



COVID-19 – Financial Impact Update

General Committee
April 20, 2020



Agenda

1. Province of Ontario & York Region Relief Measures
2. Pre-Authorized Tax Payments (PTPs) Status – April & May
3. Financial Pressures
4. Capital Budget Review
5. By-law Amendments
6. Recommendations & Next Steps



1. Province of Ontario Relief Measures

- The Province of Ontario economic statement identified the deferral of the June and September 2020 remittances from municipalities by 90 days

	June 30	September 30	December 15	December 30
Original remittance dates	A	B	C	
Revised remittance dates		A	C	B



1. York Region Relief Measures

- At the April 2nd York Region Council meeting, the Region approved recommendation #1 below and requested more information and options on recommendation #2:
 - 1) Retaining the 2020 water and wastewater rates at their 2019 levels and that staff report back on the financial implications of this
 - 2) The waiving of interest on any portion of tax levy instalments not remitted to the Region as a result of a local municipality's Coronavirus (COVID-19) tax relief program for a period up to 90 days
- There are 2 options on the Region's April 16th Committee of the Whole meeting was the first being recommended:
 - a) Council approve waiving interest on any portion of property tax instalments, for the 2020 taxation year, not remitted to the Region as a direct result of a local municipality's Coronavirus (COVID-19) tax relief program, for a period of 90 days
 - b) Waiving of interest on any portion of tax levy instalments not remitted to the Region as a direct result of a local municipality's COVID-19 tax relief program until December 31, 2020.



2. Pre-Authorized Tax Payments (PTPs)

April PTP instalment (to be updated at April 20th GC meeting)

- April was the 3rd instalment for those on the 6 and 11 month instalment plans
- 96.8% has been collected

May PTP instalment (to be updated at April 20th GC meeting)

- May will be the 4th instalment only for those on the 11 month instalment plan
- Expected tax revenue \$13.21M, revised to \$12.96M or 98.9% based on cancellations from the PTP program



3. Financial Pressures

Cash Flow and Operating Budget

- **Cash flow** is the total amount of money being transferred into (eg. property taxes, user fees, parking fines) and out (eg. Salaries, winter maintenance, waste collection, utilities, insurance) of a business
- **Budget** is an estimate of income and expenditure for a set period of time

Revenue sources

- Property Taxes: significant impact on cash flows, not significant impact on the budget as the revenue is still recognized
- Major revenues such as user fees and service charges, parking fines: more of a budget impact as the revenue is permanently lost, less impact on cash flows as the primary source of cash inflows are property taxes



3. Financial Pressures

Cash Flow

- Cash flow model has been developed to run different scenarios, including length of quarantine period, and residents and businesses' willingness to pay taxes
- Assuming an 80% tax collection rate, City would be in a \$100M negative cash position at year end. For every further 10% reduction in taxes collected in 2020, year end cash balances would be decreased by a further \$40-45M
- This will provide direction as to when the City will need to sell investments or borrow. Currently staff are working on facilitating temporary borrowing with our financial institution to protect Markham against cash flow issues



3. Financial Pressures

Operating Budget

- Lost net revenues will result in budget shortfalls in 2020 and potentially 2021
- Estimated at approximately \$4M deficit per month during quarantine period
- Once quarantine ends, there will be continued impact on revenues from protective behavior
 - Recreation 2020 budgets may not be achieved (eg. 10% reduction, approximately \$250k/month)
- Looking at strategies to minimize budget impacts:
 - a) Further assistance from other levels of government
 - b) Potential staggered facility opening strategies (Recreation, Libraries, Culture)
 - c) Focus on core services
 - d) Reduce non-essential capital programs
 - e) Utilizing reserves
- The eventual solution will be a combination of items
- Staff will need to develop a multi-year strategy to recover from the impacts of COVID (non-tax revenues will require time to get back to 2020 budget levels; strategy required to replenish reserves)



4. Capital Budget Review

- “Following advice from Ontario’s Chief Medical Officer of Health, on April 3, 2020, Ontario updated the list of essential businesses that can remain open. The restrictions are aimed at further reducing contact between people and stopping the spread of COVID-19.” – Province of Ontario
- Based on the Premier’s recommendation, staff have begun a review of capital projects following the below order or review:
 - 1) Essential vs. non-essential
 - 2) For non-essential:
 - a) Determine if project is on target or delayed
 - b) Can you project be closed, budget reduced, or deferred?
 - c) Where the project may be in the Procurement process (to market, closed not awarded, bid in development, bid not in development, awarded contract)
- Any project adjustments from the analysis will be brought forward in the status of capital update to General Committee in June



5. By-law Amendments

As a result of the financial relief measures approved by Council on March 27th, staff will be bringing forward the following 4 by-law amendments to Council on April 28th:

- Water Rate By-law Amendment
- Municipal Accommodation Tax By-law Amendment
- Stormwater By-law Amendment
- User Fee By-law Amendment



4. Recommendations & Next Steps

1. That the presentation entitled COVID-19 – Financial Impact Update be received; and,
2. That the by-law amendments on the April 20th General Committee agenda be considered at the April 28th Council meeting; and,
3. That the City Treasurer report back to General Committee in May providing a financial forecast based on various scenarios; and,
4. That Staff be authorized and directed to do all things necessary to give effect to this resolution.