

In-camera
AGENDA ITEM SHEET (AIS)

Attachment: **Yes** No

Complete ALL Sections

NAME OF COMMITTEE: Committee of the Whole In-camera
(no longer Sub-committee In-camera meetings)

- HIGHLIGHT ONE:**
- DELEGATION COMING TO MEETING;
 - Estimated time for the delegation/presentation:
 - Name of person making presentation:
 - Have you confirmed the meeting date and time with the delegation?
Yes or No
 - **REQUIRES DIRECTION OF COMMITTEE;**
- or,
- FOR THE INFORMATION OF COMMITTEE;

REASON / REASONS FOR IN-CAMERA: Highlight all applicable reasons:

- Security of municipal property of the municipality or local board (section 239.(2)(a));
- Personal matters about an identifiable individual(s) including municipal employees or local board employees (section 239.(2)(b));
- Proposed or pending acquisition or disposal of land by the municipality or local board (section 239.(2)(c)) (includes municipal property leased for more than 21 years;
- Labour relations or employee negotiations (section 239.(2)(d));
- Litigation or potential litigation, including matters before administrative tribunals affecting the municipality or local board (section 239.(2)(e));
- Advice that is subject to solicitor-client privilege including communications necessary for that purpose (section 239.(2)(f));
- A matter in respect of which a council, board, committee or other body may hold a closed meeting under another Act (section 239.(2)(g));
- Information explicitly supplied in confidence to the municipality or local board by Canada, a province or territory or a Crown agency of any of them (section 239.(2)(h));
- A trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons or organization (section 239.(2)(i));
- A trade secret or scientific, technical, commercial or financial information that belongs to the municipality or local board and has monetary value or potential monetary value (section 239.(2)(j));or

- A position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board (section 239.2(k));
- A subject matter that relates to the consideration of:
 - a request under the *Municipal Freedom of Information and Protection of Privacy Act* if the council, board, commission or other body is the head of an institution for the purposes of that Act; or
 - an ongoing investigation respecting the municipality, a local board or a municipally-controlled corporation by the Ombudsman appointed under the *Ombudsman Act*, an Ombudsman referred to in subsection 223.13(1) of the *Municipal Act*, or the investigator referred to in subsection 239.2(1) (section 239.3));
- For educating or training Council members, provided that no Council member discusses or otherwise deals with any matter in a way that materially advances the business or decision-making of the Council, local board or committee (section 239.3.1)).

COMPLETE ALL SECTIONS BELOW

Title: COVID-19 Financial Position of the City

Objective: To review the financial position of the City.

Analysis: The COVID-19 virus has had a significant impact on our community and City operations. Many functions of the City have been impacted and most of them have financial implications to the City's budget.

Unlike senior levels of government, municipal governments are not permitted to run deficits and borrow money for operating purposes. Impacts on municipal operations need to be identified early and addressed with a strategy to fund any shortfall.

A brief timeline of significant events is as follows:

- 13th March - Closure of Stratford Public Library
- 16th March - Closure of all City recreation facilities
- 17th March - Closure of Administrative Offices to the public
- 19th March - Transit riders now entering through the rear door and no payment required
- 21st March – Landfill closed to the public. Open for contractors.
- 22nd March – City playgrounds closed.

I have attached a three month cash flow statement that shows the financial impact to the City we are presently experiencing. This is the first time we have experienced a complete pause on City operations and mass job losses in the community leading to immediate and widespread financial hardship among our residents. It is prudent to consider a short time horizon and then revisit initiatives if needed towards the end of May. Other municipalities are also taking this approach (Cambridge and Kitchener).

While every effort has been made to provide reasonable estimates, it has been extremely challenging to provide an estimate with any reasonable margin of error.

Staff have endeavored to estimate in unknown territory, but the most prudent approach is to allow a period of time to gather sufficient data in this new economic environment, before we can advise Council with any certainty what the financial impact will be going forward.

By way of example, we can now discuss some of the issues and convey our assumptions and estimates.

1. Property taxes.

There is a tax due date on April 9th. There is likely to be a number of taxpayers who will not be able to meet the instalment date due to sudden loss of income.

The gross dollar amount of any unpaid taxes is not at risk to the City because taxes payable are always recovered. But the cash flow impact of not receiving payments on time leads to a subsequent loss of investment income or increased cost of borrowing. The City sets its tax due dates with regard to the cash flow needs required by itself and others. For example, we have to remit School Board payments 30th June whether we have received property taxes from all taxpayers or not. If taxpayers are in arrears, the City essentially has to use its own funds to make full payment that is required by the school boards. June 30th school boards payment has been deferred to 30th September.

For these reasons, all municipalities encourage payment of property taxes by the required due date. Late payment accounts are charged a penalty after the due date has passed and monthly interest on outstanding balances at the end of each month.

Our April 9th tax instalment is in the amount of approximately \$18million. \$15 million for City budgeted purposes and \$3 million for education taxes due to the School Boards.

About 46% of accounts are signed up for monthly pre-authorized payment method, 18% are paid by banks and mortgage companies and the remaining 36% are self-directed and taxpayers are responsible for paying the amount themselves by the instalment due date.

Historically, about \$1 million or 5% of the total instalment amount is not paid by the due date. A few days after the due date a penalty amount is added to late accounts, and this is about \$12,000

At the end of each month, interest is added, and because some accounts may have past due amounts dating back up to 24 months, the interest amount is generally around \$35,000 per month.

This is in the normal course of business, but how to anticipate what may happen in today's economic climate. Reports have circulated that up to 50% of Canada's population expect to have difficulty making rent or mortgage payments at this time. There are also reports that commercial landlords predict 30% of tenants may default on April 1st rent payment. Staff have little to go on and there is no past experience upon which to base any assumptions.

The only sure way to project a future impact would be to wait until we have at least some experience from this due date. By April 10th, we will have some baseline information to project what to expect in the future if the current situation continues for several months. Staff have used an assumption range of 10% to 20% rate of default (in addition to the customary 5%)

This would represent a dollar amount of \$1.85million to \$3.7million. The penalty amount generally applied on this amount would be \$23,000 to \$46,000, and the month end interest amount for both April and May would be a further \$23,000 to \$46,000 range if no amounts are paid down during that time.

Staff are recommending that the penalty and interest applicable to the April tax instalment due date amounts be waived until August. Staff are not recommending that any amount of penalty and interest applicable to past arrears be waived as some of these amounts have been due for many months and not related in any way to the COVID-19 pandemic.

1. Water and Sewer Utility Billings

Similar comments as above in that the gross amount of unpaid utility billings is not at risk and will be collected in the future. As above, the problems to the City are related to cash flow and the costs of short term borrowing if utility bills are not paid on the due date. Festival Hydro perform billing services on the City's behalf and they advise customary interest charges on past due accounts to be approximately \$2,500 per month.

Staff have used a very broad range to project non-payment of water and sewer bills in April because there is no basis for any certainty.

Staff are suggesting that anywhere between 10% and 50% of April utility bills may be unpaid. This represents a cash flow challenge of \$96,000 to \$483,000 and the interest applied at month end could be in the range of \$1,200 to \$6,000

Staff are recommending that the penalty and interest applicable to the April utility due date amounts be waived until August. Staff are not recommending that any amount of penalty and interest applicable to past arrears be waived as some of these amounts have been due for many months and not related in any way to the COVID-19 pandemic.

2. Parking Revenue

Paid parking rates were suspended mid-March to facilitate the changeover to the new rates approved in the 2020 budget to become effective 1st April 2020.

Notwithstanding, the free parking currently being offered, lots and metered spots are substantially empty due to the closure of most downtown business and self-isolation measures. Even if we were charging for parking, there would be little or no revenue at the present time. See attached three month cash flow statement for amount.

Options to consider:

- Continue to offer free parking until the commencement of the Festival Theatre season.

3. Community Centres

Community Centres and recreation facilities were closed to the public on 16th March. Projections on lost facility booking and program revenue are based on approved budgeted amounts only, as there is no information transferred from the booking software PerfectMind into our accounting system Great Plains for the 2020 fiscal year. Until 3rd April, staff are on payroll and either at home or working in the facilities. See attached three month cash flow statement for amount.

Options to consider:

- [REDACTED]
- [REDACTED]

4. Anne Hathaway Daycare Centre

The Anne Hathaway Daycare Centre closed 17th March. Staff are on payroll until 3rd April at home. Cash flow sheet shows loss of fee revenue and offset by small monthly savings from a closed building.

Options to consider:

- Option One: may re-open with provincial funding to provide for free, emergency childcare for eligible workers deemed so by the Ministry of Education. In this option, day care workers would be operating the facility.
- Option Two: if day care remains closed,

■ [REDACTED]

5. Housing Division

Tenants in rent geared to income (RGI) housing units who have lost employment or had income reduced will pay less rent and the social services subsidy to housing providers will increase.

Options to consider: None, this is beyond our control. There may be a lag of a month or two before this comes into effect.

6. Increased Cleaning and Janitorial Cost

Options to consider:

[REDACTED]

7. Transit Service

As the schools and employment centres shut down, transit ridership decreased significantly. On 19th March, for the purposes of social distancing, a change was made for riders to enter the bus by the rear door and no fare would be collected. As with Paid Parking revenue, even if we were charging full transit fare, we wouldn't be meeting budgeted revenue targets right now, because the ridership has dwindled. At the current state we are losing an additional approx \$76,000 on a monthly basis.

Options to consider:

- while ridership is this low and social distancing requirements in effect, consider reducing service to hourly.

[REDACTED]

- Reinstate requirement for fare payment
- Continue with a no fare rear door policy as it provides for limited driver passenger contact.
- Install plexi-glass screens for the protection of drivers. Transit has looked into this and advise of an option to segregate a Driver from a Passenger is a specifically designed shield. There are numerous styles available and some Transit Agencies are piloting these presently. Range about \$8,000.00-\$10,000.00 each (14 buses so max \$140,000.00). From order to install about 3-5 months...subject to availability.

8. Landfill Closed to The Public

On 21st March the Landfill was closed to the public for the protection of our attendants so they no longer need to handle cash payments. Landfill remains open to commercial clients. Loss of revenue in this state is approx. \$10,000 per week or \$40,000 on a monthly basis. In addition, in the week since the public closure we are also experiencing a reduction in traffic from contractors too.

Options to consider:

- Reinstate public access to the Landfill
- Start using existing Moneris machine for "tap" public transactions (Interac or Credit card). Software problem currently being investigated by IT
- If reduction in activity continues, consider reduction in hours of operation for a period of time.

9. No Charge Garbage Collection

Staff have been asked to investigate the cost of offering no cost garbage collection. The financial impact of this would be a loss of revenue of \$24,000 per week or \$104,000 per month. Revenue loss is based on all residents using the free bag offer. If Council wishes to consider this, recommend it apply to 1 bag per household per fee – all other bags would require bag tags in order to be picked up.

Options to Consider:

- How to fund this initiative by replacing lost revenue by a reduction in expenses.
- How and when to reinstate this. Would quickly become the norm.
- Retaining the requirement for paid bag tags for curbside collection
- The Green Bin program begins April 6 and provides opportunity for residents to reduce their garbage output if they divert applicable materials to the Green Bin.

Summary

I have split the cash flow sheet into three distinct sections

- A - Staff suggestions for initial community support provisions
- B - Items over which we have no control
- C - Other items for consideration

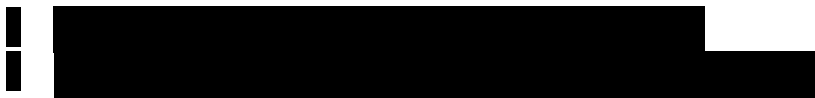
The sum of sections A and B amount to \$1.1million financial impact for the period to 31st May. If items from Section C are implemented or continued, the cost would increase further.

The issue becomes how the City can adjust to these revised budget estimates by reducing expenditures elsewhere.

Options to consider:

- Estimates are extremely difficult because we have never been in this situation before.
- By 31st May we will have a baseline upon which to measure decision-making if these measures have to continue for a further period.
- Using one time sources of funding – note that one time sources of funding do not cover ongoing monthly commitments very well, but may be used in short term situations.
 - Defer capital projects from approved budget list and use capital reserve funding to offset temporary revenue shortfalls 31st May. Note, these capital items will reappear for completion in 2021.
 - Use 2019 operating surplus (current estimate approx. \$1m) to cover revenue shortfall to 31st May.





- Beyond the term scope of this review, but long term need to consider hydro revenue will be down due to no “peak hours” rate.
- Investment income will drop significantly as we have seen two 0.5% rate drops in the past week. Bank of Canada rate now at 0.25%

Staff recommend an approach to community support provisions similar to what other municipalities are taking.

- Consider an initial short term time horizon – one month or two months. We have no idea the length of time this state of emergency will be in place. We can always reassess in mid-May if extension is warranted.
- While estimates of property tax defaults are completely unknown and assumptions unproven, start simple. With the commitment to expand or enhance community support soon in the future once we understand the financial impact of the largest item being property taxes.
- An example:

Economic Response Plan

Immediate relief and flexibility for residents and businesses

- Waive penalty and interest related to the 9th April property tax instalment due-date and stop all progressive collection activities until 31st May 2020.
- Waive penalties, interest, late payment charges and other fees related to water and sewer billing and stop all progressive collection activities until 31st May 2020.
- Suspend any water meter disconnections.
- Suspend the transfer of overdue water accounts to the property tax account to assist landlords
- Free parking until 31st May 2020 or commencement of Festival Theatre season.
- Waive interest on any general invoices from the City until 31 May 2020.
- Suspend the non-sufficient fund administration fee for returned payments until 31 May 2020.
- Credits or refunds for cancelled community programs and services.

Financial impact: As noted

Alignment with Strategic Priorities: Strengthening our Plans, Strategies and Partnerships

CLT Recommendations: THAT the following approach to community support provisions similar to what other municipalities are taking, be undertaken:

- **Consider an initial short term time horizon – one month or two months and to reassess in mid-May if extension is warranted;**
- **While estimates of property tax defaults are completely unknown and assumptions unproven, start simple. With the commitment to expand or enhance community support soon in the future once we understand the financial impact of the largest item being property taxes;**

An example: Economic Response Plan

Immediate relief and flexibility for residents and businesses:

- **Waive penalty and interest related to the 9th April property tax instalment due-date and stop all progressive collection activities,**
- **Waive penalties, interest, late payment charges and other fees related to water and sewer billing and stop all progressive collection activities,**
- **Suspend any water meter disconnections,**
- **Suspend the transfer of overdue water accounts to the property tax account to assist landlords,**
- **Free parking until 31st May 2020 or commencement of Festival Theatre season,**
- **Waive interest on any general invoices from the City until 31 May 2020,**
- **Suspend the non-sufficient fund administration fee for returned payments until 31 May 2020,**
- **Credits or refunds for cancelled community programs and services.**

THAT the Corporate Leadership Team (CLT) be authorized to implement the following recommendations [Phase 1] as necessary and the Acting CAO to report to Council with updates:

- 1. THAT the penalty and interest applicable to the April tax instalment due date amounts be waived until August;**
- 2. THAT the penalty and interest applicable to the April utility due date amounts be waived until August;**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7. THAT the City continue with a no fare / rear door policy as it provides for limited driver passenger contact until August;

8. THAT the City continue with the requirement for paid bag tags for curbside collection;

9. THAT one time sources of funding be used in short term situations:

- a) In consultation with CLT, defer capital projects from approved budget list and use capital reserve funding to offset temporary revenue shortfalls to 31st May, and these capital items reappear for completion in 2021;**
- b) Use 2019 operating surplus (current estimate approx. \$1m) to cover revenue shortfall to 31st May.**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

THAT the Treasurer be directed to utilize the following sources of funding to offset these additional costs:

- [REDACTED]

- **the deferral of capital projects to be identified by CLT and reallocation of capital reserve transfers**

- **The utilization of 2019 operating surplus**

AND THAT a reassessment be undertaken in mid-May to evaluate their continuation.

Run the Accessibility Checker on your completed AIS but only from Title to the last line of your staff recommendation.

Is there a departmental report or supporting material to accompany this AIS item?

(Highlight one)

No or Yes If YES, **forward one (1) copy of the report** or material to Joan Thomson, Clerk's Office, for distribution with the In-camera agenda. The exception is if there is a spiral-bound, report such as a consultant's report etc. Then forward 20 copies to Joan Thomson

Date: 27th March 2020 ⇐ (insert date this AIS was completed)

Author: Michael Humble, Director of Corporate Services ⇐ (Author to insert his/her name and title)

Director: ⇐ (Director to insert his/her initials to indicate his/her approval of this AIS)

Acting CAO: J Thomson ⇐ (CAO to insert his initials once he has approved this AIS)

After you complete this AIS and it has been reviewed by your Director, if applicable, email it to the CAO or Acting CAO with a cc to Joan Thomson prior to the agenda deadline.