



# Financial Impacts of COVID-19

Finance Committee April 15<sup>th</sup>, 2020



SAINT JOHN

# Background

- Covid-19 has caused a Global Economic Shut Down;
- On March 16<sup>th</sup>, the Government of NB ordered that all non-essential government services be shut down until further notice.
- We now face a whole new world of working from home, social distancing & isolation.
- It is unknown how long this will last. The economic future of personal, business and government finances are uncertain.



# Municipal Governments are Not Immune

- Per the Globe and Mail:
  - Toronto Projects a Budget Shortfall of \$780M over 12 weeks;
  - Vancouver Projects \$189M shortfall by the end of the year;
  - Montreal Projects event will cost between \$50-350M;
  - Edmonton projects a shortfall of \$112M by December 1;
  - Ottawa is losing \$1M per day;
  - Saskatoon close to \$1M per week

*“Unlike other levels of governments, cities are not legally allowed to run operating deficits except on a short-term basis within a single year, to cover costs before tax money comes in. By law, they must balance their books by the end of the year.”*

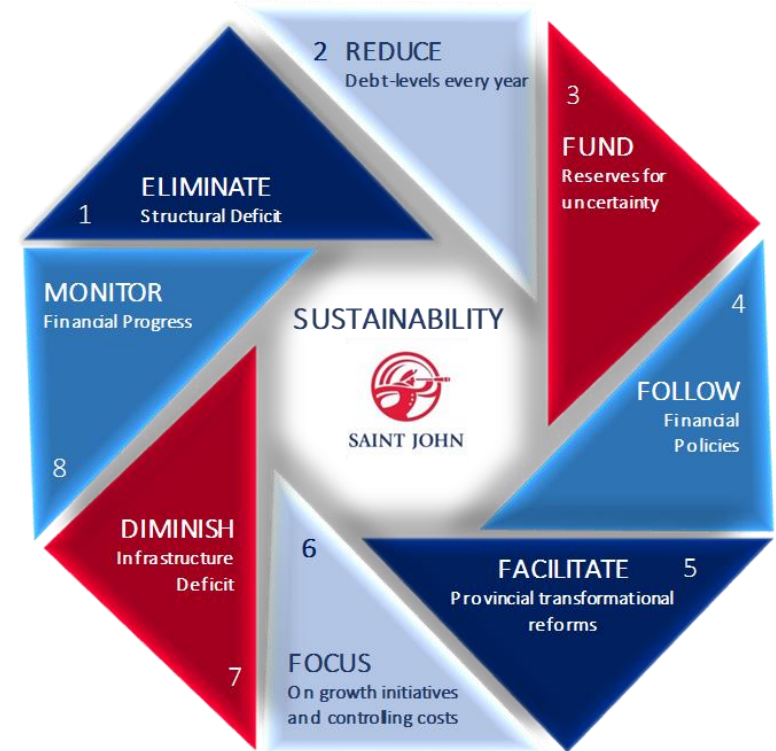
*“Ms. Slack, with the Institute of Municipal Finance and Governance, thinks a long-term effect of the current crisis is that governments should take a hard look at which level provides, and pays for, services. For decades cities have assumed ever-larger responsibilities. They’ve faced more demand for transit or they’ve had to take on social services downloaded to them from above. But they receive only a small percentage of what is paid in taxes.”*



# Financial Policies & Principles

- The City of Saint John made important financial progress in the past few years with the establishment of many financial policies that created a roadmap that will lead to sustainability.
- The City's first Long-Term Financial Plan, unveiled in December presented key financial principles:
  - Increased Sustainability
  - Reduced Vulnerability
  - Long-Term Flexibility
  - Accountability
- The importance of sticking to this plan should not be underestimated – especially now.

## THE STEPS TO ACHIEVE SUSTAINABILITY



# Importance of the Plan

- Now more than ever, the City must continue to adhere to its goals and be fiscally responsible.
- Establishment and maintenance of Reserves:
  - “Save your money for a rainy day”
  - It’s raining hard and we do not know when the rain will stop
  - So far, the City has reserves for:
    - Restructuring reserve (Flexibility to re-set the workforce)
    - Winter weather reserve (Flexibility to “weather the storm)
    - Benefit Fluctuation reserve (Less Vulnerable to Actuary Changes and Unexpected Claims)
    - City Hall reserve (Debt Avoidance, Interest Savings)
- Prior to 2016, the City did not have any reserves.
- City Slowly building Capital from Operating (City needs \$60M per year to fund the Infrastructure Deficit)



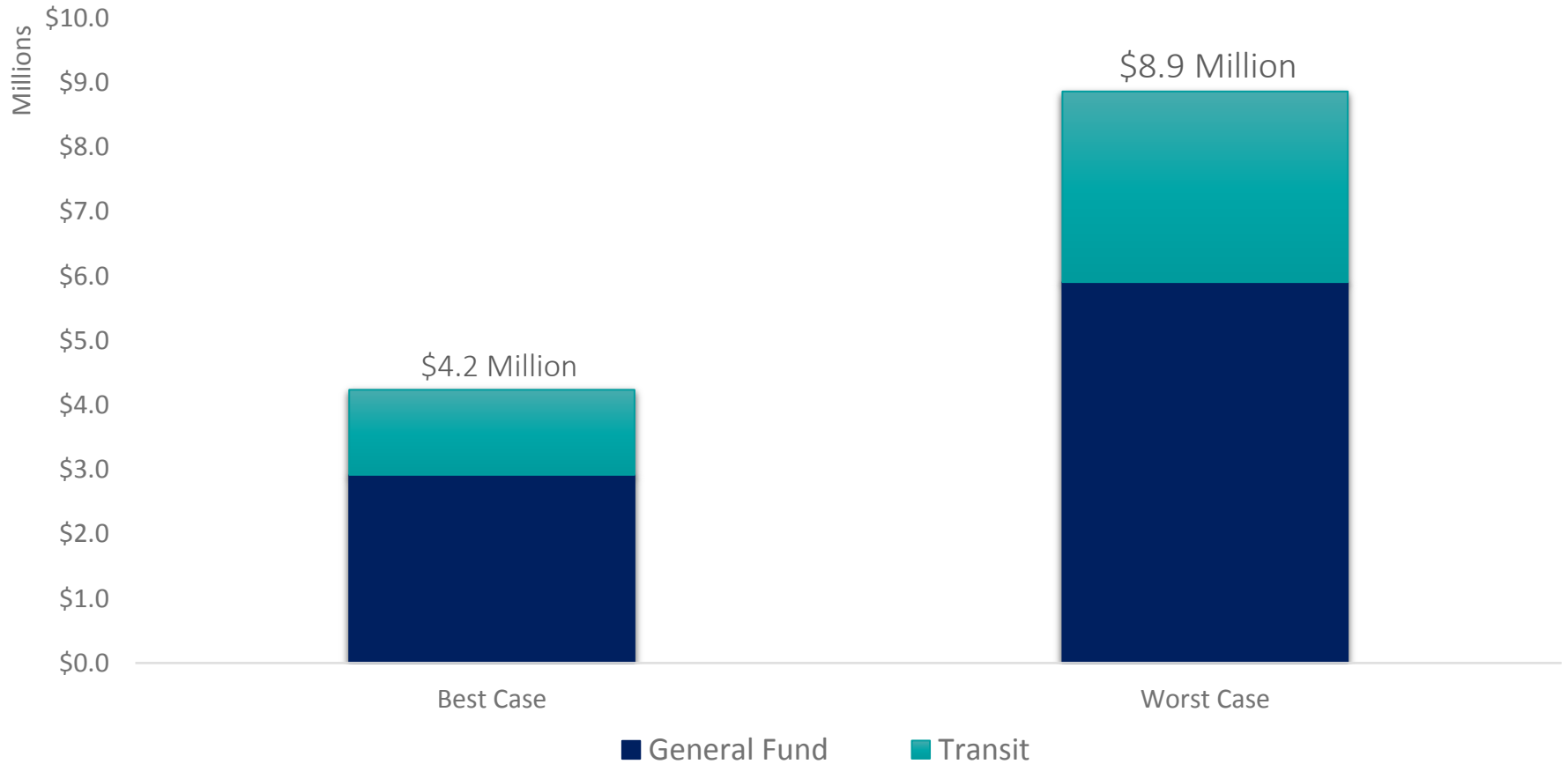
# Assumptions

- Projections based on Department and ABC Submitted Projections;
- Based on current Fuel & Energy Prices;
- Assumes Service Level Remains at Essential Service Model;
- Best Case – pandemic last 3 months, back to normal by June 30
- Worst Case – pandemic last 9 months, back to normal by Dec 31
- Virtual One-Stop Development Shop is functioning:
  - 10% Reduction of permit, inspection & rezoning revenue under 3 month scenario & 50% reduction of permit, inspection & rezoning revenue under 9 month scenario
- Transit operations reduction
- Assumes no severe weather costs remainder of year
- Meter Revenues estimated to 25% reduction per month
- Loss of Water late payment revenue
  - Currently Council endorsed to May 30, 2020



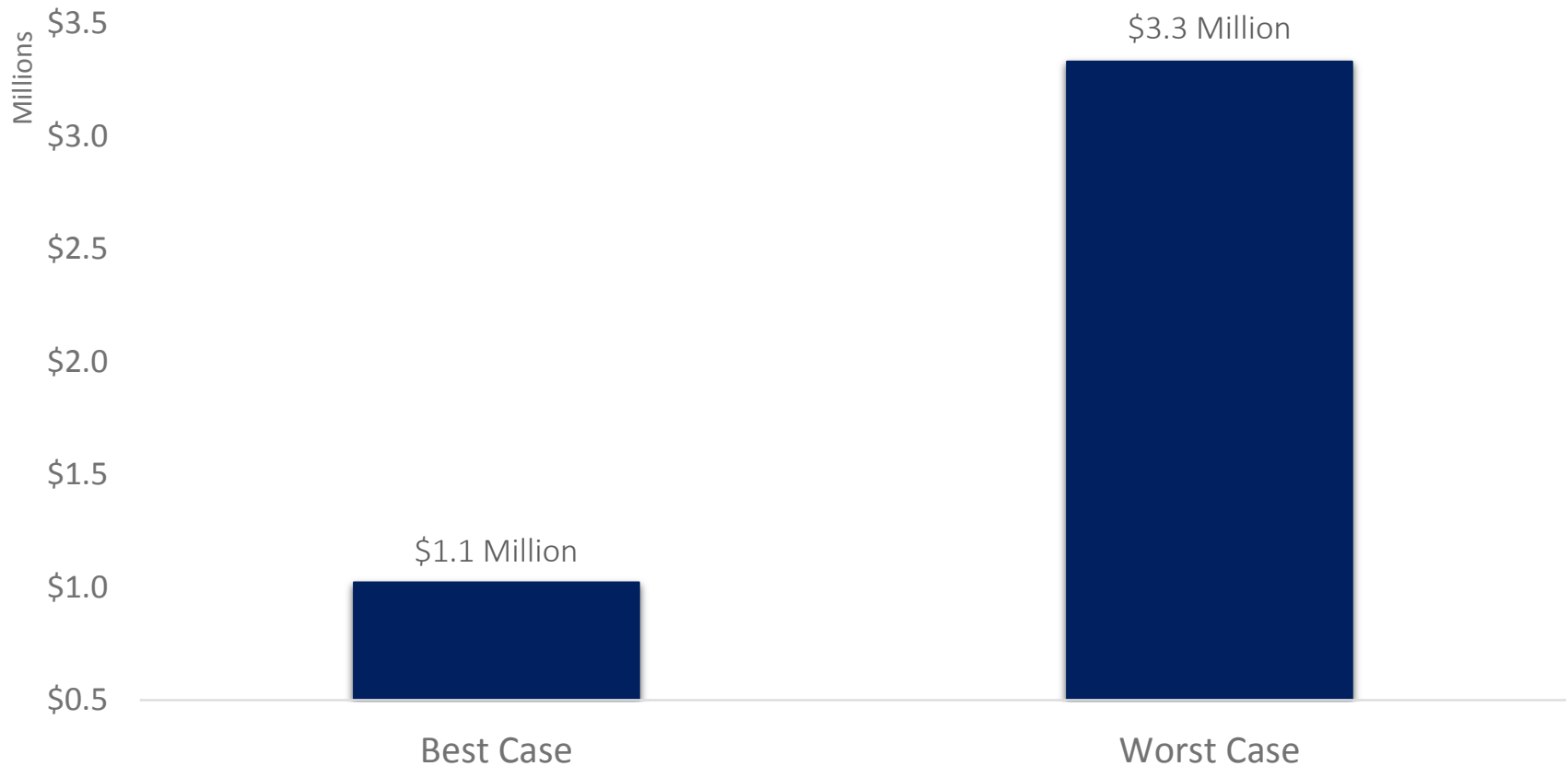
# Best & Worst Case General Fund Impact - \$4.2-\$8.9M

## GENERAL FUND & TRANSIT REVENUE



# Best & Worst Case SJW Impact - \$1.1-\$3.3M

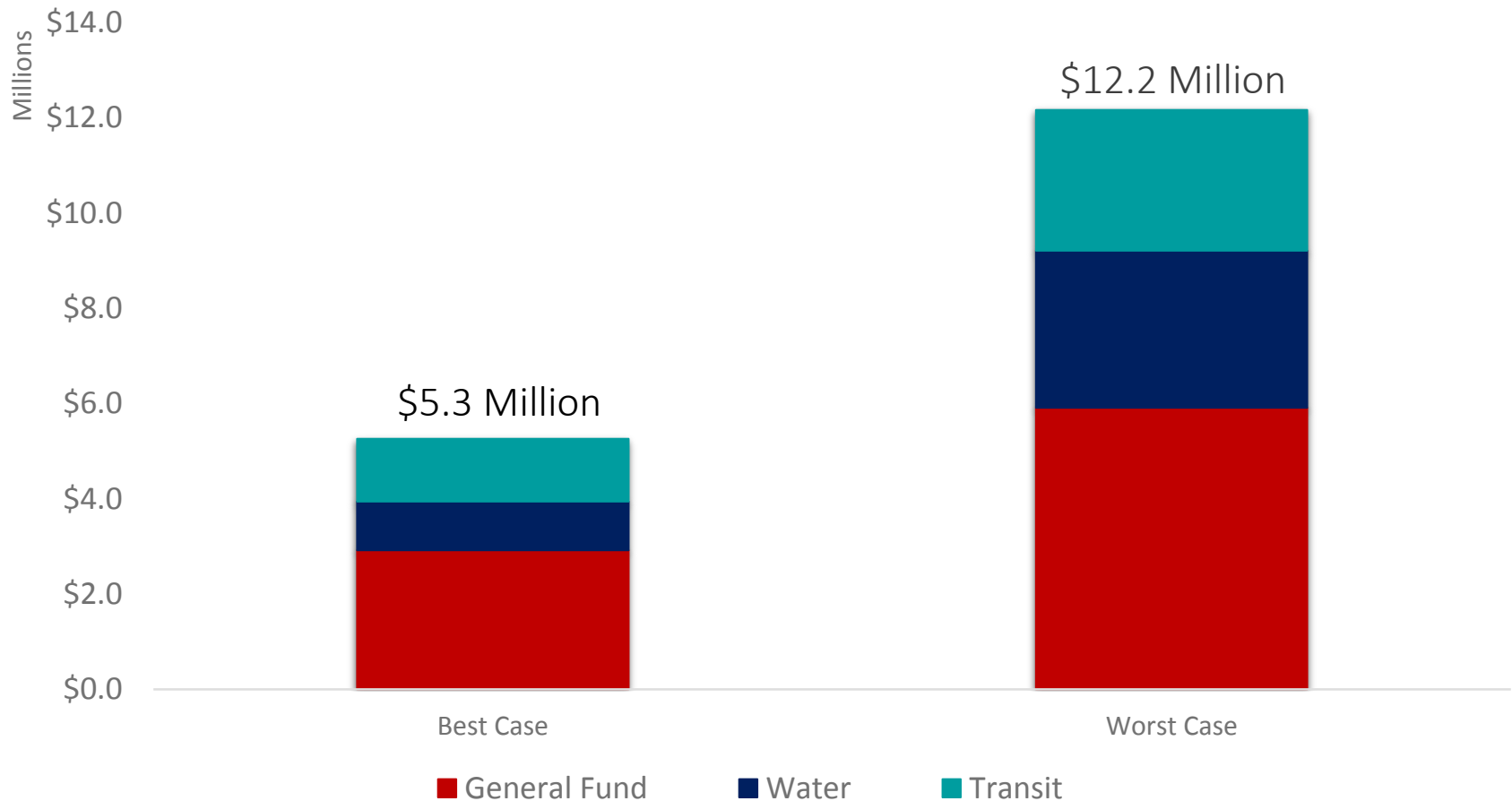
## SAINT JOHN WATER REVENUE IMPACT





# Consolidated Financial Impact Assessment: Best Case \$5.3M Impact and Worst Case \$12.2M

## CONSOLIDATED REVENUE IMPACT



# General Fund Cost Mitigation Strategy

- Continue with restructuring plan - \$10M Structural Deficit looms on the horizon;
- Local Governance Act does not allow the City to operate in a loss position;
- Adherence to Long-Term Financial Plan, financial policies & financial principles;
- Avoid Short Term Unsustainable Tactics:
  - Minimize Use of Operating Reserves to preserve flexibility
  - Avoid Reducing Capital From Operating
- Take Action to Reduce Financial Risk:  
(Example, Council Approved Amendment to Discover Saint John Contract);



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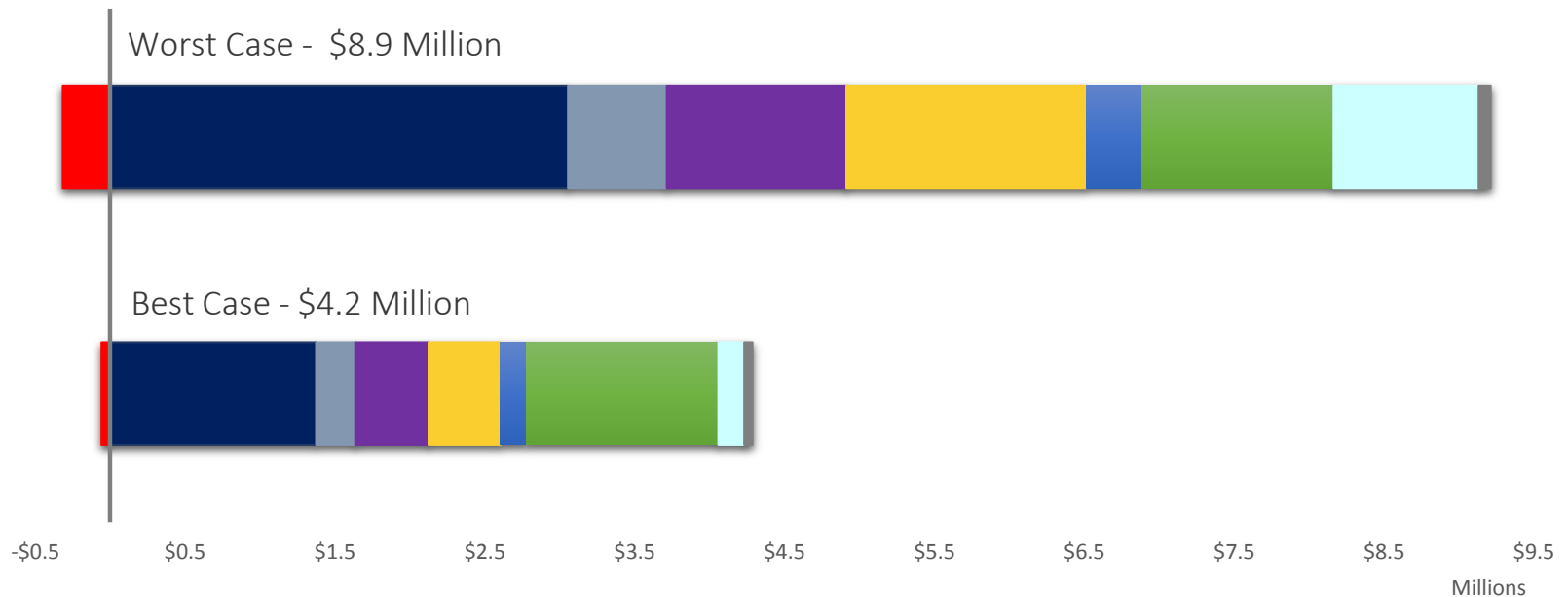


# General Fund Cost Mitigation Strategy

- COVID-19 mitigation plan includes (not limited to):
  - Workforce Adjustments, Hiring Freeze, Overtime Freeze
  - Freeze on Discretionary Spending
- Saint John Transit Service Reduction and Reinstatement of Fares;
- Reinstatement of Parking Fees;
- Closure of Facilities (Ice Rinks, Sport Fields, Aquatic Centre, TD Station, Trade & Convention Centre)
- Essential Services Model and Mandatory Order means Reduced Service Levels & Cancellation of Events and Programs:



# General Fund - Cost Mitigation Plan



Salaries & Benefits

Purchased Goods

Regional Facilities

Outside Services & Fees

Training, Travel & Conferences

Transit

Energy, Repairs & Rentals

Discover SJ Grants

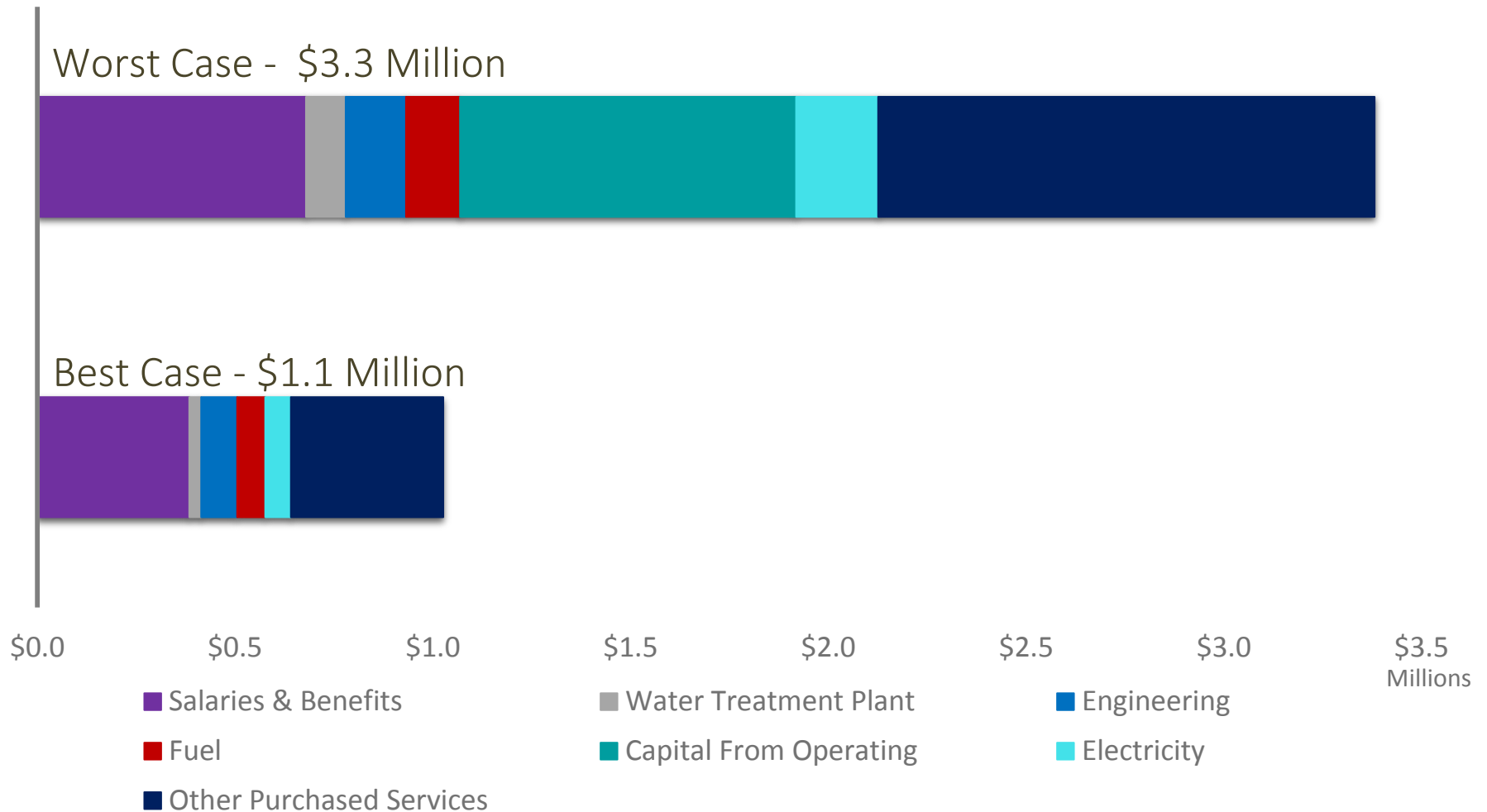
Miscellaneous

# Saint John Water is Vulnerable

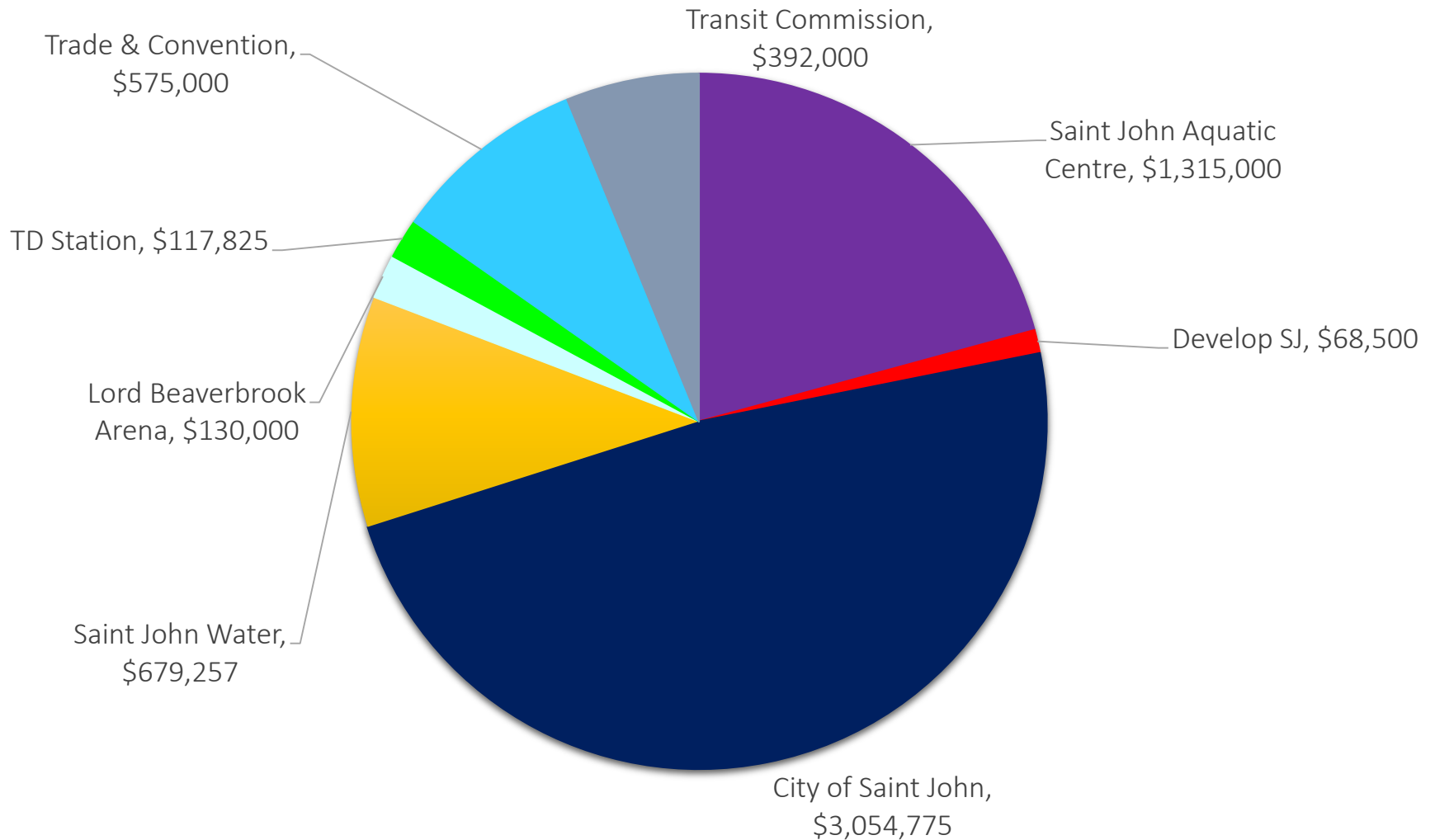
- Projected 25% Reduction in Metered Revenue is High Risk
- No Capital Reserves
- No Operating Reserves
- High Long Term Debt
- Infrastructure Deficit 3 Times Larger than General Fund
- Very Little Flexibility to Reduce Operating Expenses
  - Utility is Infrastructure with Fixed Operating Expenses
  - Little to no Flexibility in Labour
- Long Term Event will Require Reduction in Capital From Operating to Absorb Loss at the Risk of Funding Infrastructure



# Saint John Water Cost Control Strategy



# Covid-19 Projected Impact on Municipal Funded Wages and Benefits - \$6.3 Million over 9 Months



# Service Impacts

Best Case – 3 Month Event	
Life Guards, Crossing Guards	Suspension of enforcement programs, including response to complaints, unsightly premises, zoning, non life-safety by-law programs
Ball Fields, Playgrounds, Splash Pads, Beaches, Green Machine	Suspension of Dangerous buildings program except for emergency cases
Cancellation of Passports to Parks, Mayor Cup	City funding for regular Canada Day programming would be eliminated
No Flower Planting, Reduced Mowing	Reduction of heritage and beautification grants by 10%
No Playground Program	Aquatic Centre, TCC, TD Station Closures, Arena Closures
Community Groups & Pro Kids	Implementation of Neighborhood Plan Delays
20% Reduction in Transit Service	Discover Saint John





# Additional Service Impacts

<b>Worst Case – 9 Month Event</b>	<b>(In addition to 3 month impacts)</b>
New Years Celebration	Reduction of heritage and beautification grants by 50%
Cancellation of 2020-2021 Arena Season	Unidirectional Flushing Program
Urban Development Incentives (30%)	Sewer Inspection Program & Meter Replacement Program
Reduction in Asphalt Overlay Program & Delays in Capital Programs	Significant Programming Reduction for DiscoverSJ



# Conclusion



- Cost Mitigation Plan in place to offset Estimated Revenue Losses
- These numbers are estimates provided by ABCs and Service Areas
- We have used conservative risk factors in preparing this forecast
- This forecast is an art, not a science and circumstances could change at any time
- Based on current Provincial mitigation efforts
- City Must Forge Forward with LTFP to Increase Flexibility and reduce Vulnerability

# City Manager Recommendations

- Re-designate the \$2 million Winter Weather Reserve more broadly as an Emergency Service Reserve;
- 80% of Growth Reserve be dedicated to serve as a Recovery Fund to spur economic recovery in the City of Saint John post Covid-19;
- Saint John Transit reduce operating costs by at a minimum 25% no later than May 15<sup>th</sup> unless Federal or Provincial funds become available;
- Finance Committee acknowledges that Cost Mitigation Strategy is Dependent on the Savings Presented which include Short Term Service Reductions and that any future Council Directive to Reinstate these Services will Compromise the Plan;

