



COUNCIL INFORMATION REPORT

To: Paul Gipps, CAO

Date: October 6, 2020

From: Warren Everton, Director of Finance/CFO

Subject: **2020 End of 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. In the current climate, the City remains on solid financial ground though it remains critical to continue to monitor, encourage and promote timely tax and services payments.

BACKGROUND

Council provided a number of avenues of relief for taxpayers during the 2020 budget season including: reduction of the overall tax increase from 4.8% to 2.8%, interest charges on utility bill payments delayed to December 31st, and the penalty date on all tax classes 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.

Since COVID-19 began, the organization has scrutinized operational spending, delayed projects, redeployed staff and deferred hiring where possible. Cash flow was first tested in May during the first utility billing cycle and continued on with the second billing cycle that was due in August. Utility payments within these billing cycles actually saw a slight increase over the previous year's collection but still carried significant outstanding amounts similar to previous years (see chart below).

Taxation:

On the tax side, the season got off to a good start with an overall tax requisition of \$57.06 million of which 80% was collected July 2nd leaving \$11.5 million still to be collected. Compared to other local governments this was reasonably normal and attributable in large part to the City's pre-approved payment program and bank mortgage bundled payments. Breaking down the 80% collection rate, we had Residential Class at 81% and Business/Other at 72% (\$9.3 million and \$2.2 million outstanding respectively).

By late September, the overall percentage had increased to 97.2% with about \$1.6 million still outstanding (\$1.25 million Residential and \$350,000 Business/Other). In a typical year, the collected amount would be at least 90% as of July 2nd which left 2020 a full 10% behind that. In

2019 we reached 92% of the tax requisition as of the July 2nd tax due date and by September much of the arrears had been collected bringing the percentage to 96.6%. The take away from this is that the City has completely caught up to the previous year with cash flow and the outstanding amounts continue to trickle in. It is important to note that at any point during the year there is always a portion of the tax requisition in collection and for 2020 we remain at a very manageable level.

Utility Billing:

2020 has been a typical year for utility billing and collections. Each quarter the billings vary with usage and range between \$4 and \$5 million. The billing dates and due dates are about six weeks apart thus the Dec 31st 2019 is due February 15th of 2020 and so on. Table 2 tracks the billings versus payments with the variance showing in the Balance column. Late in September 2020 the City had collected about 91.4% of the revenue with \$1.191 million outstanding. This may sound like a significant variance but it is quite normal for this time of the year. In general, the City typically has \$1 million outstanding at year-end, which is ultimately transferred to taxes and collected in the following tax year.

Operational Expenses and Revenues:

Naturally following tax and utility bill collection and cash flow is a budget to actual variance review. Fiscally we are quickly approaching the end of the third quarter and the financial picture is becoming clearer. Currently departments are working with their historical year-to-date data to frame their needs for the 2021 budget cycle. Conveniently, at the same time the current year's numbers are being projected to the end of the year to give Managers a sense of where their spending might end up. What we have seen so far is that the overall expenses are looking to be under budget by about \$1.35 million, which is a good result but conversely revenues are indicated to be under budget by \$1.8 million. This leaves a potential net over budget figure of \$450,000 for 2020, which is quite similar to the indicated overspend we see on the RCMP cost center for the year. The RCMP operating expenses are trending higher than budget by over \$500,000 due to the contingent of members trending higher than projected for the year. The City's process for budgeting in this area does not project a full contingent of 30 members since the average is normally much lower during the year. To mitigate variances year to year there is an RCMP reserve in place to smooth out any volatility. Further to this and on top of the budget variance of \$450,000 we have seen emergent COVID spending reach \$280,000 to date with the possibility of it climbing to \$400,000 before year-end. This would also be mitigated through operating surplus reserves and should not have a significant effect on cash flows into 2021. Our intent through the 2021 budget season is to further understand the COVID-19 related pressures on revenues and expenses and plan accordingly.

FINANCIAL IMPLICATIONS

Table 1: Cash flow from taxation

	Residential	Business & Other	2020 Total	2019 Total
Tax Requisition	49,211,520	7,850,298	57,061,818	56,131,073
Outstanding July 2nd	9,360,939	2,205,121	11,566,060	4,231,086
% Collected July 2nd	81%	72%	79.7%	92.5%
Outstanding Sept 28th	1,256,603	355,485	1,612,087	1,909,813
% Collected Sept 28th	97%	95%	97.2%	96.6%

Table 2: Utility Billing

Utility Billing	Billed	Collected	Balance	% Collected
Dec 31	4,900,830			
Feb 15		4,169,160	731,670	85.1%
Mar 30	4,186,877			
May 15		3,287,281	899,596	82.0%
Jun 30	4,778,043			
Aug 15		3,386,625	1,391,418	90.0%
Sept 25			1,191,329	
Total YTD 2020	13,865,750		1,191,329	91.4%
Sept 30, 2019	12,993,000		1,044,841	92.0%

In summary, the tax season progressed quite smoothly with continual payments received throughout the extended tax season. Our level of collections has been on par or better than previous seasons and can be attributed to the flexibility of our payments systems as well as the consistent messaging to the public throughout the season. As stated in the July report the City remains on solid financial ground despite COVID-19 with no indications to the contrary heading into the 2021 budget season.

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

Powerpoint: Yes No