

Council Memo



Date	March 23, 2020
To	City Council
From	Tara Baker, General Manager, Finance/City Treasurer
Service Area	Corporate Services
Department	Finance
Subject	Fiscal Relief Measures

Background

On March 11, 2020, the World Health Organization declared a global pandemic and on March 18, 2020 the Province of Ontario declared an emergency in relation to COVID-19. During this period, as part of the City's Emergency Management Program and Emergency Response Plan, the CAO has directed the closure of all City facilities to the public, instituted free public transit and paused all non-urgent inspections and site visits until April 5, 2020.

In response to the economic pressures and difficult financial reality that many residents and businesses are experiencing, the Federal and Provincial governments have been responding with financial relief in various forms including stimulus funding, small business loans and deferred payment options. There is now evolving expectation for municipal governments to also provide fiscal relief.

Municipal governments operate under different fiscal constraints than senior levels of government and have limited power for raising capital. The City relies predominantly on property taxes and user fees to meet its financial obligations and the Municipal Act is prescriptive for budgeting, investment and debt management.

With the efforts already announced to date, the City's user fee revenues have been significantly impacted. This includes, all recreation facility and park programming revenues, cultural facility revenue including museum, River Run, Farmers' Market and library revenues, transit revenues, parking and bylaw enforcement, courts, and building permit and development related revenues. Further, because of the economic slowing, it is likely that the usage for water and wastewater will decline for a period of time also reducing these user fees. Finance staff are also concerned that with broader economic challenges, accounts and tax receivables will begin to increase, further negatively impacting cash flow.

As these immediate cash flow concerns are being identified, there are also longer-term budgetary concerns of the lowered Bank of Canada rate, as well as the likelihood of increased cost pressures in our Social Services, Health Services and Emergency Services due to the economic downturn and pandemic response efforts.

The City does have contingency reserves however, as Council is aware, these reserves are under the targeted level of 8% of operating expenditures. The City's investment portfolio is healthy because of the non-tax operating and capital reserve fund balances, however, the liquidity of these investments is laddered out over a number of years in order to maximize investment revenue and diversify the financial risk in the portfolio.

The following financial relief recommendations reflect an assessment of the City's immediate concerns for the community well-being, economic conditions, and the sustainability of the City's financial health. As it is anticipated that there will be impending provincial stimulus funding forthcoming, the recommendations have been extended only to April 30, 2020. For reference, an estimate of the financial impact for an extension of these recommendations through to May 31, 2020 is included.

Financial Relief Recommendations

Taking all of this into consideration, including the City's cash flow projections for the balance of 2020, the following additional fiscal relief measures are recommended:

1. Parking permit fee waiver to assist downtown businesses and employees for the month of April.
2. Continued waiving of Transit fees for the month of April 2020.
3. Providing property tax relief to businesses and residents for the month of April through:
 - The waiver of interest and penalties that would be applied May 1.
 - The waiver of NSF charges through to April 30, 2020.
 - Ceasing all progressive collection activities until April 30, 2020.
 - Waiving of tax statement fees related to mortgage requirements.
 - Option to defer monthly Pre-authorized Debit (PAD) plans upon written request of at least ten days prior to withdrawal date. (email: tax@guelph.ca)

For further clarity related to property taxes, the April 30 due date and billing will still proceed as planned and all PAD and post-dated cheques will be processed unless written notice is received ten days prior to the withdrawal date. (email: tax@guelph.ca)

Financial Implications

Early financial projections for the estimated lost revenue due to the COVID-19 pandemic response measures for the period of March 18 to April 30, 2020 is in the range of \$4 to \$6 million. Extending the application of these response measures to May 31, 2020 without any significant alterations is estimated to be an additional \$2 to \$4 million. The City has sufficient contingency reserves to mitigate a one-time loss in this range, however, the property tax collection timing implications of shifting cash receipts of upwards of \$100 million towards the last half of 2020 is

causing the greatest concern. The City continues to need enough liquidity to meet its obligations to vendors and employees.

We are encouraging the community, where possible, to continue under their normal PAD plans and meeting the April 30 payment deadline. The taxation office may not be in a position to respond to a high volume of changes and will do their best under the challenges that are being experienced.

Management will also be reviewing expenditure control with an eye on shifting payments to the end of 2020 to better align with revenue collection. Additionally, staff will continue to investigate and consider other options to support liquidity through this period.

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