

To: COUNCIL

Meeting Date: 03/25/20

Subject: Financial Implications Related to COVID-19

Submitted By: Sheryl Ayres, Chief Financial Officer

Prepared By: Katie Fischer, Deputy Treasurer

Report No.: 20-108(CRS)

File No.: C1101

Recommendation(s)

THAT the City of Cambridge takes the following actions to provide relief to residents and businesses as described in report 20-108 (CRS);

- Waive penalties and interest on property taxes for the months of April and May 2020,
- Waive late payment charges on water and wastewater utility bills and miscellaneous accounts receivable invoices for the months of April and May 2020, and
- Waive Non-Sufficient Funds (NSF) fees charged by the City on customer accounts for the months of April and May 2020; and
- Suspend collection activities for water and wastewater accounts in arrears during April and May 2020.
- Endorse the City of Cambridge Economic Response Plan as set out in Attachment 1.

AND THAT any necessary by-laws be enacted to enable these actions to become effective.

Executive Summary

Purpose

- This report outlines temporary actions the City could effect in order to provide relief to any members of the community experiencing financial strain as a result of the COVID-19 pandemic.

- It also sets out an overview of the City's strategy to continue to support its residents and business community during this time

Key Findings

- As part of the City's efforts to mitigate the economic impact of the COVID-19 pandemic on the Cambridge community, the following is recommended:
 - Waiving of penalties and interest / late payment charges for the months of April and May 2020 for property taxes, water utility bills, and general accounts receivable;
 - Waiving of fees for returned cheques (i.e. for non-sufficient funds) until May 31, 2020;
 - Suspending water collection process during the months of April and May 2020.
- The City has drafted an Economic Response plan to ensure that Cambridge residents and businesses are supported and informed during this evolving issue.

Financial Implications

- The total estimated potential loss of revenues for the waiving of penalties, interest, late payment charges and other fees is estimated to be \$770,400 as follows:
 - Penalties and interest on taxes: \$650,000
 - Water utility late payment charge: \$27,000
 - Transfer unpaid water utility bills to taxes: \$68,000
 - Interest on general accounts receivable: \$24,000
 - Returned cheque fee revenues: \$1,400
- In addition to the loss of these revenues, other City operations have been impacted by the COVID-19 pandemic resulting in an estimated loss in revenues of more than \$507,000 as follows:
 - Parking enforcement and permit revenues: \$170,000
 - Recreation programming and facility bookings: \$331,000
 - Farmers' Market: \$6,000

- Investment income continues to be monitored in light of reduced cash flows from lower than anticipated revenues and likely delayed collections of property taxes and water utility bills, as well as interest rate cuts by the Bank of Canada announced in March 2020.
- Any resulting deficit in the tax-supported operations may be funded from the Rate Stabilization Reserve, which has an uncommitted balance of \$2,962,406 as of December 31, 2019. The estimated loss of revenues for the water and sewer operations of \$27,000 may be funded from the Water and Wastewater Rate Stabilization Reserve Funds, which have balances of \$3,085,219 and \$2,939,158 respectively as of December 31, 2019. Further, there may also be funding provided from the Provincial and Federal levels to assist with costs related to this event.

Background

The Coronavirus (COVID-19) was first identified in China in late 2019 and has since spread throughout the world, resulting in a global pandemic. On March 17, 2020 the Province of Ontario declared a state of emergency to protect public health and safety.

According to recent information from RBC Economics,

- COVID-19 will hit Canadian labour markets hard, and fast—particularly the 2 million-plus Canadians without permanent work arrangements
- 93% of casual employees and 85% of temporary contractors work in the services sector
- Nearly half of casual and contract workers are in sectors heavily impacted by COVID-19: education, accommodation and food services, wholesale and retail trade, and information, culture and recreation
- Around 800,000 casual and temporary-contract workers are prime-aged workers
- In April, the number of young people (mostly students) seeking seasonal or temporary-contract jobs will more than double—and their employment opportunities have diminished significantly
- Measures to stem the spread of COVID-19 have temporarily wiped out demand for many services
- Without the ability to work from home, service-sector employees required to come into direct contact with others face layoffs of indefinite duration

The COVID-19 pandemic has created uncertainty and a financial strain on the economy across the world. Locally, it is expected that residents and businesses may face challenges paying property taxes, water utility bills and there may be an increase in payments being returned as non-sufficient funds (NSF). To help alleviate some of the

financial burden the City is looking to provide assistance through waiving of penalties, interest, late payment charges and other fees.

Analysis

Strategic Alignment

PEOPLE To actively engage, inform and create opportunities for people to participate in community building – making Cambridge a better place to live, work, play and learn for all.

Goal #1 - Community Wellbeing

Objective 1.2 Support and facilitate community access to services related to health, wellness and personal development.

The actions outlined in this report provide temporary relief to residents and businesses in the community who may be experiencing financial pressures related to the COVID-19 pandemic, therefore ensuring access to City services without further financial burden.

Comments

The recommendation to provide assistance through waiving of penalties, interest, late payment charges and other fees is part of the City's efforts to mitigate the economic impact of the COVID-19 pandemic on the Cambridge community. To remain engaged and responsive during these changing times, the City has also drafted an economic response plan to ensure that Cambridge residents and businesses are supported and informed during this evolving issue. All of the following measures have been incorporated into the Economic Response Plan:

Property Tax and Utility Customers

Under current City of Cambridge by-laws, unpaid property taxes and utility bills are charged a monthly 1.25% penalty and interest fee. It is recommended that this penalty and interest fee be waived during the months of April and May. The recommended actions will give customers additional time to make payments on both their property tax and utility accounts if needed. The City will suspend collection activity such as transferring unpaid utility bills to taxes. Customers can continue to make payments through a Pre-Authorized Payment Plan (unless they contact the City to be removed from the payment plan), online banking, by mail or by the payment box located at the Dickson Street entrance at City Hall.

Property taxes are billed twice a year (interim and final) with four instalment due dates. Interim taxes are billed at 50% of the prior year taxes and for 2020 the instalment due dates are March 2, 2020 and May 1, 2020. Final tax bills have not been billed as of yet.

The City has approximately 43,100 property tax accounts. Approximately 32% of these customer accounts are on a Pre-Authorized Payment Plan.

Utility bills are sent monthly to customers every 60 days and are due not less than 15 days from the bill issue date. The City has approximately 40,000 utility accounts. Approximately, 21% of these customer accounts are on a Pre-Authorized Payment Plan.

The waiving of penalties and interest for the months of April and May is estimated to equate to lost revenues of approximately \$650,000 for property taxes and \$27,000 for water utility.

Additionally, suspending the water utility collection process during the months of April and May (i.e. transfer of unpaid utility bills to taxes) is estimated to result in lost revenues to tax-supported operations of approximately \$68,000.

General Accounts Receivable

The City periodically invoices customers for miscellaneous transactions outside of other major revenue streams, which is referred to as “general accounts receivable”. Under current policy, these invoices are payable within 30 days with a 2% monthly interest charge applying thereafter. It is recommended that this interest charge be waived during the months of April and May. Based on historical average monthly interest revenues, this equates to lost revenues of approximately \$24,000.

Non-Sufficient Funds (NSF) Fees

The City currently charges a \$35 administration fee to customers and ratepayers for returned cheques or payments that are not honoured (i.e. due to non-sufficient funds). It is recommended that this fee be waived for returned payments through to May 31, 2020.

Typically the City does not see a high volume of returned cheques. Based on historical averages, which are unlikely to be reflective of upcoming experience due to the changing economic landscape, the City would see approximately 20 returned cheques per month. With a \$35 fee per returned cheque and the fee being waived for two months, this equates to \$1,400 in lost revenues based on historical experience. Note that there are no direct costs to the City for these returned cheques, the fees only cover staff administrative time; therefore even with an increase in returned cheques due to the changing economy, the City will not be out additional costs but would absorb it through existing staff resources.

Existing Policy/By-Law

Penalties and interest of property taxes are charged on a monthly basis at a rate of 1.25% in accordance with By-law 31-83. The late payment charge on unpaid water

utility accounts is in accordance with the Water Supply By-law 146-03. Under policy CFO130.040, miscellaneous or general accounts receivable are due within 30 days of the invoice date, with a late payment charge of 2% per month applied thereafter. This policy also describes the typical collection process on overdue accounts.

The fees for returned cheques (i.e. due to non-sufficient funds) and transferring unpaid water utility bills to taxes are included in the City's annual Municipal Fees and Charges, as approved through the 2020 budget process and per By-Law 20-005.

Financial Impact

The total estimated potential lost revenues for the waiving of penalties, interest, late payment charges and other fees is estimated to be \$770,400 as follows:

- Penalties and interest on taxes: \$650,000
- Water utility late payment charge: \$27,000
- Transfer unpaid water utility bills to taxes: \$68,000
- Interest on general accounts receivable: \$24,000
- Returned cheque fee revenues: \$1,400

In addition to the loss of these revenues, other City operations have been impacted by the COVID-19 pandemic resulting in loss revenues in other areas as follows:

Parking Enforcement Revenues

It has recently been announced that the City will ease enforcement of parking, including not enforcing the overnight parking ban and extending and easing both timed lots and on-street parking options to help families who are staying put. Parking enforcement revenues historically average approximately \$65,000 in the months of April and May, for a total of \$130,000. With a slowdown but not necessarily complete elimination of enforcement activities, it is unknown the extent of lost revenues, however could be upwards of this amount.

Additionally, with less commercial activities (i.e. stores closing temporarily in the cores) as well as less parking enforcement, it is anticipated that parking lot revenues, both hourly and for monthly permits, will be impacted. These revenues historically average approximately \$20,000 in the months of April and May, for a total of \$40,000. Again, the extent of lost revenues is not known, but may be upwards of this amount.

Recreation Programming and Facility Bookings

On March 15, 2020 the Region and all area municipalities announced significant changes to services and programs, including the closure of facilities to the public and

cancellation of recreation programming through to April 5th. Based on historical average revenues earned during this three-week period (March break plus the two weeks following), this is estimated to result in loss of revenues for the City of Cambridge of approximately \$331,000.

Farmers' Market

The Farmers' Market announced that as an extra precaution to help slow the spread of COVID-19, it will be temporarily suspended until further notice. Assuming it re-opens with other City facilities following April 5th, this would result in its closure for three weeks, with estimated loss revenues of \$6,000.

Overall Financial Impact

The overall financial impact of the COVID-19 pandemic loss of revenues is estimated to be \$1,250,400 for tax-supported operations and \$27,000 for water utility operations at this time.

Additionally, with lower than anticipated cash-flows due to lost revenues as well as likely delayed payments on property tax and water utility accounts, it is expected that the City's investment income will be impacted. Further, the Bank of Canada lowered its overnight rate by a full percent through two announcements in March, in efforts to counter the impacts of COVID-19 on the economy. This will further affect the City's investment income. Staff continue to monitor the City's cash flow and investments, and resulting forecasted investment income.

Any resulting deficit in the tax-supported operations may be funded from the Rate Stabilization Reserve, which has an uncommitted balance of \$2,962,406 as of December 31, 2019. The estimated loss of revenues for the water and sewer operations of \$27,000 may be funded from the Water and Wastewater Rate Stabilization Reserve Funds, which have balances of \$3,085,219 and \$2,939,158 respectively as of December 31, 2019. Further, there may also be funding provided from the Provincial and Federal levels to assist with costs related to this event.

Public Input

Posted publicly as part of the report process.

Internal/External Consultation

Consultation with the municipalities in Waterloo Region took place in developing the recommendations of this report to ensure a consistent approach was being proposed across the Region.

Conclusion

This report outlines temporary actions the City could effect in order to provide relief to any members of the community experiencing financial strain as a result of the COVID-19 pandemic, including: the waiving of penalties and interest / late payment charges for the months of April and May 2020 for property taxes, water utility bills, and general accounts receivable; waiving of fees for returned cheques until May 31, 2020; and suspending water collection process during the months of April and May 2020. The report also provides an update on the financial impact of the COVID-19 pandemic to the City's revenues to date.

Signature

Division Approval

Reviewed by Legal Services



Name: Sheryl Ayres

Title: Chief Financial Officer

Departmental Approval



Name: Dave Bush

Title: Deputy City Manager, Corporate Services

City Manager Approval



Name: David Calder

Title: City Manager

Attachments

- Appendix "A" - Economic Response Plan

Appendix "A"

Economic Response Plan

Pillar 1 - Communicate/Inform

- Developed and continue to update a Covid – 19 Business Resources page at www.investcambridge.ca
- Provided Province with a list of Cambridge businesses that manufacture or supply products that are required
- Initiated and continued Business outreach activities
- Initiated and continue dialogue with the City's 3 BIAs
- Communicate via social media Provincial and Federal programs including calls for supplies and retooling
- Provide clear messaging, through media, social media, city newsletters, etc., of the City's support for businesses in the short term and commitment to understanding long term opportunities to support their full recovery.

Pillar 2 - Business Services

- Continue all Economic Development business services remotely
- Continue business consultations and providing business assistance
- Promote the Cambridge Restaurant Interactive map for those restaurants offering take out.
- Work with Small Business Centre partners to look at the creation of webinar/virtual meetings to provide information on grants/funds/business recovery/other relevant topics
- Provide letters of support etc., to confirm City's ongoing support of development projects etc. as required

Pillar 3 - Land Development

- Continuation of development facilitation services
- Continuation of processing of development applications (Planning Services)
- Continuation of processing of building permit applications, including most inspections (Building Services)

Pillar 4 –Partnerships

- Work with regional partners to ensure clear and consistent messaging and access to upper level of government funding programs
- With Regional partners and in consultation with local businesses assess any gaps in federal and provincial measures
- With Regional partners and in consultation with local business assess training and support requirements.

Pillar 5 – Financial Relief

Phase I – Immediate Relief Measures

- Province has suspended time of use electricity pricing
- Waive penalty and interest on property taxes during the months of April and May;
- Suspend any enforcement activity for unpaid taxes;
- Waive penalties and interest on utility bills during the months of April and May;
- Suspend any enforcement activity for unpaid utility bills, including no disconnection notices or efforts;
- Ease enforcement of parking, resulting in less of a financial burden on citizens in the form of parking infractions;
- Waiving interest on general invoices during April and May;
- Suspending the non-sufficient fund administration fee for returned payments until June 1, 2020;
- Suspending collection of rents from Farmer’s Market vendors for vendor space;

Phase II – Review other Potential Relief measures

- The City, in partnership with its area municipalities, will be considering a Phase 2 review and analysis of other areas in which further financial flexibility and relief are available, dependent on how long the current situation continues.