



# The Corporation of the Town of Milton

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Report To: Council

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From: Strategic Management Team

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Date: April 16, 2020

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Report No: ES-003-20

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Subject: COVID-19 Update

Recommendation: **THAT report ES-003-20, COVID-19 Update, be received for information.**

## EXECUTIVE SUMMARY

- COVID-19 has resulted in significant change in the Town's service delivery including the closure of facilities and park amenities, cancellation of events, and modifications in areas such as transit, operations and by-law to name a few.
- Regrettably this has directly impacted a significant portion of the Town's employees through temporary leaves and deferral of start dates for most of Milton's part time, seasonal and student workforce, as well as volunteers.
- As uncertainty remains with respect to the time horizon and degree to which COVID-19 will continue to impact operations, a number of financial scenarios are being assessed. If closures were to extend to the end of 2020, as an example, gross revenue losses could exceed \$14 million with a remaining operating budget pressure of \$2 million after the existing list of available forms of mitigation are considered. If the Town's fall programs are able to generate approximately the normal amount of revenue, the existing list of mitigations may be sufficient to offset a large portion of the budget pressure that is expected.
- With respect to programs and rentals/permits, the Town will need to determine the summer plan no later than June 1<sup>st</sup> and the fall plan by July 1<sup>st</sup> in order to prepare.
- The Town's strategic planning for the balance of 2020 will need to remain nimble as COVID-19 and the societal response may continue to evolve rapidly.

## REPORT

### Background

COVID-19 and its resulting implications have had a significant impact globally, nationally and within the community. The pandemic and societal responses have continued to evolve at a rapid pace. Notable milestones to April 9<sup>th</sup> include (but are not limited to):

- States of emergency have been declared by the Province and Region;
- The Province has ordered all non-essential workplaces to close, as well as all publicly funded schools;
- New emergency orders have been issued under the *Emergency Management and Civil Protection Act* to prohibit organized public events and social gatherings of more than five people and to close all outdoor recreational amenities;
- Travel restrictions have been put in place as well as mandatory self-isolation for those returning from international travel;
- Financial assistance programs have been introduced by both the Federal and Provincial Governments in order to support individuals, families, businesses and not for profit organizations.

The Town of Milton has also responded to with measures including (but not limited to):

- Declaration of a State of Emergency;
- Closure of all Town facilities and park amenities;
- Inclusion of a number of deterrents including the removal of basketball rims, fencing, locking of gates, tying up of swings, etc.;
- Additional safety measures and protocols in all aspects of the Town's operations and service delivery;
- Financial assistance with respect to property taxes and development charge indexing;
- Providing Economic Development support to local businesses, the community and our partners through this challenging time.
- Revisions to the Town's by-law enforcement.

The Town continues to provide many of its services and has transitioned to a largely remote workforce in order to practice appropriate physical distancing. At the time of preparing this report significant uncertainty remains as to the time horizon remaining where the federal, provincial, municipal and societal restrictions will remain in place in order to flatten the curve of COVID-19 infection. As such, this report has been prepared to update Council on the strategic planning exercises that are currently being undertaken in order to position the Town to appropriately manage the remainder of this pandemic.

## Discussion

From the outset of COVID-19, the Town's Crisis Management Team (CMT) has been meeting daily in order to proactively plan for and respond to the changing environment. Updates have been provided to Council at key decision points as well as through weekly summaries. The public has been notified through media releases and social posts where appropriate.

Although not explicitly documented, recurring themes and principles that have guided the Town's decision making with respect to managing the impacts of COVID-19 have included:

- 1) Safety of staff and the public is of paramount importance;
- 2) Continuation in the delivery of essential public services;
- 3) Responding to the needs of the community as the pandemic evolves;



- 4) Fair and equitable treatment of the Town's workforce;
- 5) Fiscal responsibility and appropriate use of taxpayers funding.

Throughout this event, the Town has been in regular communication with our municipal and regional counterparts to share information and align responses where appropriate.

This report outlines the current state of the Town's operations and service delivery including changes that have been implemented in response to COVID-19, summarize any resulting changes with respect to the Town's workforce and outline key financial considerations. Finally a summary is provided on the current strategic planning framework that has been prepared in order to guide the Town through the balance of the year with consideration of the uncertainty that remains due to COVID-19.

## **1. Operational & Service Delivery Overview (Current State)**

Key to the global fight of COVID-19 has been the implementation of physical distancing in order to flatten the curve and reduce the spread of the virus. This has affected the Town's services, with notable changes including the following:

- The closure of all Town facilities to the public until May 29th. As a result all rental permits, special events, recreational, cultural, Innovation Centre and library programs have been postponed or cancelled (except where virtual alternatives can be provided);
- Theatre performances have been cancelled up to and including June 15th;
- The Downtown Street Festival has been cancelled;
- The Operations Division has modified their crew schedule to comply with the recommended physical distancing guidelines while performing various roads and parks work. This has resulted in a reduction to normal activity levels;
- Transit services have been reduced to an enhanced Saturday schedule on weekdays. Rear door entry has been implemented and fares have been waived to provide increased distancing for the drivers and take in to account that transit agencies are currently closed;
- All park amenities have been closed to the public;
- By-law enforcement services have been modified to focus on safety related enforcement and on-street parking restrictions have been reduced;
- The Town transitioned to virtual Council meetings beginning on March 30<sup>th</sup>.

Staff that work from Town Hall are performing their roles remotely from their homes where possible with access to Town Hall available to staff requiring it for essential services. New protocols and enhanced cleaning have been implemented at all facilities. Many services typically provided by staff at Town Hall remain available to the public, including planning application and permit review and approval, traffic services, development engineering, parks planning, design and construction and financial services, to name a few.



At the time of writing this report, some municipalities have chosen to implement by-laws that provide the ability to enforce physical distancing. These have been put in place in support of public health guidelines asking the public to physically separate as well as other Provincial Orders made under the Emergency Management Act. In the region, Oakville and Burlington have chosen to implement such by-laws while Halton Hills has not done so at this time. Through these by-laws, individuals not adhering to the physical distancing can be fined a minimum of \$500 or \$750, and maximum of up to \$100,000 for each offence. Rather than adopting this approach, the Town of Milton has focused its resources on proactively and reactively enforcing existing Provincial Orders. For physical distancing, the Town is using communication and education with respect to the role that each member of the community plays in reducing the spread of COVID-19 through physical distancing. This includes a combination of signage, social media and direct education by the by-law enforcement staff through proactive patrols.

Staff also continue to consult with the Town's current contractors, the construction associations, Provincial representatives, legal counsel, and other municipalities with respect to on-going and anticipated construction projects. Through these discussions clarity is received about revised practices with respect to work place safety and physical distancing, as well as alignment with the Ontario Regulation 82/20.

## **2. Workforce Overview (Current State)**

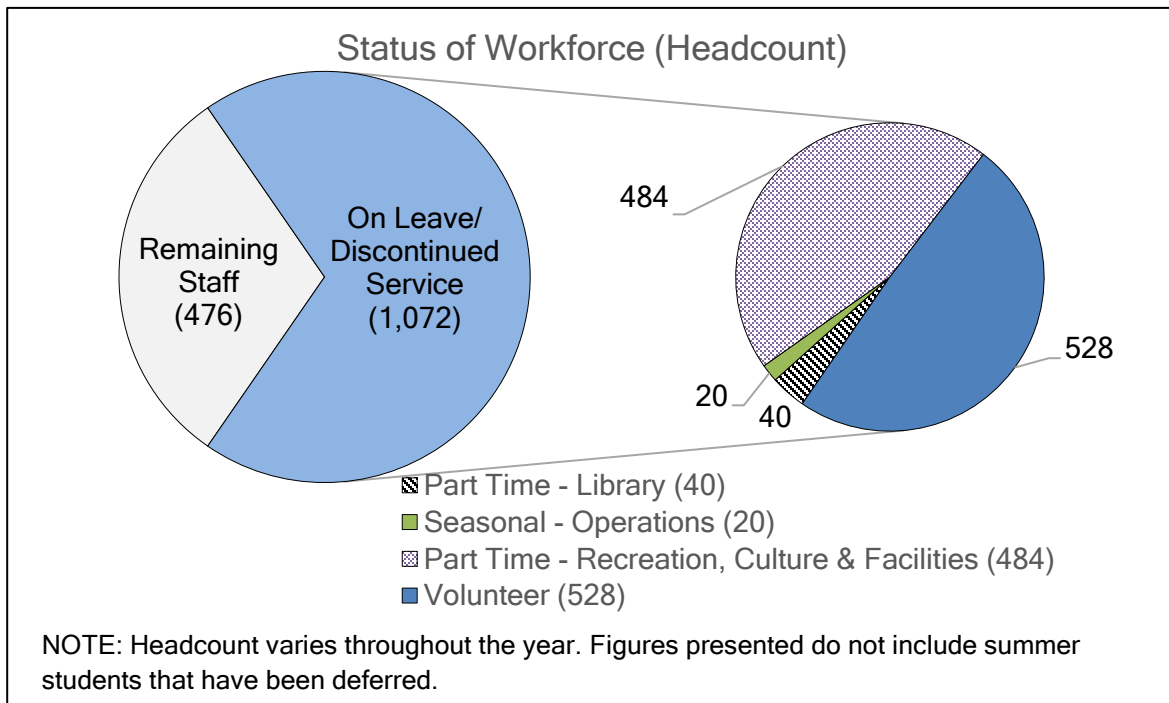
Consistent with many municipal comparators, and in recognition of the pace at which the measures that were intended to slow the spread of COVID-19 were introduced and evolved, the Town continued to compensate all employees for scheduled shifts up to April 5<sup>th</sup>. Following this date, as many of the programs and facilities supported by part time staff were discontinued, temporary leaves were required and put in place effective April 6<sup>th</sup>. These measures are regrettable given the dedication and quality by which the Town's part time staff deliver service to the public, and will continue to be monitored in relation to the Town's operational needs. The utilization of volunteers, who contribute a significant amount of time in supporting the Town at locations such as the Milton Seniors Activity Centre and the First Ontario Arts Centre Milton, was also discontinued.

The Town maintains a seasonal workforce to supplement the Operations Division ten months of the year (with 2 one month breaks). Contracts for seasonal workers supporting winter operations ended on March 29<sup>th</sup> as scheduled. Under normal circumstances, contracts would begin again in early May to support spring and summer operations. Start dates have been temporarily put on hold as management finalizes a workforce planning exercise with a continued focus on ensuring the health and safety of our employees.

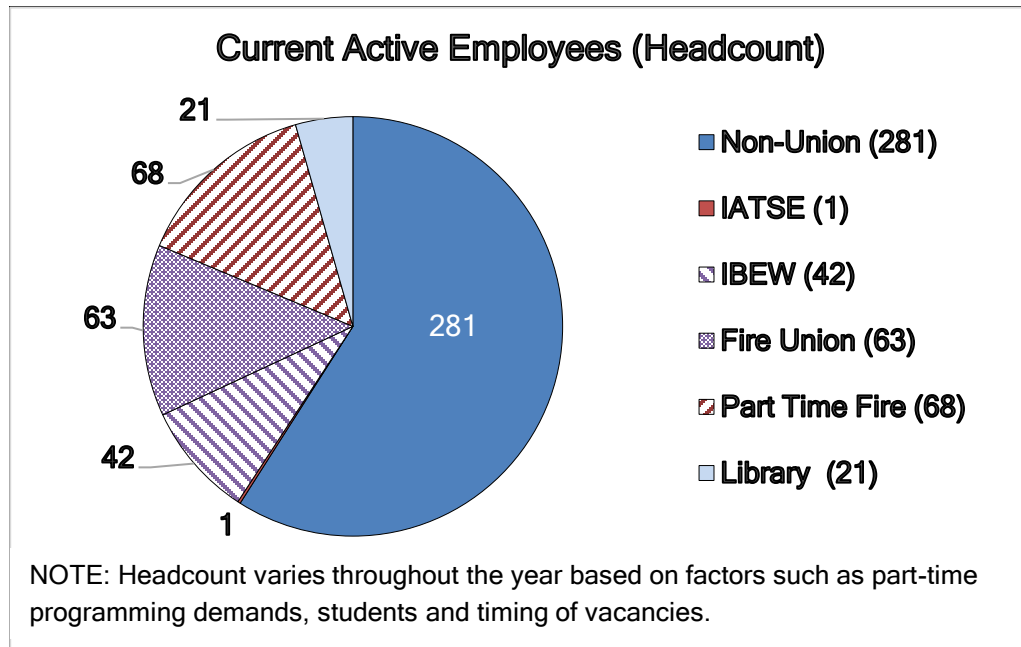
The Operations Division traditionally hires a number of students from May-August to perform maintenance work associated with the increased workload in parks and open spaces in the spring and summer months. At this time, students have been notified that the status of their employment is currently on hold pending the outcome of the Town's planning for COVID-19.

Prior to the arrival of COVID-19, the Town had also begun a position management program whereby the CAO has led a review of vacant roles prior to their posting for recruitment. This program has continued through COVID-19 and several active recruitments have been placed on hold in support of physical distancing requirements.

The following chart demonstrates the current state of the Town's workforce. It has been prepared on a headcount basis as opposed to a full time equivalent basis in order to better depict the number of individuals involved and affected by the operational implications of the COVID-19 response:



The staff that remain active after April 5<sup>th</sup> are comprised of the following groups:



In all situations the Town has remained cognizant of the new and changing forms of financial assistance that have been made available by other levels of government, and have been providing information to staff to support them during this time. The Town's employee assistance program, which is supported by a third party, has also been promoted for all staff and volunteers through this time. In addition, flexible work arrangements for employees have been expanded to support additional child care responsibilities resulting from the school and day care closures.

In making any decisions with respect to the size and composition of the workforce, the Town needs to remain cognizant of the increased likelihood of absenteeism during this pandemic as self-isolation or other measures may be required in order to protect staff and the public. Changes to the scheduling of vacation and other time away are also being utilized to better match the resources available to the work demands associated with service delivery.

Finally, and of particular note are the findings of previous workforce studies that have found that Milton has a higher reliance on the part time workforce and lower overall staffing levels than many of its peer municipalities. As such, it can be reasonably expected that the overall response to COVID-19 from a staffing perspective may appear different in Milton as compared to neighbouring municipalities. This will be further considered in the planning for the remainder of the year found later in this report.



### 3. Financial Overview (Current State)

#### Financial Impact to April 5, 2020

Staff have undertaken an initial estimate of the impact of the decisions made up to April 5th, noting that the priority during this period has been safety and the continuation of service delivery and as such the figures may require further refinement as additional review occurs.

The current estimate for the actions from this period is a net unfavourable variance in the order of \$1.1 million after some program savings for items like utilities and fuel costs are considered. The primary drivers are revenue losses (as opposed to additional costs), with the three main categories being the property tax relief program, rental revenue and program revenue (camps, aquatics, etc.)

There are some additional in year mitigation options for a portion of this cost, including higher than expected provincial gas tax and winter control savings. Also, Council will be receiving the 2019 Year End Operating report on April 27<sup>th</sup> (was deferred from March 30<sup>th</sup>). It will be showing a \$1.2 million year end surplus for 2019 with a transfer back to the tax stabilization reserve, which will be available to offset COVID-19 costs.

Moving forward, the net impact from the period to April 5<sup>th</sup> will be higher than what can be expected for the remainder of the year (on a per week basis) as costs continued to be incurred in areas where mitigation will be available after April 5<sup>th</sup>. Further detail on these projections and the preliminary impacts to date is provided later in this report.

#### Cash Flow

From a cash flow perspective the Town is well positioned to manage both the tax relief program as well as its operational requirements despite the variances expected due to COVID-19. As the recent interest rate environment has reflected a flat yield curve, there has been less incentive for the Town to invest in longer term securities as the preferable rates and liquidity have been available through the Town's bank and short term investments. The balance in the Town's account has generally exceeded \$60 million, with balances above \$70 million to \$80 million not being uncommon. Even with the tax relief program and revised revenues expected due to COVID-19, the balance is still expected to remain above \$30 million at all times during the year before returning to its normal range by year end (unless the Town chooses to invest in longer-term securities in response to market conditions).

#### Investment Return

The response that COVID-19 has triggered from central banks around the world has resulted in historical lows with respect to the rates of return available on fixed income investments.



The return on the Town's bank account has also declined in direct relation to the rate changes. Relative to 2019, the Town expects to generate approximately \$1 million less in investment earnings in 2020. As a lower return in 2020 was already anticipated, the variance of total investment earnings relative to budget will only be \$340,000 unfavourable. The majority of the impact will be reflected in lower capital reserve and reserve fund balances (including development charges). As such, the Town can make any related adjustments through the 2021 Budget process as the 2020 program was not reliant on these revenues. Due to the Financial Principles Policy (Policy 110) that was approved in 2018, no variance will occur within the 2020 operating budget as the amount of investment earnings reflected were capped in the event a significant market adjustment occurred.

## Building Activity

Planning staff have undertaken a review of the original growth estimates for 2020 in light of COVID-19 and other updated information. With respect to residential development, it is expected that there is no need to revise the estimate of permits being issued for 1,347 single detached equivalents in 2020 as a number of permits have continued to be processed in advance of the April 1st indexing of development charges and further volume is expected as the year progresses. In this latter regard, staff are able to accept, review and process applications remotely which, in turn, will ensure that permits can be issued once building activity can proceed.

With respect to non-residential, the estimates are influenced by a smaller number of sites and at this time delays are expected in the primary developments that made a large portion the 2.2 million square foot estimate for the year. Progress is still being made on these applications, and the delays are not necessarily related to COVID-19 (example - extended earthworks programs and site considerations), but the likelihood is greater that the permit issuances will be seen in 2021 instead of 2020.

In both cases, Planning staff have consulted with the development industry and builders in making this determination, in order to ensure the most accurate forecast possible.

The result will be an unfavourable variance in 2020 in the building revenue. Planning staff are not filling several vacant roles which will help offset a portion of the variance, and the balance will need to come from the Building Stabilization Reserve which will be replenished when those sites proceed in 2021. At this time a net unfavourable variance in the building division is expected for 2020, and a projected \$1.0 million draw from the building stabilization reserve is anticipated such that there will be no resulting impact on the Town's tax base.

There is also a timing impact on revenues such as development charges. These changes are best considered through the budget process as the funding for projects approved in 2020 were already limited with respect to growth-related initiatives (due to Bill 108) and not reliant on the 2020 growth estimates for new revenue.





#### 4. Strategic Planning for the Remainder of 2020

The Town is pro-actively planning for the balance of 2020 and the guiding principles noted at the outset of this report continue to be relevant for that exercise. Specifically, they are:

- 1) Safety of staff and the public is of paramount importance;
- 2) Continuation of delivery of essential public services;
- 3) Responding to the needs of the community as the pandemic evolves;
- 4) Fair and equitable treatment of the Town's workforce;
- 5) Fiscal responsibility and appropriate use of taxpayers funding.

The organization has been developing work plans within 30 day, 60 day and 90 day horizons, as well as with consideration for the balance of the year. This exercise has included a specific focus on identification of where excess capacity may reside within the organization based on current service levels and physical distancing limitations, as well as where additional effort may be required. This information will help guide any decisions with respect to the redeployment of resources.

It is important to emphasize that COVID-19 and the response to it continue to evolve and as such any planning needs to remain dynamic and nimble. Similarly, all of the projections and estimates will remain subject to continuous updates as new information is received and analysis undertaken.

The greatest uncertainty at this stage likely relates to time horizon, as it is unclear how long restrictions resulting from COVID-19 will remain required and similarly once lifted, what the transition back to a normal state will resemble. The Town continues to consider multiple timeframes as part of the strategic planning process. In terms of decision making, key dates to consider include:

- June 1, 2020 - Latest date where a decision with respect to regular summer programming (camps, student workforce, etc.) is required in order to prepare with sufficient time
- July 1, 2020 - Date where a decision with respect to fall programming and rentals/permits is required

From a financial perspective, the Town's forecasting has started with a scenario where the current restrictions remain in place for the entirety of 2020. This is not to suggest that this is the most likely option, but rather a worst case financial scenario for 2020 in order to assess the potential operating budget pressure that could result from an extended period of time. The information is then be adjusted to consider shorter timeframes (such as summer or fall programming).

Key assumptions that have been made in the analysis include:



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- Property tax collection will be delayed, but will still be based on the approved levy reflected in the 2020 Budget;
- Program costs will be required in advance of the re-opening of any facilities and programs to properly prepare;
- 2020 remains the focus as 2021 can be assessed through the development of the 2021 Budget process (with the benefit of further information acquired during 2020);
- Mitigation is focused on the operating budget as the revenues and expenditures associated with the capital program, growth-related revenues (i.e. development charges, capital provision, building permit revenue, etc.) and external revenues (i.e. OLG, Gas Tax, etc.) will be managed through the related reserves that are intended for that purpose.

The following table summarizes this initial scenario. It should be reiterated that these are preliminary estimates that will continue to be revised as further analysis is undertaken and new information is received.

### Estimated Variance if Closures Extended to 2020 Year End (Tax Supported Programs)

	Full Year Closure Scenario Favourable / (Unfavourable)		
	Revenue	Expenditures	Total
Facility Rentals	(5,276,693)	2,924,721	(2,351,973)
Programs	(5,370,256)	3,004,067	(2,366,189)
By-law Enforcement	(907,956)	140,151	(767,805)
Tax Relief Program	(382,083)	-	(382,083)
Transit	(1,351,900)	1,096,206	(255,694)
MEV (Innovation Centre)	(134,760)	-	(134,760)
Other (IT, Traffic, etc.)	(68,630)	(117,825)	(186,455)
Other Community Services & Culture	(426,870)	347,955	(78,915)
Operations	-	1,515,594	1,515,594
Library	(226,812)	898,813	672,001
Crossing Guards	-	367,098	367,098
<b>Total Before Existing Mitigation</b>	<b>(14,145,961)</b>	<b>10,176,779</b>	<b>(3,969,182)</b>
Mitigation (existing list)*	213,564	1,620,805	1,834,369
<b>Total After Existing Mitigation</b>	<b>(13,932,397)</b>	<b>11,797,584</b>	<b>(2,134,812)</b>

\* NOTE: The current list of Additional mitigation options include Town 2019 Year End Surplus (\$1.2M), 2020 projected winter control savings (pre-inventory - \$0.2M), additional Provincial Gas Tax (\$0.2M), etc.

At the time of writing this report staff continue to work through scenarios that would see services return in the summer or fall. The degree of pressure is influenced by a number of



factors, one of which is the pace at which programs (and their revenues) return to a normal state once restrictions have been lifted.

The table below provides a preliminary sensitivity analysis demonstrating the wide range of results relative to the revenue levels assumed for later in 2020. The findings of this analysis suggest that if that Town is able to deliver fall programming at a level of revenue that is relatively close to its normal levels, the mitigation opportunities that have already been identified may be able to offset a large amount of the pressures for the year. Otherwise, further cost constraint, revenue generation or utilization of reserves will be required.

### Sensitivity Analysis - Estimated Operating Variance Based on Program Revenues in 2020

Programs Offered	Summer Program % of Normal Revenue*	Fall Program % of Normal Revenue*	Estimated Net Favourable / (Unfavourable) Variance	
			Before Existing Mitigation	After Existing Mitigation
Scenario 1: Full Year Closure	N/A	N/A	(3,969,182)	(2,134,812)
Scenario 2a: Fall Only	N/A	50%	(3,732,894)	(1,898,524)
Scenario 2b: Fall Only	N/A	75%	(2,580,543)	(746,174)
Scenario 2c: Fall Only	N/A	90%	(1,907,142)	(72,773)
Scenario 3a: Summer & Fall	50%	75%	(3,710,810)	(1,876,441)
Scenario 3b: Summer & Fall	75%	75%	(3,234,503)	(1,400,133)
Scenario 4a: Summer & Fall	50%	90%	(3,052,409)	(1,218,040)
Scenario 4b: Summer & Fall	75%	90%	(2,576,102)	(741,732)
Scenario 4c: Summer & Fall	90%	90%	(2,299,810)	(465,440)
Scenario 5: Summer & Fall	100%	100%	(1,658,973)	175,396

\*Note: Revenue assumptions have been applied to key revenue-generating services including recreation, facilities and transit.

The significant range of potential financial impacts in 2020 represents one of the challenges the Town currently faces in determining the appropriate next steps with respect to strategic planning for 2020. There are other mitigation opportunities beyond those noted above that the Town continues to assess. A key decision for the organization will be the extent of further pro-active cost management activities including service level adjustments to undertake in advance of receiving more clarity on the degree of revenue that can be expected in mid to late 2020.

#### Next Steps

Staff continue to work through the 30 - 60 - 90 day planning on a detailed operational level with consideration of any restrictions introduced in response to COVID-19. Through this



process, resource levels continue to be adjusted to align with the service delivery needs of the community and the potential cost pressures for 2020. Further clarity is expected from other levels of Government in April (example - next steps with respect to the Provincial State of Emergency) and the next key decision point for the Town in relation to summer programming is required no later than June 1, 2020. As such, the Town will be better positioned to determine the degree of any proactive mitigation that is beyond the measures that are currently being implemented in late April / May and in advance of the summer programming decision. A detailed update will be provided to Council at that time.

## Financial Impact

The forecasted financial impacts resulting from COVID-19 have been outlined in this report. As noted above, these estimates are preliminary and will continue to require refinement as further analysis is undertaken and new information is received. Staff will be updated through COVID-19 specific reports and updates, as well as through the Town's regular variance reporting program.

Respectfully submitted,

Strategic Management Team

Original Signed

For questions, please contact:

Glen Cowan, Chief    Number: ext. 2151  
Financial Officer /  
Treasurer

## Attachments

None

CAO Approval  
Andrew M. Siltala  
Chief Administrative Officer

Original Signed