



COVID-19 Pandemic – Financial Impact

**Special Council Meeting
March 27, 2020**



Agenda

1. Primary Operating Budget
2. Cash Flow Considerations
3. Financial Assistance Options for Residents and Businesses
 - a) Property Taxes
 - b) Stormwater Fee
 - c) Water Rate
4. Recommendations & Next Steps



1. Primary Operating Budget – 2020 Budget

(\$ Millions)

| 2020 Approved Budget | \$ | |
|----------------------------|---------------|--------------|
| Revenues | 240.96 | A |
| Expenses | | |
| Personnel | 141.65 | |
| Non-Personnel | <u>99.31</u> | |
| Total Expenses | 240.96 | B |
| Surplus / (Deficit) | 0 | C=A-B |



1. Primary Operating Budget – Impact of COVID-19

(\$ Millions)

| Forecast | \$/month | |
|---|----------------------|--------------|
| Unfavourable revenues from City venues: Recreation Culture (Arts Centres, Museum, Theatre) Library | (2.6) | |
| Unfavourable revenues in other departments: Legislative Services, Parks, Finance | <u>(1.4)</u> | |
| Total unfavourable revenues | (4.0) | A |
| Favourable expenditures: Utilities, fuel, existing vacancies, corporate contingency | <u>0.0 – 1.0</u> | B |
| Forecasted net deficit per month | (3.0) – (4.0) | C=A+B |

The 2020 forecasted shortfall will be funded from the Corporate Rate Stabilization Reserve which is to help balance or fund emergency budget needs and has a current balance of \$22.53M



2. Cash Flow Considerations

- Markham's greatest source of inflows and outflows is from property taxes:

\$758M

- taxes to be collected

(\$593M)

- remittance to Region of York and the Province

\$165M

- retained by the City to fund its tax funded municipal operations

- The City also has other sources of revenues, such as Recreation revenues, Development Charges and Stormwater Fees, that would normally help fund cash outlays - these revenues will be significantly impacted resulting in additional cash flow impacts on top of any potential tax relief considerations



2. Cash Flow Considerations

- The Provincial economic statement identified the deferral of the June and September remittances by 90 days
- Current cash flow situation until end of June:

| | |
|----------------|---|
| \$340M | - Cash in bank |
| (\$62M) | - remittance to Province (March 31) – June 30 payment moved to Sept 30 |
| (\$166M) | - remittance to York Region (April 30, June 30) |
| \$50M | - PTP (April, May, June) |
| <u>(\$85M)</u> | - City ops. - \$25M/month (\$14M personnel; \$4M non-personnel; \$7M capital) |
| \$77M | - June ending cash balance |
- The City should be able to maintain positive cash balances through to the end of September, at a minimum
- Sept. 30 – approx. \$150M of tax remittances due to Region and Province



3a. Financial Assistance – Property Taxes

- The City of Markham issues two property tax bills per year: an interim tax bill and a final property tax bill.
 - Interim tax bills are issued in January of each year and are for the first half of the year's property tax obligation. Due dates for residential and non-residential properties are Feb 5th & Mar 5th
 - Final tax bills for residential properties are due on Jul 6th & Aug 5th. For non-residential properties they are due on Oct 5th & Nov 5th.
 - The final taxes represent the balance of the property tax obligation for the current year



3a. Financial Assistance – Property Taxes

Summary of Municipal Property Tax Assistance

| Municipal Scan | Interim Property Tax Assistance |
|----------------------------|---|
| Toronto | <u>60-day deferral</u> on instalment and preauthorized plans. Late payment fees deferred 60 days |
| Mississauga | <u>90-day deferral</u> - on instalment and preauthorized plans. Late payment fees remain in place |
| Richmond Hill | <u>Deferral + P & I Waived</u> - P & I Waived for 2 months (April - May 31) . May 1st instalment deferred to June 1st |
| Brampton | <u>Deferral + P & I Waived</u> - Instalments due March 18 and April 22, deferred to August 19. Preauthorized withdrawals proceed. Late payment fees waived to August 19 |
| Vaughan | <u>P & I Waived</u> for 3 month period (March - May 31) . Interim taxes to be paid by May 31. |
| Newmarket | <u>P & I Waived</u> for 2 month period (April - May 31) . Interim taxes to be paid by May 31. |
| Other Locals in the Region | Generally moving their April tax due dates to June, preauthorized withdrawals deferral upon request, and late payment fees waived 60 days to end of May |
| Markham | <u>P & I Waived</u> for 5 month period (April 1 to August 31, 2020) . Recommended Option |



3a. Financial Assistance – Property Taxes

1) Deferring Tax Instalment Dates

- Deferral of the final tax instalments to a later point in the year. The final tax bill instalments are currently as follows:
 - i. Residential Properties: July 6th and August 5th
 - ii. Non-Residential: October 5th and November 5th

2) Waiving Late Payment (Penalty & Interest) Charges

- Legislation requires that penalty and interest be applied in the same manner and at the same time for all properties. If penalty and interest were to be waived, it would have to be waived on all tax arrears and would result in permanent lost penalty and interest revenue to the municipality.
- Residents and businesses will be encouraged to continue making payments if possible to ensure local government services can be sustained



3a. Financial Assistance – Property Taxes

- 1) Defer July 6th and August 5th residential tax instalments to September 8th and October 5th
 - Non-residential taxes are due in October – provides time to monitor the situation and report back at a later date
 - Two months is a reasonable time that can be considered in order for the City to be able to make September 30th payments of \$150M to the Region and Province
 - Would result in approximately \$400,000-\$500,000 of lost investment income
 - City may be required to borrow or sell some investments to maintain positive cash balances
 - Opportunity to lengthen the deferral period if Province and/or Region defer tax remittance dates further



3a. Financial Assistance – Property Taxes

- 2) Waive late payment (penalty & interest) charges until August 31st
 - Those that can pay are encouraged to keep making scheduled tax payments
 - Those that can't pay would not be penalized between April 1 and August 31 (5 months)
 - Would apply to all accounts, both Residential & Non-Residential, including any accounts in arrears
 - Lost penalty and interest revenue for a 5 month period would be approximately \$2.0M - \$2.4M



3a. Financial Assistance – Property Taxes

| Comparison | Advantages | Disadvantages |
|---|---|---|
| 2 month deferral of July and August residential instalments | <ul style="list-style-type: none">• Less expensive option | <ul style="list-style-type: none">• More difficult to administer due to system changes• Could result in cashflow issue by late September– may result in borrowing and/or selling investments• Would not provide immediate assistance to those in need |
| Waiving late payments (P&I) charges for 5 months | <ul style="list-style-type: none">• Easier to administer• Better for cashflows• Provides relief to those currently in arrears | <ul style="list-style-type: none">• More expensive option |



3a. Financial Assistance – Property Taxes

Recommendation

- That the 2020 Interim Tax Levy By-law 2019-113 be amended such that penalties and interest on unpaid taxes are not imposed on and for the period of April 1st, 2020 to August 31st, 2020



3a. Financial Assistance – Property Taxes

Pre-Authorized Tax Payments (PTP)

- 29% of tax accounts pay through pre-authorized tax payments
- Of the residents on PTP (33,600 accounts), 77% pay through an 11 month instalment plan (February to December)
- Any taxpayer can opt out of PTP after the April 1st instalment. The account will then be placed on the regular payment instalment due dates.



3b. Financial Assistance – Stormwater Fee

- The 2020 stormwater fee associated to the property type is applied to the final tax bill for each property in the City of Markham:
 - Residential Stormwater Fee: \$50 per residential property
 - Non-Residential Stormwater Fee: \$28 per \$100K of Current Value Assessment (CVA)
 - Example: Commercial Plaza with a CVA of \$2,000,000
 - $\$2,000,000 \times (\$28 / \$100,000) = \560
 - A deferral will result in an additional year being added to the program term
- Recommendation: That the City defer charging the stormwater fees in the calendar year 2020



3c. Financial Assistance – Water Rate

- Staff directed Alectra to postpone the April 1st, 2020 rate. The impact is as follows:
 - This will result in an estimated average monthly revenue loss \$890k
 - However, should the Region forego their 9% wholesale rate increase to the City, that loss will be reduced by an average monthly expenditure saving of \$791k
 - This will result in an average net monthly loss of \$99k to the City
- Recommendation: That the City defers the April 1st, 2020 water rate increase



4. Recommendations & Next Steps

1. That the presentation entitled COVID-19 Pandemic Financial Impact be received; and,
2. That the 2020 Interim Tax Levy By-law 2019-113 be amended such that penalties and interest on unpaid taxes are not imposed on and for the period of April 1st, 2020 to August 31st, 2020;
3. That the City defer charging the stormwater fees in the calendar year 2020; and,
4. That the City continues to defer the April 1st, 2020 water rate increase; and,
5. That the City Treasurer be directed to monitor the economic climate and report back to Council monthly with further information related to COVID-19, including any decisions by other levels of government and related financial implications for the Corporation, residents and business owners in the City of Markham; and,
6. That Staff be authorized and directed to do all things necessary to give effect to this resolution.