



COVID-19 – Financial Impact Update

**General Committee
May 19, 2020**



Agenda

1. Provincial, Regional, City Relief Measures
2. Request for Stimulus Funding
3. Property Tax Payment Status
4. Year-End Projections
5. Financial Pressures
6. Recommendations



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, Regional Council approved the following:
 - ✓ Retaining the 2020 water and wastewater rates at their 2019 levels
- At the April 30th York Region Council meeting, Regional Council approved the following:
 - ✓ Regarding the 2020 Tax Levy: Where, as a direct result of a COVID-19 financial relief program, any amount payable to the Region by a lower-tier municipality is not paid in full to the Region on the due date, no interest will be payable on any outstanding amount according to the chart below
 - ✓ The City paid the April 30th tax levy in full. The intention is for all municipalities to remit taxes collected to York Region, on the applicable due dates

Remittance Dates	April 30	June 30	September 30	December 15
Interest waived until	December 31, 2020			March 31, 2021



1. City Relief Measures

- At the March 27, 2020 City of Markham Special Council meeting, Council approved the following recommendations:
 1. 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 1, 2020 to December 31, 2020
 2. That the City defer charging the Stormwater fees in the calendar year 2020; and,
 3. That the City continues to defer the April 1st, 2020 water rate increase
 4. That the City defer the Municipal Accommodation Tax from April 1st to December 31, 2020

- Costs associated with the recommendations:

1. Waived Penalty and Interest to Dec 31 st	\$ 2.77M
2. Deferred annual Stormwater Fee for 2020	\$ 9.70M
3. Maintained Water and Wastewater rates at 2019 levels	\$ 0.90M
4. Suspended Municipal Accommodation Tax	\$ 3.30M
	<hr/>
	\$16.67M



2. Request for Stimulus Funding - FCM

- On April 23, 2020, the Federation of Canadian Municipalities (FCM) issued an urgent request to the Government of Canada for emergency operating funding for municipalities to keep essential services running and Canadians safe and protected
- FCM is seeking \$10-15 billion over 6 months

Immediate Action: Request of at least \$10 billion in targeted emergency operating funding

1. Base allocation

- **\$7.6 billion** based on the Federal Gas Tax Fund formula
- This would provide \$34-\$35 million to Markham, if adopted by the Federal government

2. Supplementary allocation for municipalities that own and operate transit systems

- **\$2.4 billion** based entirely on 2019 transit ridership (population not included in formula)
- This funding would not apply to Markham

Medium-Term Action

- Commit to revisit the need for additional operating funding within four months
- Provide local governments with the ability to transfer unused funding to the Gas Tax Fund program



2. Request for Stimulus Funding – AMO & LUMCO

- On April 27, 2020, the Association of Municipalities (AMO) sent a request to the Federal and Provincial Ministers of Finance supporting the FCM request for stimulus funding:
 - a continuation of the Federal Gas Tax funding as a preferred and reliable choice to quickly move funding for infrastructure from the federal government to municipal governments in Ontario
 - receiving grants from the Ontario government to help municipalities remain solvent during the pandemic and beyond
 - partnership among all three levels of government to stabilize and put our economy on the path to recovery
- At a meeting on April 28, 2020, the Large Urban Mayors' Caucus of Ontario (LUMCO) also joined the FCM request for emergency funding for municipalities from the Federal Government



3. Property Tax Payment Status

April Year to Date

- 90.9% of regular instalment taxes collected (Feb, Mar)
- 98.7% of PTP taxes collected (4, 6, and 11 month plans)
- **92.7% of total taxes collected (compared to 94.9% in prior years)**
- COVID-19 had minimal impact on the April PTP

May PTP instalment

- In May, the only PTP payments received are from the 11 month residential instalment plan
- Collected 96.8% of the expected tax \$13.22M tax revenue for May (as of May 8)

Litmus test will be on July and August residential installments and
October and November non-residential installments



4. Year-End Projections

2020 Approved Budget (\$ Millions)

	<u>\$</u>	
Revenues	240.96	A
Expenditures		
Personnel	140.69	B
Non-Personnel	<u>100.27</u>	C
Total Expenditures	240.96	D=B+C
Balanced Budget	<u>-</u>	A-D

A municipality cannot budget for a deficit, per *Section 290 of the Municipal Act*



4. Year-End Projections

Physical distancing ends:	June 30th	August 31st	December 31st
1. TAX FUNDED COVID-RELATED PROJECTIONS (\$Millions)			
1 Rereation revenue loss	(12.38)	(15.23)	(19.60)
2 Recreation expenditure savings	5.10	8.34	12.86
3 Redeployment of staff savings (Recreation to Operations)	0.31	0.52	0.68
4 Culture revenue loss	(2.28)	(2.91)	(3.76)
5 Culture expenditure savings	0.95	1.46	2.31
6 Library revenue loss	(0.49)	(0.71)	(0.80)
7 Library expenditure savings	0.84	1.69	3.46
8 Investment income	(3.00)	(3.00)	(3.00)
9 Waived penalty and interest to December 31st	(2.77)	(2.77)	(2.77)
10 Legislative services revenue loss	(2.17)	(2.40)	(2.63)
11 Finance and supplemental tax revenue loss	(0.83)	(1.72)	(2.67)
12 Crossing guard contract savings	0.24	0.24	0.53
13 Staff recruitment strategy	0.50	0.60	0.75
14 Additional COVID related expenditures	(1.63)	(1.98)	(2.35)
NET DEFICIT RELATED TO COVID	(17.61)	(17.86)	(16.98)
2. NON-TAX FUNDED COVID-RELATED PROJECTIONS (\$Millions)			
1 Deferred stormwater fee	(9.70)	(9.70)	(9.70)
2 Suspended MAT tax	(3.30)	(3.30)	(3.30)
3 Maintained water/wastewater rate at 2019 level and reduced usage	(2.72)	(3.35)	(3.55)
NET DEFICIT RELATED TO COVID	(15.72)	(16.35)	(16.55)
TOTAL TAX AND NON-TAX FUNDED DEFICIT COVID PROJECTIONS (1+2)	(33.33)	(34.21)	(33.53)



4. Year-End Projections

Physical distancing ends:	June 30th	August 31st	December 31st
1. TAX FUNDED COVID-RELATED PROJECTIONS (\$Millions)			
NET DEFICIT RELATED TO COVID	(17.61)	(17.86)	(16.98)
2. BUSINESS AS USUAL (BAU) PROJECTIONS (\$Millions)			
1 Anticipated gapping savings	0.70	0.70	0.70
2 Corporate contingency	3.02	3.02	3.02
3 Investment income	3.00	3.00	3.00
4 Other	0.28	0.28	0.28
NET BAU SURPLUS PROJECTED TO YEAR-END	7.00	7.00	7.00
NET DEFICIT PROJECTED TO YEAR-END (1+2)	(10.61)	(10.86)	(9.98)



5. 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. Staff are in the final stages of securing a temporary borrowing facility with the City's financial institution to bridge potential cash flow shortfalls that may occur. This will likely be required starting in December, until taxpayers begin making arrears payments in 2021.



6. Recommendations

1. That the presentation entitled COVID-19 – Financial Impact Update be received; and,
2. That the City Treasurer report back to General Committee in July; and further,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution