

To: Mayor and Members of Council

From: Joan Ford
Chief Financial Officer

Date: Thursday June 18, 2020

Re: Corporate Services, Strategy, Risk and Accountability Committee
(CSSRA) - Property Tax Relief Extension (CSSRA-02-20)

At the June 11th, CSSRA Committee meeting the following staff direction was brought forward for a staff response at the June 22nd Council meeting.

Direct the Chief Financial Officer to report back to the June 22, 2020 council meeting outlining what Burlington, Oakville, Milton, Halton Hills and the Region of Halton are providing in terms of further property tax relief and identify the options available to Burlington.

In response to the COVID-19 pandemic, in April Council approved tax relief for payment of the April property tax instalment, up until June 30th, without incurring late payment charges. As such, the current property tax relief program implemented by the city provides relief up until June 30th.

On May 25th, Council provided additional relief by delaying final billing instalment dates to August 20th and October 20th (normally June and September) which provides additional time for the two remaining property tax instalments. Also, a new program was established for property taxpayers who continue to experience financial hardship due to COVID-19 and require additional assistance for repayment of the April 21 instalment beyond June 30. The City is offering enrollment in a new monthly pre-authorized payment plan. This plan provides for monthly withdrawals from Aug. 1 to Dec. 1 to pay the remaining 2020 property taxes (April, August, and October instalments). No penalty or interest is charged for taxpayers enrolled in this plan.

Halton Municipalities

Staff have worked closely with our Halton municipal partners to provide similar support to our taxpayers. Whereas Oakville is providing relief of penalty and interest until the end of the year, Milton like Burlington have opted to provide a program to help taxpayers defer their payments to start later in the year, while ensuring taxes are paid by the end of the year or early in 2021. The City of Burlington relief program offers 5 equal pre-authorized payments from August to December to pay the remaining 2020 property taxes without incurring penalty and interest. A review of some other Ontario municipalities indicates penalty and interest re-commencing between the months of June to September.

2020 Taxation Year								
	February Installment		April Installment		June Installment		September Installment	
	Due Date	Arrears Flexibility	Due Date	Arrears Flexibility	Due Date	Arrears Flexibility	Due Date	Arrears Flexibility
Burlington Council Reports: F-25-20 F-16-20	February 21	No interest or penalties if paid on or before June 30 for all property classes	April 21	No interest or penalties if paid on or before June 30 for all property classes	August 20 (60 day deferral)	Interest and penalties resume June 30; Monthly pre-authorized payment plan*	October 20 (30 day deferral)	Interest and penalties resume June 30; Monthly pre-authorized payment plan*
Halton Hills Council Reports: CORPSERV-2020-0018	February 26	Interest and penalties waived April 1 to June 30	April 28	Interest and penalties waived April 1 to June 30	August 27 (60 day deferral)	Lowering penalty from 1.25% to 1.00% for July 1 - December 31	October 28 (30 day deferral)	Lowering penalty from 1.25% to 1.00% for July 1 - December 31
Milton Council Reports: CORS-0020-20	February 28	No interest or penalties if paid on or before June 30 for all property classes	April 30	No interest or penalties if paid on or before June 30 for all property classes	August 31 (60 day deferral)	Application-based COVID-19 Deferral Program available**	October 30 (30 day deferral)	Application-based COVID-19 Deferral Program available**
Oakville Council Reports: COVID-19 Pandemic, Property Tax Assistance 2020 Tax Levy By-Law	February 25	No interest or penalties if paid on or before June 30 for all property classes	April 24	No interest or penalties if paid on or before June 30 for all property classes	August 25 (60 day deferral)	Waiver of penalty and interest extended to December 31 2020	October 26 (30 day deferral)	Waiver of penalty and interest extended to December 31 2020

* City of Burlington Monthly pre-authorized payment plan: For those taxpayers impacted by COVID19 that require additional assistance for repayment of the April 21st instalment beyond June 30th, the City is offering enrollment in a monthly pre-authorized payment plan. This plan will provide monthly withdrawals from August 1st to December 1st to pay the remaining 2020 property taxes (April, August and October installments). No penalty or interest will be charged to taxpayers enrolled in this plan

** Town of Milton Deferral program allows a payment plan to January 2021 for those financially affected by COVID-19

As the local municipalities have provided tax relief measures, Halton Region extended the April property tax requisition payment from April 30th to June 30th. Given that all four local municipalities have delayed the final billing instalment dates, Halton Region has approved delaying the June remittance to August 31st and the September remittance to October 30th.

Based on the April council decision, penalty and interest would resume on June 30, 2020. Other options to further extend this relief are outlined below.

Option 1 (recommended by staff) – waive interest (all property classes) for June 30th, July 31st and waive penalty for August 20th (due date) and October 20th (due date). Therefore, re-instate interest beginning August 31st and for each subsequent month for the balance of the year. This option would provide clarity when mailing out the tax bills in July regarding outstanding taxes on the account. This option would result in a **projected revenue loss of \$670,000**.

Option 2 – begin charging interest on Sept 30th and at end of each month for the balance of the year. This includes waiving penalty for August 20th (due date) and October 20th (due date). Reflects reinstatement of interest based on the end of the 3rd quarter. This option would result in a **projected revenue loss of \$950,000**.

Option 3 – begin charging interest on October 31st and at end of each month for balance of the year. This includes waiving penalty for August 20th (due date) and October 20th (due date). This aligns with final instalment due date month. This option would result in a **projected revenue loss of \$1,220,000**.

Option 4 – begin charging interest on December 31st. This includes waiving penalty for August 20th (due date) and October 20th (due date). This option aligns with Oakville but has the largest dollar impact on city. This option would result in a **projected revenue loss of \$1,515,000**.

Staff did review the consideration to waive penalty and interest for business properties only. In consultation with our legal department, under provincial legislation, such a proposal would be contrary to section 106 of the Municipal Act.

Financial Impacts

The chart below summarizes the lost penalty and interest revenue associated with each option as well as what this means for taxpayers.

Option	Penalty/Interest to Commence	Lost Revenue (\$,000s)	Incremental Yearend Impact (\$,000s)	What this means for taxpayers
Current	June 30, 2020	\$ 450		Payment of April instalment by June 30 th
1	August 31, 2020	\$ 670	\$220	Payment of April & August instalment by August 31 st
2	September 30, 2020	\$ 950	\$500	Payment of April & August instalment by September 30 th
3	October 31, 2020	\$ 1,220	\$770	Payment of April, August & October instalment by October 31 st
4	December 31, 2020	\$ 1,515	\$1,065	Payment of April, August & October instalment by December 31 st

We currently have over 100 accounts that have opted to re-start their payments under the new deferral plan (August to December) representing \$2.6 million in monthly collections. While we encourage taxpayers to pay if they can, waiving late payment charges to later in the year would deter taxpayers from joining this plan resulting in significant cash flow issues. Of the \$2.6 million we are set to collect monthly, business properties account for \$2.1 million of that monthly payment.

Further, at the most recent monthly financial update (June 11th CSSRA committee), the 2020 year-end projections were provided reflecting a projected net shortfall position of approximately \$3.3 million increasing to \$3.9 million with the service re-design plans on that same agenda. This includes mitigation measures of \$14.9M (including draws from program specific reserve funds) to offset \$18.2M of revenue losses.

The above yearend shortfall projection included the waiving of penalty and interest for the months of April and May with lost revenue of approximately \$450,000 against the annual budgeted revenues of \$2,125,000. Any further relief of penalty and interest will increase the short fall projection for yearend as noted in the chart above. As a reminder, the Tax Rate Stabilization Reserve Fund uncommitted balance at March 31, 2020 was \$3.3 million.

Senior Government Programs

The Federal and Provincial Government offers several programs for the business industry to provide relief for businesses experiencing financial hardship due to the pandemic. Some of the programs are broad and others industry specific. Attached as Appendix A is a list of the current programs, with a brief description of each.

In summary, providing penalty and interest relief further into the year will deter those that have joined one of our pre-authorized payment plans thereby cancelling planned payments. This will cause significant cash flow issues especially as we are required to make remittance payments to the Region in August and October regardless of whether the taxes have been paid.

Tax staff are available to work with taxpayers to discuss a repayment plan based on each individual financial situation such as our existing Ratepayer Defined Payment plan.

Whatever option Council chooses will be communicated to taxpayers through the city's website and social media channels. The Taxpayer Information Brochure is being finalized on June 23rd, as such, any decision from council will need to be included in the final version for delivery with the tax bills.

Enclosure – Appendix A

Wage Subsidy and Relief Measures

Relief Measure	Description	Website
Regional Recovery and Relief Fund (RRRF)	Provides financial contributions (interest-free loans) to help support fixed operating costs of SMEs, that are unable to access other COVID-19 business supports, through Canada's Regional Development Agencies	www.feddevontario.gc.ca/
Canada Emergency Commercial Rent Assistance (CECRA)	Offers forgivable loans to eligible commercial property owners to: reduce the rent owed by their impacted small business tenants	Applications open May 25 www.cmhc-schl.gc.ca
Canada Emergency Response Benefit (CERB)	Payment of up to \$2,000 per month for up to 4 months to help employees and self-employed individuals who lose their income because of COVID-19 (work shortage, illness or taking care of their children).	Apply for CERB at www.canada.ca/
Canada Emergency Wage Subsidy (CEWS)	Businesses will be eligible for up to a 75% wage subsidy (CEWS) if they experience at least a 15% revenue reduction in March resulting from the COVID-19 pandemic, retroactive to March 15, 2020; for April and May, the revenue reduction threshold is 30%	Apply for CEWS www.canada.ca Extended until August 29

Loans and Access to Credit

Relief Measure	Description	
Lending Program for Small and Medium-Sized Enterprise	Co-Lending Program will bring the Business Development Bank of Canada (BDC) together with financial institutions to co-lend term loans to SMEs for their operational cash flow requirements.	www.canada.ca
Loan Guarantee for SMEs	Small and Medium Enterprise Loan and Guarantee program established to enable lending, supported through Export Development Canada (EDC).	www.bdc.ca
Canada Emergency Business Account (CEBA)	Will provide interest-free loans of up to \$40 000 to small businesses and not-for-profits, covering operating costs for a period where revenues have been reduced, due to economic impacts of COVID-19.	www.canada.ca
Business Credit Availability Program (BCAP)	Established to allow BDC and Export Development Canada (EDC) to provide more than \$10 billion of additional support to businesses.	www.canada.ca

Tax Deferrals, Exemptions and Payments

Relief Measure	Description	Website
Employee Health Tax	Retroactive reduction of the Employer Health Tax (EHT) and temporary increase of the exemption from \$490,000 to \$1 million	budget.ontario.ca
Workplace Safety and Insurance Board Payment Deferral	Deferral of \$1.9 billion of Workplace Safety and Insurance Board (WSIB) premiums for employers for 6 months	www.wsib.ca
Income Tax Deferral	Canada Revenue Agency (CRA) will allow all businesses to defer, until after August 31, 2020, the payment of any income tax amounts owing on or after March 18 and before September 2020	www.canada.ca
Deferral of Custom Duties and Sales Tax for Importers	Businesses, including self-employed individuals, will be allowed to defer all Goods and Services Tax/Harmonized Sales Tax (GST/HST) payments until June, as well as customs duties owed for import	www.canada.ca

Digital Main Street: Programs for Ontario Business

As part of a partnership between the Government of Canada and the Province of Ontario, Digital Main Street has announced three new programs to support businesses across Ontario.

shopHERE	Ontario Grants	Future Proof
A program that provides independent small businesses and artists with a quick, easy and no-cost way to get selling online right away. More information here .	Providing main street businesses with \$2,500 Digital Transformation Grants, and municipalities / local communities with grants to implement a Digital Service Squad. More information here .	A program delivered in partnership with Communitech and Invest Ottawa helps businesses identify new markets, pivot their business model, and develop and implement a deep digital transformation plan. More information here