

2020 Financial Plan - Potential Adjustments



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Purpose

- To provide information and seek Council direction on potential amendments to 2020 Financial Plan and extensions to due dates to address financial impacts related to the COVID-19 pandemic



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Council Direction

On March 19, 2020 Council directed staff to initiate a number of actions related to impacts of COVID-19 including to:

1. Identify measures within municipal jurisdiction to reduce the economic hardship on individuals and organizations impacted by COVID-19 including the temporary deferral of fees, taxes and other payments owing to the City from those suffering hardship.
2. Prepare bylaw amendments to allow for the temporary waiver of financial penalties for non-payment of municipal utilities fees and taxes during provincially declared emergencies
3. Request that the Province of British Columbia grant local governments the discretion to postpone payment of property taxes with no financial penalty in 2020 for those that meet a provincially determined threshold.
4. Look at the operational and capital plan for 2020 to see what will not be accomplished in this year due to COVID-19 and bring recommendations to Council as to what would come out of the budget accordingly.



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Context

- The City must have a balanced budget
- The majority of the City's revenues – \$192 million or 71% - are from utility user fees and property taxes
- Collections on behalf of other agencies, with legislated payment due dates - \$100 million
- Some revenues have been significantly impacted, most notably parking
- Under normal circumstances, the City does not have cash flow issues nor require short term borrowing until taxes are due
- Delaying receipt of taxes and utility fees would impact the City's cash flow and therefore ability to deliver services
- The City is a significant contributor to the economic engine of the region through its service delivery



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Cash Flow Considerations – Legislation

- Current Alternative Tax Scheme Bylaw – two penalty dates with 5% penalty each
- The City does not have ability to create distinctions, for tax or penalty purposes, based on individual circumstances (s. 193(2) of the *Community Charter*)
- Under the Alternative Tax Scheme Bylaw, it is possible to vary property tax due dates in addition to penalty dates and amounts



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Cash Flow Considerations – MFA

- MFA unable to lend all municipalities the full amounts potentially needed
- MFA will be using screening criteria to prioritize requests
- Interest would be charged on the loan and the loan would have to be repaid after due date of taxes
- Revenue Anticipation Borrowing Bylaw will be brought to Council for amendment to increase the amount authorized



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Cash Flow Considerations – Provincial Programs

- The Province could assist by:
 - Increasing homeowner grant amounts and/or creating a new category of grant
 - Reinstating the financial hardship deferment program and expand it to include commercial properties
 - Amend legislation to change due dates by which municipalities must remit payments to other agencies for whom taxes have been levied, whether collected or not

The benefit to the City of these programs is that the Province pays the City for all approved applications, keeping the City whole financially



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Cash Flow Considerations - Budget

- Must be balanced – no deficit
- Two ways to manage cash flow:
 - Deferring projects reduces need for funding now
 - Reallocating unrestricted funding to offset revenue shortfalls
- Potential revenue shortfalls:
 - Parking – currently about \$1.2 million per month
 - Recreation – no net impact
 - Victoria Conference Centre – \$2 million event related in total, plus \$140,000 in parking per month
- Principles for deferring projects and initiatives – continue with:
 - Those that maintain existing infrastructure as opposed to new/expand
 - Those that are safety related
 - Those that are underway



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Cash Flow Considerations - Reserves

- Significant reserves in place - \$248 million – but not sufficient for complete cash flow coverage
- Most restricted to capital so cannot be used to fund operations, but can be used to manage cash flow
- Financial stability reserves:
 - Set up to mitigate unforeseen situations such as these
 - Target balances are equal to 60 days of expenses for water, sewer and general funds and 45 days for stormwater.
- Mitigation strategy – transfers to reserves be done at end of year once actual revenues and expenditures are known



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Options for the Way Forward

Developed to provide some relief to those suffering hardship in the community while being fiscally prudent, in alignment with financial stability reserve funding, and having manageable impact on cash flow:

- Extend payment due dates for utilities to 90 days from 45 days
- Extend payment due date for taxes to August 1 to align with the requirement to pay other agencies on that date
- Leave penalties intact and continue with the Alternate Tax Scheme Bylaw that splits the tax penalty 5% on due date and 5% in September, to avoid dis-incentivizing payment for those who could pay
- Re-allocate budgets, where not restricted, to fund known and potential revenue shortfalls and create a larger contingency for unforeseen circumstances
- Advocate to the Province



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Recommendations

1. That Council direct staff to:
 - a. Defer the capital projects listed in the table on page 7 of this report
 - b. Delay the initiatives listed in the table on page 9 of this report
 - c. Reallocate \$11.64 million in unrestricted property tax funding from the deferred capital projects to offset actual and potential revenue shortfalls in the operating budget
 - d. Create a larger operating budget contingency using the funding allocated to the delayed initiatives
 - e. Extend the payment due date for utility bills to 90 days from 45 days and bring forward bylaw amendments to authorize that change
 - f. Extend the payment due date for property taxes to August 1, 2020 to align with the date the City is required to pay the property taxes levied on behalf of the Capital Regional District, the Capital Regional Hospital District, BC Assessment, and the Municipal Finance Authority; and bring forward amendments to the Alternative Tax Scheme Bylaw to align with the August due date
2. That the Mayor on behalf of Council advocate to the Province of BC to:
 - a. Increase amounts for Homeowner Grants, and create a new category of grant applicable to persons who have lost income due to the pandemic
 - b. Reinstatement of the financial hardship Deferment Program and extend the program to commercial properties
 - c. Amend legislation to align payment due dates for taxes collected on behalf of other agencies with municipal Alternative Tax Scheme Bylaws

