
From: Van Dusen, Regina on behalf of Regional Clerk
Sent: Wednesday, May 6, 2020 1:24 PM
Subject: Regional Council Decisions - Supporting Residents and Businesses Impacted by COVID-19
Attachments: Partnering with Local Municipalities to Support Residents and Businesses.....pdf; Waiving Interest on Property Tax Instalments in Response to COVID19.pdf

CAUTION: This email originated from a source outside the City of Markham. DO NOT CLICK on any links or attachments, or reply unless you recognize the sender and know the content is safe.

Council considered two reports dealing with financial supports in response to COVID-19.

#1. Partnering with Local Municipalities to Support Residents and Businesses Impacted by COVID-19

On April 2, 2020 Regional Council made the following decision:

1. Adopt recommendation 2 in the report dated April 1, 2020 from the Commissioner of Finance:
 2. Council approve retaining the 2020 water and wastewater rates at their 2019 levels and that staff report back on the financial implications of this.
2. Refer recommendations 1 and 3 to the April 16, 2020 Committee of the Whole meeting for further consideration:
 1. Council approve the waiving of interest on any portion of tax levy installments 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.
 3. The Regional Clerk circulate this report to the local municipalities, the local Chambers of Commerce/Boards of Trade and the Building Industry and Land Development Association – York Chapter (BILD).

#2. Waiving Interest on Property Tax Instalments in Response to COVID-19

Following further consideration of the property tax options, on April 30, 2020 Regional Council made the following decision:

1. 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 following the applicable Regional tax instalment due date.
2. The Regional Clerk circulate this report to the local municipalities, the local Chambers of Commerce/Boards of Trade and the Building Industry and Land Development Association – York Chapter (BILD).
3. Council enact a bylaw giving effect to this decision.

The original staff reports are attached for your information.

Please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer, at 1-877-464-9675 ext. 71644 if you have any questions with respect to these matters.

Regards,

Christopher Raynor | Regional Clerk, Office of the Regional Clerk, Corporate Services

The Regional Municipality of York | 17250 Yonge Street | Newmarket, ON L3Y 6Z1
1-877-464-9675 ext. 71300 | christopher.raynor@york.ca | york.ca

Our Mission: **Working together to serve our thriving communities – today and tomorrow**

The Regional Municipality of York

Council
Finance and Administration
April 2, 2020

Report of the Commissioner of Finance

Partnering with Local Municipalities to Support Residents and Businesses Impacted by COVID-19

1. Recommendations

1. Council approve 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.
2. Council approve retaining the 2020 water and wastewater rates at their 2019 levels and that staff report back on the financial implications of this.
3. The Regional Clerk circulate this report to the local municipalities, the local Chambers of Commerce/Boards of Trade and the Building Industry and Land Development Association – York Chapter (BILD).

2. Summary

This report provides an overview of the economic impact of COVID-19, the financial relief considered by the local municipalities and the associated financial impact. It also recommends the waiving of the interest charges on any portion of late remittance of tax levy by local municipalities as a result of their support to residents and businesses during the pandemic. It also recommends deferring the implementation of the planned 2020 water and wastewater increases.

Key Points:

- Between March 17th and March 23rd Ontario, along with local municipalities and regions including York Region, declared state of emergency in response to the COVID-19 pandemic.
- Both Provincial and Federal governments have announced a number of measures to help stabilize the economy as Canadian workers and businesses are impacted by lay-offs and mandatory closures.

- Many Ontario municipalities and local municipalities are offering different forms of financial relief for its residents and businesses.
- Staff recommend supporting local municipalities by waiving interest charges on any portion of tax levy payments not remitted for the 2020 taxation year as a result of their COVID-19 financial relief programs for a period up to 90 days. Staff also recommend deferring the implementation of the planned increases to the 2020 water and wastewater rates charged to local municipalities.
- Should the pandemic situation continue over the longer term, other measures could be considered by Council to provide relief including extending the deferral period.

3. Background

York Region's economy is expected to have lower-than-expected economic growth as a result of the COVID-19 pandemic

The magnitude of the impact to York Region is not yet known but the extent of the social distancing measures and the economic shut-down are unprecedented. The Conference Board of Canada has projected two scenarios: a baseline in which social distancing will end in 6 weeks, and an alternate forecast where it will end in 24 weeks (by end of August). Depending upon which scenario plays out the impact to York Region, Ontario and Canada will be very different. Currently Ontario's forecast real GDP growth for 2020 will be effectively zero¹ (down from the forecast of 1.6% in the 2019 provincial budget) while for Canada it is expected to 0.30%². Sectors such as tourism, accommodation and food, entertainment and recreation, oil patch and manufacturing will suffer sharp declines.

The impact to York Region will be determined by factors such as:

- The effect of the steep drop in consumer spending due to job losses and quarantine.
- The effect of the interest rate decline on the housing market – while borrowing rates are lower, consumers are also faced with a lower investment return on their savings.
- Consumer confidence plummeted in March 2020 due to COVID-19 fears.³ Consumer confidence partially measures a household's view on the short-term employment outlook and the likelihood to make a major purchase such as a house or a car.

¹ Ontario's Action Plan: Responding to COVID-19, March 2020 Economic and Fiscal Update, March 26 2020

² Conference Board of Canada, COVID-19 and its impact on the Canadian and global economies, March 23, 2020

³ Conference Board of Canada, Canadian Consumer Confidence Index, March 2020

It is expected, however, that as virus-related disruptions ease, Ontario will rebound in 2021 and York Region will likely follow this trend. Staff will continue to monitor the economic impacts on York Region especially with respect to industries related to COVID crisis.

The pandemic is expected to have a significant impact on York Region businesses across sectors, to different degrees

The COVID-19 pandemic and measures to contain its spread are having an impact on York Region businesses across all sectors. This is not only due to the temporary policies instituted by governments, but a general reduction in consumer demand.

The industries most impacted by temporary government policies, such as mandated closures and travel bans, include transportation, accommodation, food, retail, and entertainment, which make up approximately 24% of businesses and 23% of non-broader public sector jobs in York Region in 2019 (Table 1). For the purpose of this analysis, non-public sector jobs are jobs in sectors other than government, hospitals, and public schools.

These were also the same industries that were hardest hit during the 2003 Severe Acute Respiratory Syndrome (SARS) epidemic. In the wake of the SARS epidemic, the GDP attributable to the tourism sector dropped by 5% in between the first and second quarter of 2003, with air transportation experiencing greater decline and longer recovery compared to accommodation and food services.

Small and medium sized (i.e., under 100 employees) businesses are expected to experience a harder hit from COVID-19 due to challenges in liquidity and securing loans. Small and medium sized businesses make up the backbone of the Region's economy, accounting for 97% of all businesses and 60% of non-broader public sector jobs. Small and medium businesses in the Transportation, Accommodation, Food, Retail and Entertainment sectors employ approximately 16% of non-broader public sector jobs in York Region (Table 1).

Table 1
Share of Businesses and Jobs in the Transportation, Accommodation and food services, Retail trade and Entertainment sectors*

	% of Businesses	% of Jobs**
Small	20.5	7.2
Medium	3.3	8.6
Large	0.6	7.3
Total	24.4	23.1

Source: Treasury Office using 2019 York Region Employment Survey data

* For the purpose of this analysis, the Level 1 NACIS classification is used. The two digit codes of the industries shown on table 1 include: 44 Retail trade – common; 48 Transportation; 71 Arts, entertainment and recreation; 72 Accommodation and food services

**These figures include paid jobs only, regardless of tenure and permanency

Note: These figures only include non-broader public sector places of employment and jobs. Numbers may not sum due to rounding.

COVID-19, which already has a broader global impact when compared to SARS, will likely have a lasting impact on these industries. Particularly, a weakened global supply chain and consumer demand will have a negative impact on the manufacturing industry (particularly automotive). The retail industry may be harder hit this time due to the prevalence of e-commerce. These industries account for 18% of businesses and 19% of non-broader public sector jobs in York Region in 2019.

Senior levels of government have announced relief programs that are targeted at the most vulnerable businesses and residents

As noted in the April 1, 2020 memo to Council, entitled “Provincial Fiscal Update and Federal/Provincial COVID-19 Response Plans”, senior levels of government have announced relief programs that are targeted at the most vulnerable businesses and residents.

Since March 18, 2020, the federal government has announced a series of relief aid and stimulus, including:

- \$52.4 billion in direct assistance for eligible small and medium businesses
- \$55 billion to help meet liquidity needs and stabilize the economy, which includes deferral of income tax payments and waiving of interest
- \$30 billion in cash flow and liquidity assistance for businesses, which includes deferral in Goods and Services Tax/Harmonized Sales Tax (GST/HST) remittances and customs duty payments

The government has also announced over \$500 billion in credit and liquidity support through financial Crown corporations, Bank of Canada, Export Development Canada, and Business Development Bank of Canada, OSFI, CMHC and commercial lenders to stabilize funding.

On March 25, the Province announced the Ontario Action Plan for fighting Covid-19 as part of their Economic and Fiscal Update. The \$17 billion funding package offers various supports to healthcare (\$3.3 billion), people and jobs (\$3.7 billion), and cash flow support for businesses (\$10 billion).

Of this funding package, \$200 million social services relief fund was purposed to assist municipalities and social service providers in areas such as homeless shelters, food banks, emergency services, charities and non-profits.

The Province is also allowing municipalities to delay their remittance of property taxes for school boards by 90 days

The Province announced, as part of the *March 2020 Economic and Fiscal Update*, a 90-day deferral of the June 30 and September 30 quarterly municipal remittances of education property tax receipts. However, the education tax payment due March 31, 2020 will remain unchanged. To ensure this deferral does not have a financial impact on school boards, the Province will adjust their payments to school boards to offset the deferral.

While the Region is responsible for determining tax policy, local municipalities are responsible for property tax billing and collection

The Region sets the tax ratios and determines some tax policies that apply to all nine local municipalities. However, it is the local municipalities that are responsible for tax administration, including billing and collection of the property taxes by setting the instalment dates as they see fit. While the Region sets the dates by which all local municipalities have to remit the Regional portion of property tax payment to the Region, local municipalities have different tax instalment schedules for their tax payers to meet their various cashflow needs.

Since municipalities set the due dates and assess penalties on late payments, it is ultimately the municipalities' decision to offer taxpayers flexibility in their payment dates. The Region however, can ease the burden on municipalities that decide to offer flexibility to its tax payers by providing flexibility in their Regional instalments.

Most of York Region's local municipalities have already announced or are considering financial relief and other support programs

In response to COVID-19, local municipalities in the Region have announced or are considering various financial relief programs to support their businesses and residents.

The most common measures local municipalities have offered are extending payment deadlines and waiving late payment penalties, as shown in Attachment 1, Table 1.

Preliminary analysis indicates that local municipalities should be able to afford the proposed relief programs in the next quarter. However, the adverse economic impact of the measures to combat COVID 19 may impact the locals' ability to collect revenue from all other sources in completely unexpected ways. Moreover, prolonged and sharp decreases in revenue would put pressure on local municipalities' ability to manage their cash.

Other Ontario municipalities are considering financial relief programs

Other Ontario municipalities have announced, or are considering tax deferral relief and/or waiving penalty and interest tax and water/wastewater payment. As shown on Attachment 1, Table 2, most upper-tier municipalities are considering a range of financial relief measures primarily driven by decisions made at the local level.

Section 106 of the Municipal Act, 2001 restricts municipalities to provide targeted, application-based financial relief to for-profit enterprises

Currently, section 106 of the *Municipal Act, 2001*, (Act) generally prohibits municipalities from providing targeted financial assistance or ‘bonusing’ to industrial or commercial enterprises. As a result, municipalities would not be permitted to provide a targeted application- based total or partial exemption from any levy, charge or fee, or provide loans under section 107 of the Act.⁴ Despite the restrictions under section 106 of the Act, municipalities have flexibility with tax remittance requirements

The Act does provide that municipalities have discretion as it relates to the tax levy remittance dates and interest charged when in default.

The Act provides upper-tier municipalities the flexibility to set the tax instalment dates by which local municipalities remit the Regional portion of tax levy for both interim and final tax levies. The Act prescribes an annual interest payment of 15 per cent on the amount in default, unless the upper tier sets a lower rate as they deem appropriate.

4. Analysis

Council can waive interest charges to local municipalities on tax payments owed to the Region but have been delayed as a result of a tax relief program established due to COVID-19

As the COVID-19 pandemic continues to evolve, local municipalities and other neighbouring municipalities have started to offer various financial relief programs.

In the short term, tax relief programs offered by local municipalities (see Attachment 1, Table 1) consist mainly of deferring of tax instalments and/or waiving of penalties and interest charges for a period of one to three months. In order to support the various local options being considered to assist residents and businesses, the Region could consider providing local municipalities with some financial flexibility.

Council has currently approved an interim tax levy by-law that sets the amounts payable by local municipalities to the Region on or before April 30, 2020 and June 30, 2020. For final tax levy, the instalment dates are typically September 30 and December 15.

Typically, the Region interest would be payable, at statutory rates, on any portion of tax instalments not remitted to the Region by the due dates. As an immediate measure, it is

⁴ Note: This does not however restrict the ability of the Region to provide the broader commercial business class with water rate reductions or interest waivers on late tax payments.

recommended that interest on tax levy instalments for 2020 from the local municipalities be waived for up to 90 days on any portion not remitted as a result of a local tax relief program related to COVID-10. However, local municipalities would be expected to remit to the Region any portion of property taxes they have collected on behalf of the Region prior to the due dates.

Staff recommend deferring the water and wastewater user rate increase that was scheduled to take effect on April 1st

In 2015, Council approved a User Rate Study that included six years of rate increases, including a 9 per cent increase that was scheduled take effect on April 1, 2020. A bylaw to enact the April 1st, 2020 increase is tracking to Council at the end of April.

Several local Councils have approved the deferral of their planned 2020 water and wastewater rate increase, and others are waiting for a decision from the Region before deciding on their own course of action. To align with local action, and to provide fiscal relief that could be passed on to residents and businesses, staff recommend that the Region defer the scheduled 9 per cent increase.

Staff would report back to Council to provide detailed implications of deferring the planned rate increase. Preliminary analysis suggests that the rate deferral would result in lost revenue of about \$25 million. It could also jeopardize the planned timeline for achieving full cost recovery. The 2015 User Rate Study called for a 2.9 per cent increase in 2021, the final increase in the study period, at which point the Region was expected to have achieved full cost recovery.

Staff can include options for achieving or delaying full cost recovery as part of a report back to Council.

Should the economic impact associated with COVID-19 escalate or continue for a longer period, staff could report back with other options

Should the economic impact associated with COVID-19 escalate or continue for a longer period, the Region may wish to consider other options to support local municipalities that want to offer targeted reliefs.

5. Financial

The 2020 interim tax levy being requisitioned from local municipalities is \$567.3 million and will provide the Region with sufficient revenues to fund its operations.

If implemented and fully utilized, the waiving of interest charges for a 90-day period for each tax instalment would cost the Region approximately \$1.5 million in interest (Table 2). If all tax instalments were delayed during the year, the cost would be \$6 million. However, It is

expected that the actual cost to the Region should be much lower, as the local municipalities are expected to remit any taxes that are collected to the Region.

Table 2
Cost Associated with 90 day Instalment Delay (\$M)

Property Tax Class	Each Interim Instalment Amount (April 30 & June 30)	Potential Cost to Region at 2.20%*
Residential	234.84	1.27
Non-Residential	47.74	0.26
Others	1.07	0.01
Total	283.65	1.54

*Calculation is based on 90 days on each instalment

Preliminary analysis suggests that deferring the scheduled water and wastewater rate increase of 9 per cent would result in lost revenue of about \$25 million in 2020. It could also jeopardize the planned timeline for achieving full cost recovery, which was expected to be in 2021.

6. Local Impact

Waiving tax instalment interest charges for up to 90 days would assist with various property tax relief programs currently being offered by local municipalities.

7. Conclusion

It is recommended that interest charges be waived on any portion of the 2020 tax levy instalment payment owed to the Region that has been delayed as a result of a local municipality's COVID-19 tax relief program for a period of not more than 90 days. It is also recommended that the planned 2020 water and wastewater rate increases be deferred.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer, at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by:

Laura Mirabella, FCPA, FCA

Commissioner of Finance and Regional Treasurer

Approved for Submission:

Bruce Macgregor

Chief Administrative Officer

April 1, 2020

Attachment (1)

10683283

Table 1
Financial Relief Programs Considered by Local Municipality
 (current as of April 1, 2020)

Local Municipality	Tax Instalment				Water/Wastewater		
	Deferral	Waiving of Interest and Penalty					
		30 Days	60 Days	90 /+ Days	30 Days	60 Days	90 /+ Days
Aurora	✓		✓			✓	
East Gwillimbury		✓			✓		
Georgina		✓			✓		
King			✓		✓		
Markham				✓			
Newmarket				✓			
Richmond Hill	✓			✓			✓
Vaughan			✓				
Whitchurch-Stouffville		✓			✓		

Table 2
Financial Relief Programs Considered by Single and Regional Municipalities
(current as of March 27, 2020)

	Tax Levy Deferral	Waiving Interest/ Penalty Tax Levy	Waiving Interest/ Penalty WWw	Hardship Program
Single Tier				
City of Toronto	✓		✓	
City of Mississauga*	✓		✓	
City of Hamilton				
City of London		✓	✓	
City of Ottawa		✓	✓	✓
City of Kingston				
City of Thunder Bay				
City of Windsor	✓	✓		
City of Greater Sudbury		✓		
Chatham-Kent		✓		
Haldimand County				
Upper Tier				
Region of Durham		✓	✓	
Region of Halton	✓			
Region of Peel			✓	✓
Region of Niagara				
Region of Waterloo		✓	✓	
District of Muskoka				

*Lower tier municipality

Municipality	Details
City of Toronto	<ul style="list-style-type: none"> Announced a 60 day grace period for all tax payments
City of Hamilton	<ul style="list-style-type: none"> Considering deferring tax installment date for 1 month for all property classes
City of Ottawa	<ul style="list-style-type: none"> Providing a grace period from March 19 to April 15, 2020 Developing a hardship program for Residential & Small business (Assessment up to \$2.5M) to extend due date from Mar. 19 to Oct. 30 Water bills: deferral program for seniors and low income individual Discussed providing tiered tax relief (different deferrals based on size of taxable assessment)
City of Thunder Bay	<ul style="list-style-type: none"> Considering deferral and waiving of penalties and interest on water/waste water bill payment for 60 days
City of Kingston	<ul style="list-style-type: none"> Discussions in progress
City of London	<ul style="list-style-type: none"> Considering waiving interest for March instalment and instalments for final bill
City of Mississauga	<ul style="list-style-type: none"> Deferring tax instalments by 90 days
City of Greater Sudbury	<ul style="list-style-type: none"> Waiving all penalty and interest to all tax accounts that are in arrears until June 4, 2020
City of Windsor	<ul style="list-style-type: none"> Waiving late payment fees
Chatham-Kent	<ul style="list-style-type: none"> Discussion in progress
Haldimand County	<ul style="list-style-type: none"> Amending interim tax instalment dates to match local municipal decisions Water bills: Considering 90 day interest and penalty deferral as well as postponing April 1st rate increase by 90 days
Region of Durham	<ul style="list-style-type: none"> Waiving of interest charges on property tax due in April for May and June Durham Region Transit suspended payments from all customers Water bills: Temporary suspending new late payment charges, collection notices and water shutoffs
Region of Halton	<ul style="list-style-type: none"> Local municipalities considering waiving interest and penalty costs on late payments for 30 or 60 days Region approved tax deferral on April 30 instalment to June 30, 2020
Region of Peel	<ul style="list-style-type: none"> Seeking approval to provide \$1M emergency funding as a one-time grant to Peel Community Agencies Tax deferral or waiving penalty to match lower-tier decision
Region of Niagara	<ul style="list-style-type: none"> Tax deferral are lower-tier decision Discussed suspending penalties for late payments

Region of Waterloo	<ul style="list-style-type: none"> • Region and lower-tiers waiving interest and penalties on property taxes, utility bills and other amounts owing for 60 days • Transit service reduction and considering monthly pass refund • Water bills: Considering deferral payment dates or waiving late payment fees
District of Muskoka	<ul style="list-style-type: none"> • No tax deferral

Table 3
Water and Wastewater Rate Increase Decisions by Local Municipality
(current as of April 1, 2020)

Decision on rate	Municipality
Deferred or cancelled 2020 rate increase	Markham Vaughan
Will defer rate increase if Region defers wholesale rate increase	Richmond Hill
Waiting on Region's decision before determining action	Aurora Georgina
Implemented rate increase on January 1, 2020	East Gwillimbury King Newmarket Whitchurch-Stouffville

The Regional Municipality of York

Committee of the Whole
Finance and Administration
April 16, 2020

Report of the Commissioner of Finance

Waiving Interest on Property Tax Instalments in Response to COVID-19

1. Recommendations

1. 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 following the applicable Regional tax instalment due date.
2. The Regional Clerk circulate this report to the local municipalities, the local Chambers of Commerce/Boards of Trade and the Building Industry and Land Development Association – York Chapter (BILD).

2. Summary

This report discusses two options for waiving interest charges on any portion of a late remittance of property tax instalments, for the 2020 taxation year, by local municipalities, as a direct result of their support to residents and businesses during the pandemic.

Key Points:

- Under either option, it is expected the local municipalities would continue to remit any portion of Regional taxes that have been collected on their normal due dates
- The options presented assume local municipalities provide their taxpayers with relief for several months
- Staff recommend Option 1 - waiving of 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, following the applicable Regional tax instalment due date
- Should the pandemic situation continue over a longer term, staff could identify additional measures for Council consideration

3. Background

Staff were directed to bring back more information regarding property tax interest charge waiving options to Council

On April 2, 2020, a report entitled “Partnering with Local Municipalities to Support Residents and Businesses Impacted by COVID-19” was brought forward to Council. The report provided an overview of the economic impact of COVID-19, the financial relief programs considered by the local municipalities, and recommended relief measures relating to tax instalments and water and wastewater rate increases. While Clause 2 of the report, being “Council approve retaining the 2020 water and wastewater rates at their 2019 levels and that staff report back on the financial implications of this” was approved, the other two clauses relating to the waiving of interest on tax levy instalments were deferred to the April 16, 2020 Committee of the Whole meeting.

The Region is responsible for determining tax policy, while local municipalities are responsible for property tax billing and collection

The Region sets the tax ratios and determines some tax policies that apply to all nine local municipalities. However, it is the local municipalities that are responsible for tax administration, including billing and collection of the property taxes by setting the instalment due dates as they see fit. While the Region sets the dates by which all local municipalities have to remit the Regional portion of property tax payment to the Region, local municipalities have different tax instalment schedules for their taxpayers to meet their various cash flow needs.

Since municipalities set the due dates and assess penalties on late payments, it is ultimately the local municipalities’ decision to offer taxpayers flexibility in their payment dates. The Region however, can ease the burden on municipalities that decide to offer flexibility to its taxpayers by providing flexibility in remitting their Regional property tax instalments.

Most of York Region’s local municipalities have already announced or are considering financial relief and other support programs

In response to COVID-19, local municipalities in York Region have announced, or are considering, various financial relief programs to support their businesses and residents.

The most common measures local municipalities have offered are extending payment deadlines and waiving late payment penalties, as shown in Attachment 1, Table 1.

Other Ontario municipalities have also announced or are considering financial relief programs

Other Ontario municipalities have announced, or are considering tax deferral relief and/or waiving penalties and interest, tax and water/wastewater payments. As shown on Attachment 1, Table 2, most upper-tier municipalities are considering a range of financial relief measures primarily driven by the decisions made at the local level.

While municipalities are restricted in providing direct financial assistance to targeted business segments, municipalities have flexibility to set tax instalment dates and the amount of interest charged when in default

Section 106 of the Municipal Act, 2001, (Act) generally prohibits municipalities from providing financial assistance or 'bonusing' to industrial or commercial enterprises. Despite the restrictions under section 106 of the Act, municipalities have discretion as it relates to the tax levy remittance dates and interest charged when in default.

The Act provides upper-tier municipalities the flexibility to set the tax instalment dates by which local municipalities remit the Regional portion of tax levy for both interim and final tax levies. The Act prescribes an annual interest payment of 15 per cent on the amount in default, unless the upper tier sets a lower rate as they deem appropriate.

The Province is also allowing municipalities to delay their remittance of property taxes for school boards by 90 days

As part of its March 2020 Economic and Fiscal Update, the Province announced a 90-day deferral of the June 30 and September 30 quarterly municipal remittances of education property tax receipts. However, the education tax payment due March 31, 2020 will remain unchanged. To ensure this deferral does not have a financial impact on school boards, the Province is adjusting their payments to school boards to offset the deferral.

4. Analysis

Council could waive interest charges to local municipalities on tax payments owed to the Region that have been delayed as a result of COVID-19 tax relief

As the COVID-19 pandemic continues to evolve, local municipalities and other neighbouring municipalities have started to offer various financial relief programs.

In the short term, tax relief programs offered by local municipalities (see Attachment 1, Table 1) consist mainly of deferring of tax instalments and/or waiving of penalties and interest charges. To support the various local options being implemented to assist residents and businesses, Council could consider providing local municipalities with some financial flexibility with respect to their tax remittances to the Region.

Council has currently approved an interim tax levy by-law setting the amounts payable by local municipalities to the Region on or before April 30, 2020 and June 30, 2020. The final tax levy instalment dates are typically September 30 and December 15.

Interest would normally be payable by a local municipality, at statutory rate of 15 % per year, on any portion of the property tax instalment not remitted to the Region, on or before the due dates.

However, as an immediate measure, interest on outstanding tax levy instalments from the local municipalities, for the 2020 taxation year only, could be waived on any portion not remitted by the due date, as a result of a local tax relief program related to COVID-19. Local municipalities would still be expected to remit any portion of the property taxes they have collected on behalf of the Region, on the normal due dates.

Two options for the waiving of interest charges were considered

Option 1: Waiving of interest on any portion of the four tax levy instalments in 2020 not remitted to the Region, as a direct result of a local municipality's COVID-19 tax relief program for 90 days following the normal tax instalment dates.

Under this option, it is still expected the local municipalities would continue to remit any taxes collected on behalf of the Region.

Table 1

Option 1 – Interest Waiving on Four Tax Instalments for 90 days Property Tax Instalment Dates and Final Date for Proposed Interest Waiver

	Instalment Dates	Proposed 90-day Interest Waiver Period
Interim	April 30, 2020	July 29, 2020
Interim	June 30, 2020	September 28, 2020
Final	September 30, 2020*	December 29, 2020
Final	December 15, 2020*	March 15, 2021

*Estimated dates based on historic tax instalment dates. Final tax instalments for 2020 have not been approved by Council yet.

The remittance of a subsequent instalment would first be applied to the outstanding balance from the previous instalment. So long as subsequent installment payments are sufficient to clear the outstanding balance from the previous due date, local municipalities could have until March 15, 2021 to be fully paid up interest free. The key benefit of Option 1 is it would ensure the Region would have sufficient property tax revenues available to fund operations without having to incur significant, either internal or external, financing costs. While the Region has sufficient cash and short term securities to manage any delay of receiving the equivalent of up to one full tax instalment for three months, on a rolling basis, the costs associated with funding the delay including interest costs will still have to be repaid through future property tax revenues.

Option 2: 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.

Under this option, interest charges would be waived on any portion of the four tax instalments until December 31, 2020. Similar to Option 1, it is also expected the local municipalities would continue to remit any taxes collected on behalf of the Region.

While this blanket option could allow local municipalities to provide significant flexibility to taxpayers, most of the Region's area municipalities have chosen to defer payments or waive interest for shorter periods of time. An interest waiving period of this length may have the unintended consequence of discouraging taxpayers who are capable of paying from doing so until the final due date. As the outstanding balance of unpaid property taxes increases and extends beyond 90 days, both local municipalities and the Region could face significant liquidity risks which would require significant short-term external borrowing or inter-reserve borrowing to finance operations. Additionally, as outstanding balances increase, it may become increasingly difficult for local municipalities to obtain ultimate payment of those outstanding balances and remit same to the Region.

Staff recommend Option 1 - Waiving interest for each tax instalment for a period of 90 days

Staff recommend Option 1, to provide local municipalities the flexibility needed with their Regional property tax instalments. Because the timing between due dates for Regional tax instalments is less than 90 days, and by applying the new remittance to the outstanding balance of the previous instalment, it could provide an effective interest free period until March 15, 2021, which is beyond the end of the year. It would also ensure the maximum financial exposure would be limited to the equivalent amount of one tax instalment which would be within the Region's current financial means.

Should the economic impact associated with COVID-19 escalate or continue for a longer period, staff could report back with additional options

Should the economic impact associated with COVID-19 escalate or continue for a longer period, staff could identify other measures the Region could take to mitigate those impacts and report back to Council.

It should be noted, to provide application-based relief to targeted tax payers, the Region could request the Province to amend or suspend Section 106 of the Municipal Act.

5. Financial

The Region will requisition \$1.189 billion from local municipalities in 2020 over four instalment payments to fund its operations.

Under Option 1, if implemented and fully utilized by local municipalities, the waiving of interest charges for a 90-day period for each tax instalment would result in the waiver of

approximately \$10.5 million in interest (Table 2). If the full amount of each of the four tax instalments was not received until 90 days after each due date, the total interest waiver could be \$42 million. However, it is expected the actual amount of interest ultimately waived would be much lower, as the local municipalities are expected to remit any taxes collected to the Region.

Table 2
Option 1
Maximum Value of a 90 day Interest Waiver (\$M)

Property Tax Class	Each Tax Levy Instalment Amount	Potential Interest Waived
Residential	234.84	8.69
Non-Residential	47.74	1.77
Others	1.07	0.04
Total	283.65	10.5

*Calculation is based on 15 % statutory rate on each 2020 Interim Instalments over 90 days

Under Option 2, if all tax instalments remained unpaid until December 31, 2020, the total interest waiver could be \$64 million (Table 3). Similar to Option 1, it is expected the actual waiver would be much lower, as the local municipalities are expected to remit any taxes collected to the Region.

Table 3
Maximum Value of Waiving Interest until December 31, 2020 (\$M)

Regional Tax Levy	April Instalment	June Instalment	September Instalment	December Instalment	Total
Residential	23.64	17.76	9.69	1.69	52.78
Non-Residential	4.81	3.61	1.95	0.34	10.70
Others	0.11	0.08	0.04	0.01	0.24
Total	28.56	21.45	11.68	2.03	63.71

The costs associated with either Option 1 or Option 2 will vary depending upon the amount and the duration of total interests being waived by the local municipalities. However, delays

beyond 90 days, or outstanding balances greater than the value of one installment, would require the need to acquire additional, either internal or external, financing which would need to be repaid along with interest at a future date.

6. Local Impact

Waiving tax instalment interest charges for up to 90 days would assist with various property tax relief programs currently being offered by local municipalities.

7. Conclusion

It is recommended that Option 1 - waiving of 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 following the applicable Regional tax instalment due date, be adopted.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer, at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by:

Laura Mirabella, FCPA, FCA

Commissioner of Finance and Regional Treasurer

Approved for Submission:

Bruce Macgregor

Chief Administrative Officer

April 6, 2020

Attachment (1)

10708279

Table 1
Financial Relief Programs Considered by Local Municipality
(current as of April 7, 2020)

Local Municipality	Tax Instalment				
	Deferral	30 Days	60 Days	90 Days	90+ Days
Aurora	✓		✓		
East Gwillimbury		✓			
Georgina		✓			
King				✓	
Markham					✓
Newmarket					✓
Richmond Hill	✓				✓
Vaughan			✓		
Whitchurch-Stouffville		✓			

Table 2
Financial Relief Programs Considered by Single and Regional Municipalities
(current as of April 7, 2020)

	Tax Levy Deferral	Waiving Interest/ Penalty Tax Levy	Hardship Program
Single Tier			
City of Toronto	✓		
City of Mississauga*	✓		
City of Hamilton		✓	
City of London		✓	
City of Ottawa		✓	✓
City of Kingston		✓	
City of Thunder Bay	✓		
City of Windsor	✓	✓	
City of Greater Sudbury		✓	
Chatham-Kent		✓	
Haldimand County		✓	
Upper Tier			
Region of Durham		✓	
Region of Halton	✓		
Region of Peel	✓		✓
Region of Niagara			
Region of Waterloo		✓	
District of Muskoka			

*Lower tier municipality

Municipality	Details
City of Toronto	<ul style="list-style-type: none"> Announced a 60 day grace period for all tax payments
City of Hamilton	<ul style="list-style-type: none"> Considering deferring tax installment date for 1 month for all property classes
City of Ottawa	<ul style="list-style-type: none"> Providing a grace period from March 19 to April 15, 2020 Developing a hardship program for Residential & Small business (Assessment up to \$2.5M) to extend due date from Mar. 19 to Oct. 30 Water bills: deferral program for seniors and low income individual Discussed providing tiered tax relief (different deferrals based on size of taxable assessment)
City of Thunder Bay	<ul style="list-style-type: none"> Considering deferral and waiving of penalties and interest on water/waste water bill payment for 60 days
City of Kingston	<ul style="list-style-type: none"> Discussions in progress
City of London	<ul style="list-style-type: none"> Considering waiving interest for March instalment and instalments for final bill
City of Mississauga	<ul style="list-style-type: none"> Deferring tax instalments by 90 days
City of Greater Sudbury	<ul style="list-style-type: none"> Waiving all penalty and interest to all tax accounts that are in arrears until June 4, 2020
City of Windsor	<ul style="list-style-type: none"> Waiving late payment fees
Chatham-Kent	<ul style="list-style-type: none"> Discussion in progress
Haldimand County	<ul style="list-style-type: none"> Amending interim tax instalment dates to match local municipal decisions Water bills: Considering 90 day interest and penalty deferral as well as postponing April 1st rate increase by 90 days
Region of Durham	<ul style="list-style-type: none"> Waiving of interest charges on property tax due in April for May and June Durham Region Transit suspended payments from all customers Water bills: Temporary suspending new late payment charges, collection notices and water shutoffs
Region of Halton	<ul style="list-style-type: none"> Local municipalities considering waiving interest and penalty costs on late payments for 30 or 60 days Region approved tax deferral on April 30 instalment to June 30, 2020
Region of Peel	<ul style="list-style-type: none"> Seeking approval to provide \$1M emergency funding as a one-time grant to Peel Community Agencies Tax deferral or waiving penalty to match lower-tier decision
Region of Niagara	<ul style="list-style-type: none"> Tax deferral are lower-tier decision Discussed suspending penalties for late payments

Region of Waterloo	<ul style="list-style-type: none">• Region and lower-tiers waiving interest and penalties on property taxes, utility bills and other amounts owing for 60 days• Transit service reduction and considering monthly pass refund• Water bills: Considering deferral payment dates or waiving late payment fees
District of Muskoka	<ul style="list-style-type: none">• No tax deferral
