

Municipality Of Chatham-Kent

Finance, Budget & Information Technology Services

Administration

To: Mayor and Members of Council

From: Gord Quinton, MBA, CPA, CGA
Chief Financial Officer / Treasurer

Date: March 27, 2020

Subject: Covid-19 Payment Deferral

Recommendation

It is recommended that:

1. The Municipality of Chatham-Kent take the following actions to provide immediate financial relief to residents and businesses:
 - a. By-law 161-2019, a By-law to provide for a 2020 interim Tax levy, be amended to change the second 2020 interim tax levy due date from Friday, May 1, 2020 to Friday, July 10, 2020.
 - b. Waive late payment charges on current year tax arrears from April 1 to July 10, 2020.
 - c. Change all payment due dates and waive late penalty charges for Business Licenses, Dog Tag fees, Loan Agreements, CIP Agreements, and Accounts Receivables, to June 30, 2020. Note this does not include Provincial Offences Act charges, Legal charges or Building Permit fees.

Background

The Province of Ontario declared a state of emergency on Tuesday March 17, 2020 due to the ongoing Covid-19 pandemic. At the time of this report it is unknown when the state of emergency can be lifted.

Chatham-Kent's Economic Development Department has a comprehensive list of available programs to help business. For details please click the following link: [InvestCK](#)

Government of Canada – Economic Response Plan

The Federal Government has taken many steps to stabilize the economy during this challenging period. For the most up to date information please click on the following link:

[Canada's Covid-19 Economic Response Plan](#)

To summarize the Federal Government's response at the time of this report:

- \$27 billion in total direct aid to businesses and residents

Income Support:

- Waiving the one week waiting period and the requirement to provide medical certificate for Employment Insurance sickness benefit
- Introducing the Canada Emergency Response Benefit (CERB) of \$2,000 / month for up to 4 months to cover workers and self-employed individuals who do not qualify for EI and are sick or quarantined with Covid-19, are taking care of family, or are parents who need to care for children and are unable to work
- Implementing the EI Work Sharing Program for workers who agree to reduce their normal working hours
- A one-time doubling of the Goods and Services Tax credit for low income earners
- Increasing the maximum Canada Child Benefit
- Deferring Income Tax due date to August 31, 2020
- Flexibility for homeowners facing financial difficulties with their mortgages

Business Support:

- Provide small employers a temporary wage subsidy of 75% to a maximum of \$40,000 per employer
- Deferring Income Tax due date to August 31, 2020
- Business Development Bank and Export Development Canada to provide \$10 Billion of credit solutions largely targeted to small and medium size business
- Bank of Canada has lowered interest rate three times by a total of 1.50%
- \$500 Billion of liquidity support to provide stable funding to banks and mortgage lenders to facilitate continued lending to businesses

[Province of Ontario – Economic Response Plan](#)

The Ontario government has also provided quick relief to business and residents. On March 25, 2020 the Province released Ontario's Action Plan: Responding to Covid-19 (March 2020 Economic and Fiscal Update). This was a \$17 Billion critical first step to ensure health care systems, communities and the economy are positioned to weather the challenge. For the most up to date information please click on the following link:

[Ontario Action Plan: Responding to Covid-19](#)

To summarize the Provincial Government's response at the time of this report:

- \$17 billion in total direct aid to businesses and residents

Healthcare Support:

- \$2.1B in new measures to support Covid-19 response
- \$1.2B to meet demands for services in the health and long-term care sector

Income Support:

- Doubling income supports for low income seniors
- Six month loan and interest relief for student loans
- Lowering electricity bills by moving to the low time of use rate for 45 days and increased funding to the low income program

Business Support:

- 5 month deferral on provincial taxes
- 6 month deferral of WSIB payment
- Temporary increase to Employer Health Tax exemptions for small business
- Electricity price relief for small business and farms

Chatham-Kent Local Economy

The uniqueness of Chatham-Kent could have an advantage in some areas. In this circumstance, the often negative stat of there being 43 residents per square km is a benefit as we have room to social distance in many of our communities and business activities. Our \$3B agriculture community is readying to begin the planting season largely not affected as long as the recommendations of the Medical Officer of Health are followed. The Federal Government has exempted foreign nationals who have committed to work in agriculture from Covid-19 travel bans allowing workers to return to Chatham-Kent for the growing season while following the 14 day quarantine order.

The hardest hit area locally are our small businesses and their employees, particularly in retail, the service industry and food services. Orders to close non-essential business has instantly put many businesses into financial difficulty, with immediate cash flow the greatest concern. The local unemployment rate is expected to increase perhaps as high as 15%. The Employment and Social Services caseloads are quickly rising from their 10 year lows.

It is expected the closure orders will be extended and be in place through April and potentially lasting through June. The quicker Canadians respond to the scientific advice the faster Covid-19 can be contained and managed.

Comments

Administration recognizes the intense and severe financial hardship that has crippled business and instantly caused many residents to temporarily lose employment. The Municipality of Chatham-Kent is in excellent financial position with a strong balance sheet. In these times of sudden economic despair, Administration is proposing some temporary actions that will make a significant difference in citizen's ability to survive this temporary upheaval. These moves come at a cost estimated to be up to \$100,000.

The *Municipal Act* provides the authority for council's to offer short term tax relief to taxpayers facing economic challenges. A By-law to amend By-law 161-2019 will provide 100 days of relief from having to pay the second interim installment of current year taxes due to the municipality.

Current estimates put Canada's unemployment rate approaching 15% over the next month. This drastic and largely unanticipated loss of income has blindsided Canadians. Many were unprepared for the financial hardship they are now facing.

Canadian businesses were equally blindsided by this disaster. Many face the inability to make payroll and financial commitments. Cash flow is the most significant short term need. It is up to all levels of government along with the banking industry to act quickly to save these otherwise successful and profitable companies. The most significant help is not available from municipal governments. Municipalities are not allowed to bonus companies and do not have the ability to lend billions of dollars. This is the roll of the Federal Government and to date it has demonstrated quick decisive action. The cash may not have yet made it to local business, but it has been approved and is quickly on its way. Municipalities across Ontario are helping in the only way they can by deferring due dates for a couple months until the cash flow issues are solved by the Federal Government.

Provincial Offenses Act, Legal Charges or Building Permit fees were excluded from this report as they follow other legislation or are not expected to be impacted.

There are negative consequences that may materialize by allowing the deferral of payments. We all understand that access to medical assistance, food and basic necessities are the most critical need. Paying taxes is further down the list. However as with the Federal and Provincial taxes, the liability does not go away. We are deferring the liability to a future date to provide the immediate relief needed by taxpayers. This will cause the need for larger payments once the economy begins to rebound.

In the early days of municipal announcements to provide assistance, there were a handful on kneejerk costly decisions from Councils across Ontario. Some went so far as to critically damage their cash flow and are now scrambling to find financial institutions able to lend them cash. By allowing some time to pass and some further analysis, Treasurers are now in a position to provide the most assistance where it is needed while still keeping the ability of the municipality to continue operations.

Recommended Action to Provide Immediate Taxpayer Assistance

The recommendations in this report deal with the immediate needs of taxpayers across all sectors within Chatham-Kent.

The Tax Policy report and the Tax Rate reports will be delivered to Council before the end of May. Analysis continues to be done in preparation of these reports. As we are moving the second interim tax due date from May 1st due date to July 10th, Council can

expect a recommendation to change the first final due date from August 4th to September 11th, with the second final due date remaining at November 2nd, 2020.

Taxpayers can request to be removed from Pre-Authorized Payment Plans (PAP) by contacting the Tax department at 519-360-1998 or by completing the [Preauthorized Payment Change or Cancellation Form](#) and emailing to CKAR@Chatham-Kent.ca.

Economic Development Actions

In addition to the recommendations of this report, Chatham-Kent Economic Development Staff have shifted focus from business attraction to helping business deal with the sudden upheaval of their operations.

Economic Development have been making and fielding hundreds of calls to businesses owners across Chatham-Kent and are responding to urgent requests for help. Staff have set up a special section on our website www.investck.ca with COVID-19 Business Resources to provide timely and accurate information. It's a significant tool that is helping businesses find resources they need to react to the quickly evolving landscape, even if it means closing their doors. As details become available, including application forms and ways to access the resources, Chatham-Kent Economic Development Staff will be there to help businesses.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

Has the potential to support all areas of strategic focus & critical success factors

Neutral issues (does not support negatively or positively)

Consultation

The Executive Management Team, the Director, Economic Development and the Manager, Licensing Services were consulted. .

In writing this report the actions of over 50 municipalities have been reviewed.

The Association of Municipalities of Ontario (AMO), Municipal Finance Officers Association (MFOA), Ontario Municipal Tax and Revenue Association (OMTRA) have been providing advice and guidance to Ontario municipal finance staff.

The Ontario Regional and Single Tier Treasurers group (ORSTT), of which Chatham-Kent is a member, has been meeting weekly electronically and will continue to meet throughout this crisis to share ideas, pitfalls, and perhaps most importantly, developing a coordinated and comprehensive unified message to the Provincial and Federal Government's on ways we can help our citizens and economies recover from this crisis, and to lobby the upper governments for action where needed.

Financial Implications

During annual budget session and financial reporting throughout the history of Chatham-Kent, financial sustainability and resiliency has been a constant message. Covid-19 will have a significant impact on Chatham-Kent. Chatham-Kent is now in excellent financial position and is able to weather this storm.

In this emergency, Administration has been required to move quickly and make decisions not knowing where the funding will come from. As the emergency matures we will be coming back to Council to provide accurate accounting of the cost and solutions and sources of in year variance and reserve funding. Administration is following the Emergency Purchases requirements of Part X in Purchasing By-law 3-2016 and continues to competitively buy products where possible.

Staff redeployment is progressing, moving staff to where the need is greatest in this crisis. We are tracking the cost where possible to ensure we know what the Covid-19 emergency costs and are able to support applications to the Province for funding where applicable. Additional unbudgeted expenditures in the Community Home Services department could be as high as \$1M.

The payment deferral recommendations in this report are estimated to cost up to \$100,000 in lost interest revenue as our cash position temporarily is lowered. The majority of residents are still able to pay their bills and will continue to pay. Overall if “normal” returns in the next 90 days we are now estimating the additional cost and loss of revenue to Chatham-Kent to be in the \$2 million to \$5 million range. Impacts to Bank Interest, Transit, Cultural Facilities, Libraries, and Recreation Facilities and Sports Field revenues will be significant. Final impact to Chatham-Kent will depend on the length of the emergency and future Federal and Provincial cost sharing decisions.

Prepared by:

Gord Quinton, MBA, CPA CGA
Chief Financial Officer

Attachments: RTC004 – Amend By-law 161-2019 Interim Tax Levy

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THE CORPORATION OF THE MUNICIPALITY OF CHATHAM-KENT

BY-LAW No. _____-2020

Being a By-law to Amend By-law #161-2019, to provide for a 2020 interim Tax Levy, an annual minimum levy surcharge and to provide for the payment of taxes and to provide for penalty and interest of fifteen percent per annum

WHEREAS the Municipal Act, as amended provides that the Council of a local municipality may, before the adoption of the estimate for the year, pass a by-law to levy on the whole of the assessment for real property according to the last revised assessment roll, a sum not to exceed that which would be produced by applying the prescribed percentage (or 50 percent if no percentage is otherwise prescribed) against the prior year tax rates;

WHEREAS section 317(1) of the Municipal Act, 2001 permits the Municipality before the adoption of the estimates for the year under section 290 to pass a by-law levying amounts on the assessment of property in the Municipality rateable for Municipal purposes;

WHEREAS Council can moderate the impact of reassessment for purposes of the interim tax levy;

WHEREAS Council has enacted By-law 161-2019 being a By-law for the collection of Interim taxes;

WHEREAS as a result of the widespread closure of businesses and declaration of a state of emergency by the Province of Ontario due to the COVID-19 pandemic, many Chatham-Kent businesses are closed and residents are being financially impacted;

WHEREAS Council in response to such emergency has deemed it to be in the best interest of the municipality for By-Law 161-2019 to be amended to defer the pending May 1, 2020 interim tax levy instalment payment date;

NOW THEREFORE the Council of the Corporation of the Municipality of Chatham Kent enacts as follows:

1. That By-law 161-2019 being a By-law for the collection of interim taxes be amended:
 - (a) Section 5 be amended by replacing the date “1st day of May, 2020” with the deferred date “10th day of July, 2020”

THIS By-law shall come into full force and effect upon the final passing thereof.

READ a FIRST, SECOND and THIRD time and finally PASSED this 6th day of April, 2020.

Mayor – Darrin Canniff

Clerk – Judy Smith