291,186	-170,842	
	Roads Total		368,718	35,000	
	Victoria Hall	HVAC Preventative Maintenance Program	55,000	55,000	
	Victoria Hall	Accessibility Upgrades	8,000	8,000	
	Victoria Hall	Boiler Replacement Program	15,000	-	Delayed to 2021
	Victoria Hall	Brick- repoint, Chimney	10,000	7,000	
	Victoria Hall	Hot Water Heat, Rad valves	5,000	-	Delayed to 2021
01-5000-5031			93,000	70,000	
01-5000-2311	Victoria Hall	Information Sign/Sidewalks	45,000	-	Donation
01-5000-3461	Victoria Hall	Engineering	100,000	-	Delayed to 2021
	Victoria Hall	VPP Reserve Funding for ICIP Project Engineering	-50,000	-	Delayed to 2021
	Victoria Hall Total		188,000	70,000	
01-5000-5161	Rehearsal Hall	Furnace	0	6,635	

TOWN GENERAL CAPITAL BUDGET

G/L #	Department	Description	Budget 2020	New 2020 Estimate
01-5000-5161	Rehearsal Hall	Hot Water Tank	0	1,643
	Rehearsal Hall Total		0	8,278
Grand Total - Working Capital Reserve			1,544,468	1,081,104

WATER DEPARTMENT

	Budget	Year End Forecast	YE Forecast vs. Budget
	2020		
WATER REVENUE	\$ (2,295,402)	\$ (2,295,402)	\$ -
WATER TREATMENT PLANT	\$ 778,086	\$ 744,086	\$ (34,000)
BOOSTER STATION	\$ 113,500	\$ 103,500	\$ (10,000)
WATER ADMINISTRATION	\$ 235,215	\$ 244,215	\$ 9,000
WATER BILLING / COLLECTION	\$ 38,000	\$ 46,500	\$ 8,500
WATER EQUIPMENT	\$ 4,000	\$ 4,000	\$ -
PETROLIA DISTRIBUTION	\$ 240,700	\$ 220,700	\$ (20,000)
WATER CAPITAL	\$ 460,557	\$ 470,557	\$ 10,000
RESERVES	\$ 425,344	\$ 461,844	\$ 36,500
TOTAL WATER INCLUDING RESERVES	\$ -	\$ 0	\$ 0

