



City of Richmond

Report to Committee

To: Finance Committee
From: Jerry Chong, CPA, CA
Director, Finance

Date: March 31, 2020

File:

Re: COVID-19 Financial Information Update

Staff Recommendation

That the report titled "COVID-19 Financial Information Update" dated March 31, 2020 from the Director of Finance be received for information.

Jerry Chong, CPA, CA
Director, Finance
(604-276-4064)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
SENIOR STAFF REPORT REVIEW	INITIALS:
APPROVED BY CAO 	

Staff Report

Origin

The COVID-19 pandemic is having a growing impact on both the global and local economy and will also impact the City of Richmond (the City) finances.

On March 18, 2020, the Province of British Columbia declared a provincial state of emergency to support response to the COVID-19 pandemic subsequent to the declaration of a public health emergency on March 17, 2020.

On March 26, 2020, the Minister of Public Safety and Solicitor General, the Honourable Mike Farnworth, issued a series of additional orders to further support the government-wide approach to COVID-19 response and recovery under a state of provincial emergency, which included securing critical supply chains, making sure critical infrastructure and materials are readily available, ensuring people have public access to essential goods and services to keep society running, and ensuring public safety orders are enforced.

The City of Richmond follows the Province's lead in its response to COVID-19 in conjunction with the emergency response plan announced by the Provincial government to allow for coordinated efforts to ensure consistency while allowing for further powers to the City.

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

Accountable, transparent, and responsible financial management that supports the needs of the community into the future.

5.1 Maintain a strong and robust financial position.

5.2 Clear accountability through transparent budgeting practices and effective public communication.

5.4 Work cooperatively and respectfully with all levels of government and stakeholders while advocating for the best interests of Richmond.

Analysis

The COVID-19 pandemic event is considered an "emergency" within the meaning of both the *Public Health Act* and the *Emergency Program Act*. Since the public health emergency was declared under the *Public Health Act*, on March 17, 2020, local governments will be eligible to claim reimbursement for emergency response costs, within the meaning of the Compensation and Disaster Financial Assistance Regulation.

Reimbursement for COVID-19 response does not fit the traditional emergency spending guidelines and not all spending that the City put forward would be eligible. Nonetheless, the City will keep track of all spending related to the emergency and push for reimbursement from the Province.

Prospective COVID-19 pandemic response costs eligible for reimbursement by EMBC will include:

- Incremental costs associated with activating an Emergency Operations Centre (EOC) including activities related to planning, implementation or monitoring of any specific response actions or measures directed by the Province of British Columbia through the Public Health Officer or Emergency Management BC, or by federal counterparts in collaboration with First Nations governments within the Province.
- Incremental costs related to any actions required to support additional health capacity including the establishment of testing stations, isolation facilities or others that may be requested or directed by a health authority.
- Incremental costs related to the implementation of any provincial measures to restrict activities, movement or other actions directed by the province, federal government or First Nation in collaboration with the applicable Health Authority to manage COVID-19.
- Incremental costs for the continuation of locally-administered essential services. Included in local government and First Nations plans, essential services are considered critical to preserving life, health and basic societal functioning.
- Costs associated with the organization of appropriately trained and equipped personnel, including volunteers, to meet the needs of vulnerable persons in isolation who are unable to access support networks.

The City activated its Emergency Operation Center (EOC) on March 13, 2020 to respond to COVID-19. The EOC supports the Senior Management Team (SMT) and senior City staff who are managing and directing the on-going response and future recovery from the COVID-19 Pandemic. The activation of a local EOC is a function authorized by Emergency Management B.C. (EMBC), enacted under provincial emergency management legislation, and coordinated under the BC Emergency Response Management System (“BCREMS”).

The financial impacts from the COVID-19 pandemic to the City will include lost revenues associated with services due to the closure of recreation and community facilities. Other forecasted declines in revenues will include building permits, business licenses, bylaws, parking, inspections, development applications, rental revenue and other operating revenues. The economic impacts from the pandemic will also result in a reduction in gaming revenues and due to the Bank of Canada’s reduction in the prime rate, the City’s investment returns will be lower. The transfer to capital reserves may be reduced due to the reduction in gaming and investment income. Staff are forecasting an increase with metered utility revenues as the pandemic encourages people to increase water usage due to the recommendation to frequently wash hands to reduce the spread of the virus.

The economic slow down may result in a slower pace of development, therefore there may be a reduction in development cost charges, amenities, etc., which are used to finance capital projects attributed to growth. Staff will review current capital projects to assess if projects need to be adjusted as there is uncertainty how the pandemic will impact the construction industry, and whether there will be impacts with respect to procurement, trades availability and pricing, as well as quality of construction.

The City's largest expenditure category are labour and there are human resource implications in relation to the pandemic. In order to follow through with Council's closure of City Hall and other City facilities due to health and safety issues, the CAO and SMT continue to meet frequently in order to plan and take the necessary steps that complimented the reduction in operations, while also ensuring employees well being. Some of the measures that were implemented included; the implementation of the Extraordinary Pandemic Leave Plan; the opportunity for many staff affected by facility closures to work remotely; the implementation of social distancing and other safety measures in the workplace for all staff including the outside workforce. Other measures included temporary alternative work for auxiliary staff at closed community facilities and the support of longer term auxiliary staff.

Included in the announcement on March, 26, 2020, from the province concerning the government-wide approach to COVID-19 was that local government functions and services are deemed essential services. Therefore, the current plan includes utilizing as much of the workforce in order to provide essential functions and services outlined by the Province. There will be a concentrated effort to redeploy as many staff as possible. The CAO and SMT recognize that not all staff will consider this option and staff will be provided an option to choose a voluntary layoff, which will include full benefits for up to six months while also taking advantage of wage subsidy programs offered by both the Federal and Provincial governments.

With the closure of facilities, staff anticipate that there will be some savings through reduction in wages, program supplies, materials, utilities, special events and other operating costs. Additional savings will be incurred through delays in new recruitment, and cessation of spending with any discretionary expenditures. The combined savings will assist and enable the City in offsetting the reduction in revenues.

Council's Long Term Financial Management Strategy has enabled the City to withstand the financial challenges which other cities are facing concerning cash flow and financial resiliency. Through Council's prudent management of the City's finances, the City has sufficient cash and reserves that will help it through this current situation.

Additional measures which Council can consider should the reduced expenditures not be sufficient to offset the reduction in revenues would be to consider utilizing the planned transfers into capital reserves and provisions to provide funding for the operating budget; however this would have an impact on funding of future capital projects. Another option would be to utilize funding from the rate stabilization account, the emergency response provision and surplus, however this option would limit future flexibility for future budgets and/or respond to any other unplanned events. Staff will present options if there are changes to economic conditions which will materially impact the City's financial condition. The City's strong financial condition will allow it to withstand this event over the near foreseeable future.

As a means of providing support to taxpayers, Council has recently adopted amendments to the Utility Rate Bylaws to extend the due date for the flat rate utility bill to June 30, 2020. The extension gives taxpayers extra time to raise the necessary funds needed to pay the bill and to take advantage of the 10% discount available.

The City is required to adopt a tax rate bylaw before May 15th, annually, in order to comply with the Community Charter ("Charter"). With current economic conditions, the Tax Department has received many enquiries regarding the possibility of extending the property tax due date past July 2, 2020. The City and other lower mainland municipalities continue to request that the Province extend the due date. At the time of writing the Province has not provided any indication if this request will be fulfilled. Therefore, staff have held discussions with other municipalities to examine the possibility of invoking Section 235 and 236 of the Charter where Council has the option of setting an alternative tax collection scheme and penalty rate. Most feel that under the current economic environment, a single September 2nd due date with a 5% penalty will provide financial relief to most taxpayers. The other item which all lower mainland municipalities are seeking from the Province is an expansion of the property tax deferral program to include all taxpayers including businesses.

Included in the annual property tax bill are taxes collected on behalf of Other Taxing Authorities ("OTA") (Provincial School Tax, Translink, Metro Vancouver, BC Assessment, Municipal Finance Authority BC, Regional Districts, etc.). Municipalities are required to remit the full amount by a specified time regardless of whether taxes are collected. If the amount of tax collected is less than what is requested by OTA's then municipalities will be required to bridge-finance the cash-flow for property taxes not collected. Therefore, lower mainland municipalities are seeking some type of relief from this requirement.

Financial Impact

None

Conclusion

The City's approved Consolidated 5 Year Financial Plan (2020-2024) is being adhered to and at this time there is sufficient cash flow to maintain the City's operations and services at this time. Staff are reaching out to senior levels of government, vendors and other agencies to seek deferrals and extensions in order to maximize the City's cash flow and have achieved considerable success and cooperation. Staff are also in contact with other lower mainland municipalities in order to ensure that there is a combined and concentrated effort to discuss and enquire to senior levels of government for assistance and programs in order to take advantage of any opportunities and assist taxpayers.



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