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Date: April 14, 2020
To: Mayor and Council
Author: Ryan McLeod, CPA, CA
RE: COVID-19 Financial Relief & Flood Mitigation Efforts
Report No.: FS-2020-07

AIM

To provide recommendations for additional financial relief measures in response to COVID-19 and to seek funding approval for flood mitigation efforts.

BACKGROUND

Efforts to slow the spread of COVID-19 have resulted in the mandated closure of many local businesses, which in turn, has led to a number of residents being laid off or unable to report to work. This crisis has and will continue to have a significant economic impact on our community and it is incumbent on the municipality to leverage its resources to soften the financial burden for its residents and local businesses.

DISCUSSION

Tax and Water Penalties

On March 23, 2020, Council approved the waiver of all interest and penalties until April 30th. Since that date, the Province and County of Essex have established deferred payment plans for the transfer of the property tax levies which lower tier municipalities are required to collect on their behalf. These deferrals will help address short-term cash flow concerns and provide municipalities with additional flexibility to extend interest and penalty deferrals to the taxpayers.

In an effort to develop consistent financial relief measures, the Essex County Treasurers' are recommending the following at this point in time:

- **No late payment charges** on property tax and water/wastewater accounts in either form, penalty and/or interest, **through the period ending June 30, 2020**. In the absence of additional financial relief measures, interest and penalties will be

calculated on all past due balances as of July 1st and the first of every month thereafter.

- All **pre-authorized payment** withdrawals will continue to be taken on the scheduled dates **unless otherwise cancelled** by the property owner.
- Charges for **Non-Sufficient Funds** on any property tax and water/wastewater payments will be **waived** through the period ending June 30, 2020.

Additional financial relief measures may be proposed as the situation unfolds.

The full cost of waiving interest and penalty charges for the municipality is difficult to determine at this time. The minimum financial impact of this decision amounts to approximately \$25,000 per month in lost interest and penalty revenue (\$75,000 for the period from April – June). The maximum financial impact will depend on cash flows. The 2020 budget included \$250,000 in anticipated interest revenue from reserves. If a large number of residents choose to not pay their tax or water bills, over time this will deplete municipal reserves and reduce the anticipated interest revenue that the municipality had planned to earn on those funds.

Wastewater Rates

Council had previously approved the implementation of a new wastewater rate structure which was to come into effect for billing periods starting after April 1st. While the new rate structure was designed to be revenue neutral for the average household, some households will experience an increase in sewage charges, especially during the summer months when people tend to use more water. To avoid the perception that the Town is adversely affecting the cost of living for our residents, who may be struggling financially during this time, it is recommended that the Town defer the implementation of the new residential sewage rates as follows:

- Sewage Area 1 Rates (Cottam Facility) – effective January 15, 2021.
- Sewage Area 2 Rates (Lakeshore West Facility) – effective March 15, 2021
- Sewage Area 3 Rates (Kingsville Facility) – effective February 15, 2021

For clarity, until the time in which the new residential sewage rates become effective, the previously approved flat residential sewage rates will remain in effect.

Service Disruptions

The Province has issued emergency orders to close all recreational amenities, including arenas, sports fields, marinas and community centres. At this point in time, it is not known when the municipality will be able to offer these services to the public again. As certain fees in the Town's fee by-law are based on "seasonal" rates, it is recommended that Council authorize the Director of Financial Services to adjust any seasonal based fees in proportion to the time for which the services will be available. Examples of seasonal rates include Marina dockage, boat ramp passes and minor sport Soccer and Baseball fees.

Flood Mitigation Efforts

In response to elevated lake levels and the associated risk of overland flooding, Management has made the decision to procure 4,000 sand bags for distribution to residents in high risk areas. A load of sand has been piled near the boat ramp where

residents can fill their own bags. To date, the Town has spent approximately \$7,500 on this initiative, which was not factored into the 2020 budget. Council should be aware that additional financial resources may be required if the flooding situation worsens. Administration is seeking approval to spend up to \$50,000 for any expenses associated with the sand bag program or other flood mitigation efforts. These expenses would be financed from the Town's budget stabilization reserve (03-000-032-31063).

LINK TO STRATEGIC PLAN

Effectively manage corporate resources and maximize performance in day-to-day operations.

FINANCIAL CONSIDERATIONS

Many of the services provided by the Municipality are essential (i.e. police, fire, water, sanitary sewers, road maintenance, garbage collection, permitting, etc.) and continue to be delivered during the state of the provincial emergency declaration. The management team is closely monitoring spending to identify opportunities for savings, however, it is noted that outside of the deferral of non-critical capital projects, any savings from reduced operations will be primarily limited to the Parks and Recreation Department, which accounts for only 8.6% of a resident's property tax bill. With that in mind, the municipality will need to maintain parks and recreational amenities at a base level to ensure they are available for public enjoyment when the Provincial restrictions are removed.

CONSULTATIONS

Senior Management Team

RECOMMENDATION

That Council authorize the following financial relief measures in response to the economic implications of COVID-19:

- No late payment charges on property tax and water/wastewater accounts in either form, penalty and/or interest, through the period ending June 30, 2020.
- Charges for Non-Sufficient Funds on any property tax and water/wastewater payments will be waived through the period ending June 30, 2020.
- Amend By-law 26-2020 to defer the implementation of the new residential sewage rate structure as follows:
 - Sewage Area 1 Rates (Cottam Facility) – effective January 15, 2021.
 - Sewage Area 2 Rates (Lakeshore West Facility) – effective March 15, 2021
 - Sewage Area 3 Rates (Kingsville Facility) – effective February 15, 2021
- Authorize the Director of Financial Services to adjust any seasonal based fees and charges in proportion to the time for which the services will be available.

That Council approve up to \$50,000 for flood mitigation efforts to be financed from the Town's budget stabilization reserve (03-000-032-31063)

Ryan McLeod

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