



COUNCIL INFORMATION REPORT

To: Paul Gipps, CAO

Date: July 14, 2020

From: Warren Everton, Director of Finance/CFO

Subject: **2020 Tax Season Collections and Cash Flow Review**

STRATEGIC AREA(S) OF FOCUS

The consistency and reliability of revenues are the foundation of the City's operating and capital structure. Without certainty in this aspect of the financial picture, Economic Growth and Prosperity becomes tentative at best during COVID-19. Thus in the current climate it is critical to monitor, encourage and promote timely tax and services payments.

BACKGROUND

After an extended budget deliberation season, the 2020-2024 Financial Plan was adopted at the April 7th Council meeting with a reduced increase of 2.8%. Adding another layer of relief, the Utility Billing interest charge on late payments was delayed to December 31st, and finally during the Tax Rate Adoption meeting on April 28th, the penalty date on all tax classes was extended to October 1st, 2020. As a group, these initiatives provided a necessary level of financial relief to the City's citizens, but also created some challenges to cash flow certainty for the budget season.

During the early weeks of the COVID-19 pandemic (spring 2020), Council directed staff to look for ways to ease the financial hardship of COVID-19 to the community. A number of steps were taken by the City to provide some relief to businesses and residents, including extending the utility payment penalty and property tax penalty in 2020.

Since COVID-19 began, the organization has scrutinized spending, delayed some projects, redeployed staff and delayed hiring where possible. The first revenue test followed in mid-May during the first utility billing cycle. Utility payments within the first utility billing cycle saw a slight increase over the previous year's collection. The next test for this payment structure will be at the second quarter due date (August 15th).

On the tax side, the season got off to a good start with an overall tax requisition of \$57.06 million of which 29% was collected by the third week of June. This was reasonably normal and attributable in large part to the pre-approved payment program that the City offers to residents.

By June 30th the receipt percentage had increased to 61% with about \$22 million still outstanding. After everything was accounted for on the July 2nd due date, 80% of the tax requisition was collected, leaving \$11.5 million outstanding. By class, this breaks out in the chart below. A portion

of the \$11.5 million would have been for school tax, which the Provincial Government has allowed local governments to delay paying until the end of the year.

In a typical year, the collected amount would be at least 90% as of July 2nd leaving 2020 a good 10% behind that. In 2019 we reached 92% of the tax requisition as of the tax due date and by September most of the arrears had been collected bringing the collected percentage to 97%. The take away from this is that at any point in the year there will always be some portion of the tax requisition in collection.

In summary, the tax season progressed quite smoothly with a significant reduction in walk-in payments and the City remains on solid financial ground despite COVID-19. Staff did an excellent job of promoting our pre-approved monthly payment system as well as the on-line systems and our physical drop box. The addition of a staff ambassador at the front entrance along with social distancing lines, tents and railings kept traffic moving well and tax payers reasonably happy.

FINANCIAL SNAPSHOT

	Residential	Business & Other	2020 Total	2019 Total
Tax Requisition	49,211,520	7,850,298	57,061,818	56,131,073
Balance July 2nd	9,360,939	2,205,121	11,566,060	4,231,086
Percentage Collected	81%	72%	80%	92%

In light of the tax penalty delay on all classes to October 1, 2020, staff will return with another update and financial snapshot later in October.

REVIEWED BY

Shelley Schnitzler, Legislative Services Manager

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

Powerpoint: Yes No