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**REPORT TITLE:** **Region of Peel Measures to Provide Financial Relief for Taxpayers and Ratepayers and to Support Local Municipal Measures (Covid-19 Pandemic)**

**FROM:** Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer  
Andrew Farr, Acting Commissioner of Public Works

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## **RECOMMENDATION**

**That changes to the collection of Regional interim and final levies from the local municipalities presented in the report of the Commissioner of Finance and Chief Financial Officer, and the Commissioner of Public Works, titled “Regional Measures to Provide Financial Relief for Taxpayers and Ratepayers and to Support Local Municipal Measures (Covid-19 Pandemic)” be authorized;**

**And further, that there be:**

- i) a deferral for a period of 91 days of the imposition of the late payment fee applicable to late payments of utility bills for those payments due on and after April 1, 2020 to and including June 30, 2020, and relief from the imposition of the late payment fee altogether where late payment is made in full on or before the conclusion of the 91 day deferral period;**
- ii) a deferral on the water and wastewater rate increase, scheduled for April 1, 2020, with the increase as deferred to take effective July 1, 2020;**
- iii) a revision of the fees applicable to Transhelp services to nil with retroactive effect to March 21, 2020 until such time as MiWay (Mississauga Transit) and Brampton Transit, or one of them, resumes charging fares for their services;**
- iv) a variation of the Regional Corporation’s accounts receivable terms so as not to charge a monthly penalty on outstanding accounts receivable for the period from and including April 1, 2020 to and including June 30, 2020;**

**And further, that the by-laws necessary to give effect to Regional Council’s directions be presented for enactment at the first Council meeting at which such by-laws can be presented for enactment.**

## **REPORT HIGHLIGHTS**

- As COVID-19 has evolved into a pandemic many residents and businesses are facing financial hardship.
- All orders of government including the Region and our local municipal partners are committed to providing financial relief to taxpayers and ratepayers.

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- Council's oversight of Peel's financial sustainability is providing the financial flexibility to respond appropriately and quickly with financial relief measures for Peel residents and businesses.
- Similarly, the Cities of Brampton and Mississauga and the Town of Caledon are approaching their financial relief packages with solutions based on their local need.
- Regional staff propose recommendations to accommodate each local municipal property tax collection solution.
- With Council approval, Regional staff will amend the interim tax levy by-law and adjust the final levy by-law to provide for no interest to be charged to the local municipalities (and/or the waiving of penalties) based on original levy dates and to adjust to new installment dates as provided.
- The cost for 2020, to address the local tax collection changes, is estimated to be in the range of \$2.8M- \$3.4M.
- Staff recommend that utility bill customers be allowed to pay bills without penalty 91 days after the original due date at an estimated cost of \$650K.
- It is proposed that the annual water rate increase scheduled for April 1, 2020 be deferred to take effect July 1, 2020 with an estimated impact of \$4.6M.
- Transhelp is proposing to provide services at no fare cost retroactive to March 21, 2020.
- The Region's proposed measures support the economic health and wellbeing of Peel's community, consistent with Peel's Corporate Social Responsibility Strategy.

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## **DISCUSSION**

### **1. Background**

As Covid-19 has evolved into a pandemic, many businesses and residents are facing significant financial hardship. In response to the financial hardship, the Federal and Provincial governments have announced a series of measures to provide financial relief such as: expedited access to employment insurance and increases in GST tax credits to lowering of peak electricity rates in Ontario. Municipalities, including Peel and the Cities of Brampton and Mississauga and Town of Caledon, have a social responsibility to support the economic health of our communities. Many businesses have also announced measures to assist their employees e.g. grocery chains with increased pay rates; and their customers e.g. internet providers with enhanced data limits as well as the big six banks with mortgage deferrals. The community is rallying to enable a Community for Life during these difficult times. In this report the Region is proposing measures to provide financial relief to businesses and residents. These recommendations reflect the Region's strategic objective to support the economic health of the community.

### **A. Measures Pertaining to Regional Levies**

#### Property Tax Collection

Tax bills are prepared and collected by the local municipality which in so doing also bills and collects for the Regional government and education portions of the overall property taxes payable. All three of Peel's local municipalities set due dates for their collection of

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installment payments from taxpayers. These dates tend to be consistent from year to year. Due dates are set for both an interim billing and a final billing in order to even out revenue receipts for the promotion of business continuity and in order to avoid the need for short term municipal borrowing. The Region works with the local municipalities when enacting its interim and final levy by-laws. These are designed to require payment from the local municipalities of the Region's portion of the tax bill within days of the due dates for payment by taxpayers to each local municipality. The local municipalities have the authority to charge interest to taxpayers for payments received from them after the due date in addition to a monthly percentage charge on the entire billed amount. The Region in turn imposes in its interim and final levy by-laws an interest rate payable by the local municipality should it fail to make a payment to the Region on the due dates set out in those by-laws. This rarely happens.

### Property Tax Relief Considerations:

On March 16, 2020, the City of Toronto announced that it would extend to its business taxpayers an interest free period on late payments of property tax, for a period of 30 days. Later in the week Toronto extended this interest free period to all property taxpayers for a period of 60 days. Municipalities across the Province are considering property tax relief options.

On March 17, 2020, the Region contacted the three local municipalities to discuss what potential measures of taxpayer relief were being considered by each of them. The respective measures to be recommended to each of the local municipal councils evolved over time. In determining a local response each municipality needed to review its own systems, policies and administration required with each change as well as to understand the cost of the solution. Cash flow needs may require various funding mechanisms to keep operations moving in an environment with less or delayed cash inflows from various revenue sources, of which property tax is the main funding source. Each local municipal approach is summarized below:

### **City of Mississauga:**

The City of Mississauga brought a report entitled "COVID-19 Pandemic - Property Tax Assistance" to a special Council meeting on March 19, 2020 which included recommendations that were approved unanimously by City Council. The City of Mississauga will be revising their property tax due dates starting with their next due date to taxpayers of April 2, 2020 with each installment due date to be deferred by ninety days for the remainder of 2020. The City has several due dates for the remainder of the year that will see revisions as shown in Appendix I.

### **City of Brampton:**

On March 25, 2020 at its Council meeting, the City of Brampton approved the recommendations within the report titled "Property Tax Assistance – City Response to Covid-19". It was proposed that Brampton would waive interest and late fees on tax payments during a 5 month- period from March 18 to August 19, 2020. Additionally, the final due dates for the first installment for its residential final tax billing would be changed to align with its non-residential tax payment due date. This allows for one month between the interest relief ending on August 19, 2020 and a new tax bill payable for the final levy. Brampton has paid the Region the full amount due for their March 18, 2020

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Regional levy due date. The change to the installment payment due dates to the Region are shown in Appendix I.

### **Town of Caledon:**

On March 24, 2020 Town of Caledon approved the recommendations within a report titled "COVID-19 Pandemic – Property Tax Assistance" which provided tax relief including an extension of interest grace period for its May 7, 2020 property tax due date effective until July 2, 2020 (two months). In addition, the report provided for the two final levy installment payments to be deferred by two months. The change to installment payment due dates to the Region reflect two month extensions for their remaining payments shown in Appendix I.

The respective motions from the local municipalities should be provided for Council's consideration. Regional staff have reviewed the motions and the respective requests for Regional alignment to each solution.

### **B: Financial Implications to the Region from Changes to the Local Municipal Tax Programs**

#### **a) Forecast Impact on Cash Position and Financing Costs**

Regional staff have reviewed the three local municipal property tax relief solutions based on our understanding of the directions being taken by the respective local councils.

Based on the most recent information, a cash flow impact is expected due to the delayed receipt of revenues. The Region can draw on internal funds or short term borrowing to fund any revenue shortfalls. Assuming tax revenues are collected by year end, the Region proposes using internal funds to address the impact of temporary revenue shortfalls. While short-term borrowing is available, the cost impact is expected to be higher.

Regional staff estimate an average impact to cash flow in the range of \$70M per month during the relief period reaching a maximum of \$150M in August. This results in a financing cost for 2020 in the range of \$2.8M- \$3.4M. Despite these changes, the Region expects to remain within its policy limits set out in the Investment Goals and Policies. The tax rate stabilization reserve is sufficient to fund additional financing requirements during the period of flexibility for tax relief measures. Staff will monitor the use of reserves to fund the cost of financing should the Province provide financial relief or assistance.

#### **b) Regional Response to Tax Levy Collections:**

Regional staff have reviewed the different solutions being recommended and approved in the three local municipalities and suggest the best way to accommodate and match to local relief on tax payments has two components.

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### **i) Interim Levy By-law**

First, the Region needs to amend its' interim levy by-law 75-2019 to change the Regional interim levy payment due dates and interest charges on unpaid Regional interim levies as required. Staff are recommending a response specific to each local municipality tailored to the requirements of their different local tax collection solutions.

For the City of Mississauga, the Region would amend the Regional Interim Levy By-law 75-2019 to change the payment due dates to correspond with those provided by City staff as a result to changes being made to the City's tax collection due dates.

For Brampton and Caledon the Region would amend the Regional Interim Levy By-law 75-2019 to provide for a zero interest rate on Regional Interim Levy amounts unpaid from the payment due date for the duration of the interest and charge waiver periods on the collection of taxes which each of Brampton and Caledon are implementing in their respective local municipalities.

A by-law to amend the Regional Interim Levy By-law 75-2019 has been prepared and is proposed for enactment at the Special meeting of Regional Council on March 26, 2020 with this timing having specific regard for the desirability of acting prior to the imminent Regional Interim Levy installment due date of April 3, 2020 to amend that date to July 3, 2020 as requested by the City of Mississauga.

### **i) Final Levy By-Law**

The second component to this is dealing with payments under the final levy by-law. The Final Levy By-Law is coming to Council on April 9, 2020 and includes final notional tax adjustments along with the final payment schedules. It is recommended that the Region can deal with the local changes through this by-law by changing the original requested due dates to the new requested due dates for each municipality prior to its enactment. Hence, it is proposed that the by-law presented on April 9, 2020 will reflect new schedules for payment of final Regional levies to the Region in alignment with the new dates provided by the local municipalities. The Region expects to still receive full payments for each installment; however, receipt by the Region will be adjusted to the new timelines with all taxes to be paid in 2020.

These amendments respond to municipal requests and support the local municipalities in providing a direct relief to taxpayers. The Region's commitment to the Corporate Social Responsibility objective of supporting the economic health of the community informs this approach.

## **Provincial Education Tax**

On March 25, 2020 the Provincial Government announced the deferral of the June and September 2020 education property tax installment by 90 days. The Region applauds the Province for recognizing the financial hardship being experienced by Peel residents and businesses.

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### **Utility payments (Water/Wastewater & Stormwater):**

There are two actions on Utility bills that can be taken to assist residents to manage the financial hardship from COVID-19:

1. Defer the implementation of the 7.2% utility rate increase approved in the 2020 budget from April 1<sup>st</sup>, 2020 to take effect July 1<sup>st</sup>, 2020. This would result in a \$4.6M revenue shortfall in 2020, to be funded by drawing from utility rate stabilization reserves.
2. Defer the applicability of late payment charges by 91 days for invoices due from April 1, 2020 to June 30<sup>th</sup>, 2020.

Under the current billing practice, most utility customers are billed on a quarterly basis, with the exception of large residential condominiums and industrial units which are invoiced monthly. The billed amount is due within 21 days from the invoice date, and if the bill is not paid in a timely manner, a one-time 2% late payment charge is added to the customer's outstanding amount.

In order to offer customers additional financial flexibility to deal broadly with economic hardship related to the COVID-19 pandemic, staff propose an amendment to the Fees By-law to defer Late Payment Charges for an additional 91 days after the due date. This would provide customers 112 days from the invoice date to make payment without additional charge.

The additional 91 days would apply to invoices that fall due between April 1<sup>st</sup> and June 30<sup>th</sup>. The selection of a range of invoices over a 91-day period establishes equity for all customers on a quarterly billing cycle as they all receive the same benefit from deferred late payment charges for one invoice. Customers billed monthly would benefit from having the additional 91 days for the 3 monthly invoices falling due over this period. If the balance is paid within the additional 91 day period, the customer will not be billed the late payment charge. The cost of providing this one-time relief is estimated at \$650K.

The Region has 38,755 customers on pre-authorized payment representing 13.35% of customers. These customers would be given the opportunity to have themselves removed for their given due date.

Stormwater charges are also collected on the utility bill, as such Regional staff are discussing a process for remittance to the City of Mississauga due to this change in billing administration. It is anticipated that the Region would pay what we have received based on the original due dates and request to pay the remaining balance to the City 91 days later. It should be noted that the Region does not shut off water connections due to non-payment.

### **TransHelp:**

There is a legal requirement that TransHelp not charge more for its service than the highest fare charged by a public sector conventional transit provider in Peel. This arises under section 66 of the Integrated Service Standards Regulation (O.Reg 191/11) under the Accessibility for Ontarians with Disabilities Act, 2005. MiWay (Mississauga Transit) and Brampton Transit have announced free service starting March 21, 2020.

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In recognition that the relationship of the provision of Transhelp services to the provision of conventional transit services in Peel is predominantly referable to the provision of Mississauga Transit and Brampton Transit services, it is proposed to amend the Fees By-law to reduce TransHelp fares to zero until such time as MiWay and Brampton Transit, or one of them, resumes charging fares for their services. Given that demand for TransHelp service has fallen by 66% since March 18, providing TransHelp services at no fare cost at these levels, will result in a revenue shortfall of approximately \$75,000 per month.

### **Regional Invoicing and Collection:**

Aside from utility billing, the Regional Corporation invoices for various fees involving a wide range of business activities and collects on these throughout the year. During the continuation of the declared Regional Emergency invoicing will continue; however, staff propose to discontinue active collection processes on overdue invoices for 90 days and we will suspend the addition of a monthly interest charge for the same period starting April 1, 2020. The costs of forgoing this interest amount is minimal at under \$10,000.

### **RISK & ANALYSIS**

Taxes, utility rates and development charge payments are the key funding sources that enable the Region to pay its bills and all three are expected to experience delayed payments and potential reductions over the next several months. The Region has a strong financial position given Council's work with staff on the Long-Term Financial Planning Strategy. Peel has maintained a triple A credit rating and reserve balances that can assist in addressing the needs required to adapt to the current changes. While a short-term impact on cash levels is expected, the Region can maintain its current operations at this time while providing flexibility to the local municipalities on payment of taxes and utilities.

The Region's liquidity combined with reduced income from investments and other losses is expected to temporarily weaken the current cash position which has been very strong. The investment portfolio continues to hold high quality, liquid investments and a short-term borrowing facility is in place as an alternative option to fund operations. Despite the temporary draw on liquidity, the Region is expected to maintain its financial strength and flexibility during this response time assuming all revenues are received by year end 2020. As a result, the Region does not expect any significant, long-term impacts to liquidity or credit ratings. Staff will continue to monitor liquidity levels, debt obligations and requirements, credit rating metrics and investments and will report any significant changes to Council.

### **CONCLUSION**

Covid-19 is having a devastating impact, not only on the health of the community but also on the economic health of Canada, Ontario and the Region of Peel. As anchor institutions Peel and its local municipalities have a responsibility to support the economic health of the community. The proposed financial relief measures as outlined in this report will support residents and businesses who are struggling during these challenging times. Staff will continue to monitor the situation and report back should further relief options be needed and provide updates on any associated risks in the context of a longer-term economic recovery.

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**APPENDICES**

Appendix I – 2020 Regional Interim and Final Requisition Payment Proposal

*For further information regarding this report, please contact Stephanie Nagel, Ext. 7105, [stephanie.nagel@peelregion.ca](mailto:stephanie.nagel@peelregion.ca).*

*Authored By: Stephanie Nagel, Treasurer & Director of Corporate Finance*

*Reviewed and/or approved in workflow by:*

Department Commissioners, Division Directors and Legal Services.

Final approval is by the Chief Administrative Officer.

A handwritten signature in black ink that reads "Nancy Polsinelli". The signature is written in a cursive style with a horizontal line underneath the name.

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N. Polsinelli, Interim Chief Administrative Officer