Agenda – Council – April 3, 2020

Executive Policy Committee - Reports

Item No. 1 Temporary Waiver of Penalties and Administrative Fees on Business and Property Taxes and Financial Implications to the City

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council enact amendments to the Tax Penalty By-law No. 5796/91, attached as Appendix 2, that will be in effect for taxes imposed in 2020 to:

    A. waive penalties on unpaid 2020 property and business taxes for three months following the due date for these taxes; and

    B. eliminate the penalty of 7.5% on unpaid taxes imposed for the month of August (for business taxes) and September (for real and personal property taxes);

2. That Council enact amendments to the Tax Installment Payment Plan (TIPP) By-law No. 194/2004, attached as Appendix 2, to:

    A. waive the TIPP enrolment fee for the period between April 1, 2020 and September 30, 2020; and

    B. where TIPP payments are rejected due to insufficient funds between April 1, 2020 and September 30, 2020, allow taxpayers to remain enrolled in the TIPP program and do so without any late payment fees, penalties or NSF fees being charged;

3. That any administrative fees otherwise charged for late or missed property and business tax payments be waived for the period April 1, 2020 through September 30, 2020;

4. That the Public Service communicate clearly that the intent of the foregoing recommendations is to help those who are in financial need during this unprecedented event, and that this is not intended to waive requirements for residents to continue to pay for City services;

5. That the Public Service report back to Council as determined by the Chief Administrative Officer with an update on the projected status of the Financial Stabilization Reserve Fund and liquidity with recommendations to implement steps to address reduced liquidity and/or a projected draw on Financial Stabilization Reserve Fund resulting in a balance of less than 6% of tax-supported operating expenditures;

6. That in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund;

Executive Policy Committee - Reports

7. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Temporary Waiver of Penalties and Administrative Fees on Business and Property Taxes and Financial Implications to the City

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
P. Olafson	P. Olafson	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

On December 31, 2019, the World Health Organization was alerted to several cases of pneumonia in Wuhan, China. The virus causing this did not match any other known virus. A mere ten weeks later, we find ourselves in the midst of an unprecedented global upheaval.

Governments are being impacted as revenues and cashflows drop. At the same time, governments are stepping in to provide individuals and businesses financial support while maintaining service delivery. The current realities of this event for Canadian cities and municipalities have resulted in a suspension or moderation of service delivery, driven by directions received from health authorities and demand.

The recommendations of this report will provide City of Winnipeg taxpayers the option to defer payment of 2020 business and property taxes without being assessed penalties or other fees for the prescribed period after the due date of these taxes.

While some taxpayers will utilize the option to defer payments on business and property taxes (to August and September respectively), it is assumed that the majority of taxpayers will continue to make their business and property tax payments on time.

RECOMMENDATIONS

1. That Council enact amendments to the Tax Penalty By-law No. 5796/91, attached as Appendix 2, that will be in effect for taxes imposed in 2020 to:

    a. waive penalties on unpaid 2020 property and business taxes for three months following the due date for these taxes; and

    b. eliminate the penalty of 7.5% on unpaid taxes imposed for the month of August (for business taxes) and September (for real and personal property taxes);

2. That Council enact amendments to the Tax Installment Payment Plan (TIPP) By-law No. 194/2004, attached as Appendix 2, to:

    a. waive the TIPP enrolment fee for the period between April 1, 2020 and September 30, 2020; and

    b. where TIPP payments are rejected due to insufficient funds between April 1, 2020 and September 30, 2020, allow taxpayers to remain enrolled in the TIPP program and do so without any late payment fees, penalties or NSF fees being charged;

3. That any administrative fees otherwise charged for late or missed property and business tax payments be waived for the period April 1, 2020 through September 30, 2020;

4. That the Public Service communicate clearly that the intent of the foregoing recommendations is to help those who are in financial need during this unprecedented event, and that this is not intended to waive requirements for residents to continue to pay for City services;

5. That the Public Service report back to Council as determined by the Chief Administrative Officer with an update on the projected status of the Financial Stabilization Reserve Fund and liquidity with recommendations to implement steps to address reduced liquidity and/or a projected draw on Financial Stabilization Reserve Fund resulting in a balance of less than 6% of tax-supported operating expenditures;

6. That in the event the General Revenue Fund reports a deficit at year-end, the Financial Stabilization Reserve Fund transfer to the General Revenue Fund, the amount required to avoid a deficit in the General Revenue Fund;

7. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

At its meeting of March 20, 2020, Council passed the following motion:

1. The public service report back to Council within 30 days with a financial feasibility review and, if feasible, an implementation plan for a City of Winnipeg property tax and business tax deferral program for all individuals and entities that pay property taxes and business taxes, including local businesses and not-for-profits.

2. That the public service report back to Council within 30 days with options to the property tax and business tax deferral program in Item 1 that could alternatively or also provide financial relief to individuals and businesses who make fee payments to the City of Winnipeg.

3. That council delegate to the Chief Administrative Officer (CAO), or the CAO's designate, between March 20, 2020 and June 30, 2020 the authority to waive late charges on fees imposed by the City of Winnipeg for individuals or businesses where the late payment is due to changes in City of Winnipeg payment procedures brought about by the COVID-19 pandemic.

IMPLICATIONS OF THE RECOMMENDATIONS

Taxpayers will have financial support offered to them by allowing them the deferral of business and property tax payments without being assessed penalties ordinarily associated with doing so. The lost revenue to the City for providing these financial support options is estimated at $5.2 million.

HISTORY/DISCUSSION

On December 31, 2019, the World Health Organization was alerted to several cases of pneumonia in Wuhan, China. The virus causing this did not match any other known virus. A mere ten weeks later, we find ourselves in the midst of an unprecedented global upheaval.

Today, we have become very familiar with phrases not really heard before like "flattening the curve", "social distancing" and "self-isolation", as we collectively take steps recommended by health authorities to minimize the spread of this virus.

With businesses temporarily shutting down, individuals sequestering themselves in their homes, and large public gatherings being discouraged, it is having implications to economies around the world.

Governments are being impacted as revenues and cashflows drop. At the same time, governments are stepping in to provide individuals and businesses financial support while maintaining service delivery. The current realities of this event for Canadian cities and municipalities have resulted in a suspension or moderation of service delivery, driven by directions received from health authorities and demand.

City of Winnipeg

Like other Canadian cities and municipalities, the City of Winnipeg has undertaken numerous initiatives in response to the COVID-19 event. As of the date of this report:

- all City-owned and operated recreation centres, pools, and libraries are closed.
- Leisure Guide programming is cancelled.
- the 2020 Spring/Summer Leisure Guide registration that was originally planned for March 17 has been postponed.
- non-essential in home appointments (eg./ assessment interior residential and commercial property inspections) and some other non-essential services (eg./ closure of public archives and suspension of wedding ceremonies) have been suspended.
- all permits for special events and festivals until the end of June have been suspended.
- temporary "curbside pick-up locations" throughout the downtown and the Exchange District have been initiated.
- one hour free parking at all parking metres has been granted.
- all City-owned play structures and picnic shelters are closed until further notice.

Financial Support Offered

By-law 5796/91 (The Tax Penalty By-law) fixes the date on which property taxes and business taxes are due and establishes a rate of penalties added to taxes in arrears. With the exception of supplementary taxes, business taxes imposed in a year are due on the last business day of May of that year while property taxes similarly are due on the last business day of June.

For business and property taxes unpaid on the due date, the existing by-law provides for a penalty of 2.50% be applied to the unpaid tax amount each month thereafter. The exception to this will be for unpaid amounts in the third month thereafter. In this case, the charge for that month will be 7.50%. As noted in the existing by-law, this is August for business taxes and September for property taxes.

The recommendations of this report would support taxpayers paying property taxes and business taxes. Other taxes like accommodation, electricity and gas, and entertainment funding taxes are excluded from these recommendations. As well, taxes in arrears from previous years are excluded.

The recommendations of this report will provide taxpayers the option to defer payment for the prescribed period after the due date of these taxes for 2020 business and property taxes without being assessed penalties. The penalty of 7.50% would be entirely eliminated for 2020 taxes.

This means that penalties will recommence being charged on September 1 for business taxes and on October 1 for property taxes at the rate of 2.50%.

In addition, an amendment to By-law 194/2004 to permit the waiving of the Tax Instalment Payment Plan (TIPP) enrolment fee for the period April 1, 2020 through September 30, 2020 is also being recommended. While this has a small financial impact to the City, it provides a penalty free option should a lump sum payer see benefit in becoming an instalment payer. As well, those in the program will not be subject to a penalty should the payment be returned as insufficient funds. The amount of each unpaid instalment shall be added to the amount payable in the next instalment under the plan.

Refer to Appendix 1 for additional financial information on property and business taxes.

A draft amending by-law is attached as Appendix 2 which makes these recommended changes to the two by-laws.

These by-law changes will support finance decisions necessary for some taxpayers. While not all taxpayers will take advantage of this change for 2020, some will need to. But once the penalties' waiver period is over, penalties will begin to accrue from the point forward. Whether or not the taxpayer can afford to pay these taxes remains a risk given early economic projections.

The intent of the foregoing recommendations is to help those who are in financial need during this unprecedented event. Further and to that end, the City encourages landlords to give consideration to its tenants should the landlord choose to defer payment of business and/or property taxes.
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It is also important to address temporary business closures resulting from this event and how that relates to business taxes. Business tax assessments are levied when a business occupies a premise in respect of that business. Business taxes are collected until the business closes permanently. If a business has closed permanently, the business owner should provide to the City Assessor, in writing, the effective date of closure. The Public Service will confirm this once the Assessment and Taxation Department resumes inspections. The City of Winnipeg Charter allows for adjustments to the tax roll for permanent business closures. There will be no adjustment to business tax for businesses that are temporarily closed. The financial support offered through this report is available to all businesses choosing to make use of it (noting 47% of businesses benefit with the Small Business Tax Credit).

These changes won't impact payments of BIZ levies made by the City to Business Improvement Zones. The Business Improvement Zone Procedure By-law 8111/2002 provides for fixed date payments of BIZ levies:

- 75% of the zone levy on June 30;
- 15% of the zone levy on August 31; and
- 10% of the zone levy on October 31

Procedurally, any BIZ levies not collected from businesses in a fiscal year are adjusted for on the following June's remittance to the relevant Business Improvement Zone.

Regulations governing the payment of taxes collected on behalf of the Province of Manitoba and school divisions ("education levies") are outlined in the *Education Support Levy and Special Levy Regulation 371/88* of *The Public Schools Act*. Specifically:

> Time of remittance
>
> 3(1) Where a municipality receives payment of taxes on or before the due date, it shall remit the education levies so that they are received by the finance board or by the school board as the case may be, on or before the end of the month following the month in which the taxes were due or within 31 days of the due date, whichever comes first.
>
> 3(2) Where a municipality receives payment of taxes after the due date, it shall remit the education levies so that they are received by the finance board or by the school board as the case may be, on or before the end of the month following the month in which the taxes were paid.
>
> 3(3) A municipality shall remit the balance of the education levies so that they are received by the finance board or by the school board as the case may be, on or before January 31 in the year following the year in which the education levies were apportioned.

As such, education levies collected from property taxpayers are paid to the Province of Manitoba and school divisions in the month following collection. And in any event, education levies collected must be paid to the Province of Manitoba and school divisions by January 31 of the following year.

Acknowledging that some taxpayers will utilize the option to defer payments on business and property taxes, it is assumed that the majority of taxpayers will continue to make their business

and property tax payments on time. Accordingly, this being the case, education levies should largely flow to the Province of Manitoba and school divisions as they have in the past. Ultimately, 3(3) requires all education levies to be paid to the Province of Manitoba and school divisions regardless of whether they've been collected or not. Understandably that while there will be a drop in education levy payments to the Province of Manitoba and school divisions throughout the waiver period particularly, they will receive their levies completely by January 31, 2021.

Financial Implications to the City

Financial (Budget) Forecast

The financial (budget) impact of the deferral and waiver measures recommended in this report is estimated to be $5.2 million. Most of this represents the lost revenue derived from penalties for the waiver periods. This impact is included in Tables 1 and 2 below.

Beyond this, however, the COVID-19 event will have impacts on other revenue and expense streams. For example, recreation facilities are closed, permit applications are expected to decrease and transit ridership is declining. Appendix 3 includes the estimated impact of the COVID-19 event on the City, depending on the assumed length of the event.

Departments were requested to identify significant financial impacts of this event (as compared to 2020 budget) on the basis of service delivery as of March 23. As it is difficult to predict the duration of this event, financial projections were made for each of 30, 60, 90 and 120 days. These are disclosed in Appendix 3 to this report. In summary:

Table 1 *(in millions of dollars)*	Event Ends April 30	Event Ends July 31
Estimated financial projections budget impact		
Tax Supported (*)	($22.0)	($41.4)
Transit	($9.7)	($27.9)
Special Operating Agency	($1.0)	($3.9)
Utilities and Other	$0.0	$0.0
	($32.7)	($73.2)

(*) - includes the estimated $5.2 million in late payment penalties and fees waived by this report.

The projections estimate a budget total shortfall of $32.7 million if the event ends by April 30, 2020 (i.e. 30 days). This increases to $73.2million if the event ends by July 31, 2020 (i.e. – 120 days). As this is early on in the event, both the duration and impact are difficult to estimate. These scenarios have also been incorporated into the best case/worst case scenario Liquidity Projections analysis later in this report.

The Financial Stabilization Reserve can be drawn on to cover a tax-supported budget shortfall. The following table forecasts the impacts of the current year tax-supported and Transit operations on the Financial Stabilization Reserve Fund.

Table 2 *(in millions of dollars)*	Event Ends April 30	Event Ends July 31
Estimated Impacts to the Financial Stabilization Reserve Fund		
Opening balance - Financial Stabilization Reserve	$ 107.8	$ 107.8
Add:		
Estimated net interest earnings	1.1	1.1
Budgeted transfer from the General Revenue Fund	5.4	5.4
Less:		
Transfer for Community Centre Renovation Grant Program	(2.1)	(2.1)
Tax Supported - estimated financial projections budget impact (*)	(22.0)	(41.4)
Transit - estimated financial projections impact (**)	(9.7)	(27.9)
less: usage of Transit unaudited unallocated retained earnings (***)	9.6	9.6
	(0.1)	(18.3)
Estimated closing balance - Financial Stabilization Reserve (****)	$ 90.0	$ 52.5

(*) - includes the estimated $5.2 million in late payment penalties and fees waived by this report.
(**) - On March 5, 1996, in establishing the retained earnings concept for the Transit Department, Council approved that should the balance of retained earnings be less than zero at the end of the year, after taking into account all transactions for that year, the General Revenue Fund will provide a special contribution to Transit equal to the negative retained earnings balance.
(***) - Transit department also has allocated $10.1 million towards future capital spending.
(****) - Council Policy requires that the Financial Stabilization Reserve Fund has a minimum balance of 6% of adopted budget tax supported expenditures. Based on the 2020 adopted budget, the required minimum balance is $68.6 million. Also, this balance includes $22.4 million intended to balance the 2020 to 2023 multi-year budget.

The Financial Stabilization Reserve has a balance of $107.8 million as at December 31, 2019. The minimum Council prescribed balance of 6% of tax-supported expenditures is $68.6 million (the "floor amount"). A transfer can be made that results in a balance less than the prescribed floor amount but doing so will require Council approval of a replenishment plan. In the event a transfer is required from the Financial Stabilization Reserve Fund that results in a balance of less than 6% of tax-supported expenditures, a replenishment plan must be developed for and approved by Council as part of the 2021 Budget update. Measures to address the situation where the projected balance of the Financial Stabilization Reserve Fund is less than 6% are outlined later in this report.

The Interim CAO and the Interim CFO have directed departments to take steps to manage expenditures immediately. Where discretion can be exercised, expenditures should be avoided through at least the remainder of this event and likely through the remainder of 2020. All expenditures should be reviewed to determine what can be halted without impacting current service delivery or collective agreements.

As a result of the recent Winnipeg Police Pension Plan arbitration decision and to be conservative for the purposes of this analysis, $6 million in pension savings have been projected as not being realized from the budget while the decision is reviewed. Further, damages have been awarded to the Winnipeg Police Association (WPA) and the members of the WPA of approximately $600,000. The damage costs are considered in the projections and will be paid from the City's police pension consultants budget.

Liquidity

Liquidity is a financial term which refers to how easily assets can be converted into cash. Assets like short-term investments and bonds are generally very liquid since they can be converted to cash within days. Cash itself is completely liquid. Tangible capital assets (buildings, roads, bridges, etc.), on the other hand, are not liquid; particularly for governments who rely upon infrastructure to deliver their services.

Liquidity is an important measure credit rating agencies utilize in issuing bond ratings. The City's most recent credit ratings are AA (S&P Global, November 15, 2019) and Aa2 (Moody's Investor Services, July 31, 2019).

In issuing its credit rating, S&P Global projects the City's "strong liquidity balances will provide bondholders with additional support" and estimates liquidity "will remain robust". Further, the City's "liquidity management policies are prudent".

Moody's Investor Services in their report indicate that a sustained deterioration in liquidity is a factor that could lead to a credit rating decrease. And while the City's liquidity is modest compared to more highly rated Canadian municipalities, it has consistently improved since 2012.

For cash management purposes, the City strives to maintain a liquidity ratio of 30% or greater. In discussions with our credit rating agencies, this is a minimum level on a sustainable basis that they are comfortable with.

The City's liquidity ratio as of the date of this report is calculated as follows:

Table 3 *(in millions of dollars)*	
Bank	$102.8
Short-term investment portfolio	502.3
Mid-term investment portfolio	25.2
Long-term portfolio	126.9
Subtotal	757.2
Available line of credit	75.0
Total cash resources	$832.2
Estimated consolidated operating expenditures	$1,503.8
Liquidity Ratio	55.3%

The City's liquidity for the year typically peaks at the end of June, coinciding with the due date for property taxes. While there are over 100,000 taxpayers registered on the City's Tax

Instalment Payment Program (TIPP), a significant number of taxpayers pay the City directly just before the due date, including those who are paying through their mortgage lenders.

Conversely, the City's lowest liquidity levels are in the weeks leading up to the business tax due date, being May 31. For 2019, as measured at month-end, the City's lowest liquidity level was in March with a liquidity ratio of 45%.

Liquidity Projections

Under a base case scenario and prior to the fuller understanding of the impact of the COVID-19 event, liquidity ratios for 2020 were projected to range between 52% and 95%. As Moody's Investor Services has noted, the City's liquidity has improved from 2012. As late as March 2014, the City's liquidity ratio was 28%, its lowest in the past ten years. For 2019, the City's liquidity ratio ranged between 45% and 81%.

A financial model has been constructed to consider the impacts to base case scenario cashflows for the City under varying assumptions. These are the very early days of this event and the implications are very much dependent on the event's duration, its impact on taxpayers and the extent to which other financial supports are made available. The model quantifies the impact of a best case scenario and a worst case scenario.

Considering the possible implications associated with the waiving of penalties as proposed in this report, revenue projections assume this event lasts two months under the best case scenario. During this period, social distancing continues and non-essential businesses remain closed.

The worst case scenario assumes the duration lasts into the summer. As well, greater numbers of taxpayers take advantage of the financial supports offered through the recommendations of this report.

In these scenarios, liquidity estimates, without the City taking other measures to support liquidity, are as follows through March 2021:

Table 4	2019 (COMPARATOR)	BASE CASE SCENARIO	BEST CASE SCENARIO	WORST CASE SCENARIO
Liquidity range (Jan 2020 to Mar 2021)	45% to 81%	52% to 95%	46% to 87%	38% to 82%

Refer to Appendix 4 for the assumptions utilized in the base case, best case and worst case scenarios.

While some taxpayers will utilize the deferral of payments on business and property taxes, it is assumed that the majority of taxpayers will continue to make their business and property tax payments.

Similarly, triggers will be utilized to ensure liquidity is adequately maintained. Liquidity is regularly monitored by Corporate Finance and should the City's liquidity ratio decline to 35%, measures outlined on the next page will be acted upon.

Based on the worst case scenario, liquidity should remain strong. However, this is evolving and will continue to be monitored. It is worth noting that it takes approximately $15 million in cashflow to have a change of 1% in the liquidity ratio calculation.

It should also be noted that debt issuance is challenging during market disruptions involving events such as COVID-19. The City is prepared to act immediately as required when windows of borrowing opportunity open up. In these market conditions it is important to act and issue debentures when investor demand is present.

Last fall the City issued $120 million of debentures at a yield of 2.667%.

Upon news of the outbreak of COVID-19 approximately two weeks ago, City Financial Services Division initiated a change to investment composition practices to enhance cash liquidity for unanticipated expenditures, revenue deficiencies and potential market disruptions. While its practice has been to target daily cash balances of approximately $15 million in the City's bank accounts, as of March 31 the City had bank balances aggregating to $102.8 million.

Measures to be Taken on Reaching Financial Triggers

It is difficult to project the financial impact of this event given its early stages. Implications of the event, including actions from the Federal and Provincial governments, are being realized daily. As such, the City needs to be prepared for a prolonged event, ensuring it is taking steps necessary to maintain the balance of the Financial Stabilization Reserve Fund above its prescribed floor amount to maintain flexibility.

Maintaining the Financial Stabilization Reserve Fund above the prescribed floor amount and liquidity above 30% are important for the City to ensure it can maintain service delivery and flexibility to address emergencies. To that end, should the Financial Stabilization Reserve Fund appear to be projecting a balance of less than the prescribed floor amount or the liquidity ratio reach 35%, the following measures will be considered for action with Council approval:

- survey for federal and provincial financial assistance programs providing financial resource to the City directly;
- discussion with the Province of Manitoba on deferring payment of school taxes;
- draw on the $75 million line of credit;
- review for and transfer other reserve amounts (eg./ Land Operating Reserve);
- reduce cash to capital spending to zero in 2020, replacing with debt;
- pre-borrowing for 2020 capital spending
    - Note: the base scenario presumes the City will borrow long-term in the Fall in respect of capital spending;
- extend accounts payable payment terms where applicable from 30 to 45 days;
- reduce capital spending from 10% - 20%;
- reduce service delivery and effect staff layoffs.

Other Measures Taken

- Council approved for the period between March 20, 2020 and June 30, 2020 the authority to waive late charges on fees imposed by the City of Winnipeg for individuals or businesses where the late payment is due to changes in City of Winnipeg payment procedures brought about by the COVID-19 pandemic. Beyond those late charged fees the subject of this report, the Interim CAO is authorizing this for all other late charges (eg./sewer and water bill payments).
- The Public Service has contacted community centres for which the City has provided loan guarantees to ensure their debt servicing can continue.
- The Public Service has identified new grant agreements requiring most immediate attention for drafting. Grants are not paid unless a signed agreement is executed.

FINANCIAL IMPACT

Project Name: **First Year of Program** **2020**

TEMPORARY WAIVER OF PENALTIES AND ADMINISTRATIVE FEES ON BUSINESS AND PROPERTY TAXES AND FINANCIAL IMPLICATIONS TO THE CITY

	2020	2021	2022	2023	2024
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 5,170,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 5,170,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ 5,170,000	$ -	$ -	$ -	$ -

Additional Comments: Waiving penalties on property and business taxes, along with the other waivers included in this report, is estimated to reduce revenues by $5.2 million.

original signed by J. Ruby

J. Ruby, CPA, CA
Interim Corporate Controller

CONSULTATION

This Report has been prepared in consultation with:
Assessment and Taxation Department
Infrastructure Planning Office

OURWINNIPEG POLICY ALIGNMENT

01-2b Emergency Preparedness, Response and Recovery
01-3 Prosperity

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

NA

SUBMITTED BY

Department: Corporate Finance
Division: Office of the CFO
Prepared by: Paul Olafson, CPA, CA
Date: March 31, 2020

Attachments:

Appendix 1 - Property and Business Tax Fast Facts
Appendix 2 - Amendments to By-laws 5796/91and 194/2004
Appendix 3 - Financial (Budget) Projections



Appendix 3.pdf

Appendix 4 - Assumptions for Base Case, Best Case and Worst Case Scenarios

2020 Budget

- Property taxes, gross - $1,331,590,904; net of education taxes - $608,257,100 (excludes City owned property)
  - Residential - $433,546,521, other property - $174,710,579
  - frontage levies are estimated to be $63,795,219 are not included in this
- Education taxes - $723,333,804
- Business taxes - $57,616,590 (net of the Small Business Tax Credit of $5,462,461)
- Penalties on overdue accounts - $18 million

Tax Instalment Payment Plan (TIPP) accounts (as of March 1, 2020) –

- Property taxes - number of accounts 123,606 - $57,964,094 per month. (approximately 55% of property taxes)
- Business Taxes - number of accounts 1,812 - $1,247,195 per month.

Business Improvement Levies - $6,430,000

Mortgage lender (PIT) accounts (for 2019) – 20,493 - $58,894,967

Historical % of unpaid taxes

- property taxes – 2.3%
- business taxes – 1.4%

Appendix 2 –
Amendments to By-laws 5796/91
and 194/2004

THE CITY OF WINNIPEG

BY-LAW NO. /2020

A By-law of THE CITY OF WINNIPEG to amend the Tax Penalty By-law and the T.I.P.P By-law for 2020 to extend the deadline for tax payments during the COVID-19 pandemic

THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

Tax Penalty By-law amended
The Tax Penalty By-law No. 5796/91 is amended by this section.

The following subsection is added immediately after subsection 4(1):

4(1.1) Despite subsection (1), in respect of taxes imposed in the year 2020, including supplementary taxes, penalties at the rate set out in section 5 shall be added on the first day of the following month to all business taxes remaining due and unpaid on August 31, 2020 and all real and personal property taxes remaining due and unpaid on September 30, 2020 and shall continue to be added on the first day of each month thereafter.

The following subsections are added immediately after subsection 5(4):

(5) Subsection (2) and (3) do not apply to taxes imposed in the year 2020.

(6) Despite any other provision of this By-law or authorities delegated by Council, no administrative fees or penalties may be imposed for late or missed payments between April 1, 2020 and September 30, 2020 on account of business tax or real or personal property tax on taxes imposed in 2020.

T.I.P.P. By-law amended
The Tax Installment Payment Plan (T.I.P.P.) By-law No. 194/2004 is amended

in subsection 5(3), by adding "*and subsection (5)*" immediately after "*Subject to subsection (4)*";

by adding the following subsection immediately after subsection 5(4):

5(5) A late payment fee imposed under subsection (3) is not applicable to any taxpayer who enrolls in the Plan under section 4 between April 1, 2020 and September 30, 2020.

by adding the following subsection immediately after subsection 12:

Exception for April to October, 2020
12.1 Despite any other provision of this By-law, if payment of one or more installments under the Plan between April 1, 2020 and September 30, 2020 is not made due to insufficient funds being in the taxpayer's financial institution account referred to in section 4

(a) no fee or penalty may be charged to the taxpayer as a consequence;

(b) section 12 does not apply; and

(c) the amount of each unpaid installment shall be added to the amount payable in the next installment under the Plan.

DONE AND PASSED this day of , 2020.

Mayor

City Clerk

Approved as to content:

Chief Financial Officer

Legally reviewed and certified as to form:

for Director of Legal Services
and City Solicitor

Appendix 3 – Financial (Budget) Projections

Description of Adjustment	Scenario A 30 day event ending April 30, 2020	Scenario B 60 day event ending May 31, 2020	Scenario C 90 day event ending June 30, 2020	Scenario D 120 day event ending July 31, 2020	Comments
Tax Supported					
Revenues					
Assessment and Taxation	$ (6,535,716)	$ (7,910,716)	$ (9,285,716)	$ (10,660,716)	$5.2M across all scenarios is for reduced penalties on outstanding taxes - assuming a change in the tax due date by 90 days for both business and property taxes. A reduction of $1.2M per month for net taxes added. Remainder is entertainment tax funding.
Audit	-	-	-	-	
CAO	-	-	-	-	
City Clerks	-	-	-	-	
Community Services	(1,966,695)	(2,554,842)	(3,126,422)	(3,467,735)	Relates to no programing as facilities are closed. Bulk relates to a number of swim programs and membership passes.
Corporate	-	-	-	-	
Corporate Finance	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	Reduced interest revenue.
Council	-	-	-	-	
Customer Service and Communications	-	-	-	-	
Fire Paramedic Service	220,000	350,000	480,000	650,000	Ambulance patient revenue, ambulance fee revenue and IFT revenues are going down. More than fully off-set by increases in the Shared Health Grant, which is going up due to EMS overtime plus 40% of the consumables and PPE.
Human Resource Service	-	-	-	-	
Innovation, Transformation and Technology	-	-	-	-	
Legal Services	-	-	-	-	
Mayor's Office	-	-	-	-	
Museums	-	-	-	-	
Planning, Property & Development	(1,500,000)	(2,150,000)	(3,950,000)	(7,350,000)	Reduction is due to two items, Permits and Fees and Land Development Fees. Permits and fees range from no impact under a 30 day scenario to $5.35M under a 120 day scenario. Land Development Fees have been 'overbudgeted', so there is a $1.5M structural shortfall across all scenarios that increases to $2.0M by the end of the 120 day scenario.
Police Service	(1,900,000)	(4,200,000)	(5,700,000)	(8,400,000)	Majority is a drop in photo enforcement. The would also be a drop in traditional traffic enforcement and other revenues.
Policy and Strategy	-	-	-	-	
Public Works	-	-	-	-	
Street Lighting	-	-	-	-	
Waterworks and waste - tax supported	-	-	-	-	
	(12,682,411)	(17,465,558)	(22,582,138)	(30,228,451)	

Description of Adjustment	Scenario A 30 day event ending April 30, 2020	Scenario B 60 day event ending May 31, 2020	Scenario C 90 day event ending June 30, 2020	Scenario D 120 day event ending July 31, 2020	Comments
Expenditures					
Assessment and Taxation	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)	The Board of Revision has postponed hearings for three weeks. This currently leaves approximately 600 appeals outstanding. After the business tax billing is complete the appeal losses will be recorded in the appeal liability account. This is not budgeted for as the appeals are normally heard prior to billing.
Audit	-	-	-	-	
CAO	-	-	-	-	
City Clerks	-	-	-	-	
Community Services	408,803	696,158	909,367	1,210,426	Reduced expenditures due to programs being cancelled. In the 120 day category, $530K is a reduction in non-professional contracts - contract leaders would not be brought on due to programs being canceled.
Corporate	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)	Impact of pension arbitration decision ($2.3m).
Corporate Finance	-	-	-	-	
Council	-	-	-	-	
Customer Service and Communications	-	-	-	-	
Fire Paramedic Service	(2,150,000)	(2,625,000)	(3,100,000)	(3,675,000)	Due to Fire Overtime, EMS Overtime and PPE.
Human Resource Service	-	-	-	-	
Innovation, Transformation and Technology	-	-	-	-	
Legal Services	-	-	-	-	
Mayor's Office	-	-	-	-	
Museums	-	-	-	-	
Planning, Property & Development	-	-	-	-	
Police Service	(4,100,000)	(4,500,000)	(2,600,000)	(5,200,000)	Impact of pension arbitration decision ($3.7m) and increased overtime.
Policy and Strategy	-	-	-	-	
Public Works	-	-	-	-	
Street Lighting	-	-	-	-	
Waterworks and waste - tax supported	-	-	-	-	
	(9,341,197)	(9,928,842)	(8,290,633)	(11,164,574)	
Total tax supported	**$ (22,023,608)**	**$ (27,394,400)**	**$ (30,872,771)**	**$ (41,393,025)**	

Description of Adjustment	Scenario A 30 day event ending April 30, 2020	Scenario B 60 day event ending May 31, 2020	Scenario C 90 day event ending June 30, 2020	Scenario D 120 day event ending July 31, 2020	Comments
Transit					
Revenues	$ (8,638,683)	$ (14,861,549)	$ (19,969,416)	$ (25,254,203)	This is assuming that service is continued to be provided at regular levels and current fare policy stays in effect. Any decision to eliminate fares or refund previously purchased products would be a further loss. As this is early on in the event, ridership is difficult to predict.
Expenses	$ (1,038,584)	$ (1,418,720)	$ (1,999,875)	$ (2,602,283)	There are 3 components to the increase that vary across scenarios. Overtime to cover bus operator shifts, overtime related to the new cleaning protocols and increased expenses for cleaning equipment and supplies.
Total Transit	**$ (9,677,267)**	**$ (16,280,269)**	**$ (21,969,291)**	**$ (27,856,486)**	
Special Operating Agencies (SOAs)					
Revenues					
Fleet SOA	(393,689)	(657,384)	(882,099)	(1,109,893)	Rates charged to departments adjusted to reflect the decline in fuel prices.
Golf SOA	-	-	-	-	
Parking SOA	(975,129)	(1,950,259)	(2,925,388)	(3,900,518)	In order of magnitude, reduction of meters revenue, permits revenue, enforcement revenue, employee permits revenue and VFH per trip revenue reduction.
Animal Services SOA	-	-	-	-	
	(1,368,818)	(2,607,643)	(3,807,487)	(5,010,411)	
Expenditures					
Fleet SOA	362,194	604,793	811,531	1,021,102	Reflects that fuel prices have declined.
Golf SOA	-	-	-	-	
Parking SOA	11,000	22,000	33,000	44,000	Special events contractor staffing suspended.
Animal Services SOA	-	-	-	-	
	373,194	626,793	844,531	1,065,102	
Total SOAs	**$ (995,624)**	**$ (1,980,850)**	**$ (2,962,956)**	**$ (3,945,309)**	

Description of Adjustment	Scenario A 30 day event ending April 30, 2020	Scenario B 60 day event ending May 31, 2020	Scenario C 90 day event ending June 30, 2020	Scenario D 120 day event ending July 31, 2020	Comments
Utilities and Other					
Revenues					
Waterworks System	-	-	-	-	
Sewage Disposal System	-	-	-	-	
Land Drainage	-	-	-	-	
Municipal Accommodations Fund	-	-	-	-	
	-	-	-	-	
Expenditures					
Waterworks System	-	-	-	-	
Sewage Disposal System	-	-	-	-	
Land Drainage	-	-	-	-	
Municipal Accommodations Fund	-	-	-	-	
	-	-	-	-	
Total Utilities and Other	**$ -**	**$ -**	**$ -**	**$ -**	
Total	**$ (32,696,499)**	**$ (45,655,519)**	**$ (55,805,018)**	**$ (73,194,820)**	

Appendix 4 –
Assumptions for Base Case,
Best Case and Worst Case Scenarios

Model Driver	Base Case Scenario	Best Case Scenario Assumption	Worst Case Scenario Assumption
Property tax and Business Tax payment deferrals	- Cashflow consistent with previous year	- Taxpayers using this program – TIPP 5%; Lump Sum 10%; Business Tax 25% - Taxpayers who use the program will not pay taxes owing on program expiry – TIPP and Lump Sum 10%; Business Tax 15% - For those who do pay, they will be caught up within three months of program end	- Taxpayers using this program – TIPP 15%; Lump Sum 25%; Business Tax 50% - Taxpayers who use the program will not pay taxes owing on program expiry – TIPP 15%; Lump Sum 25%; Business Tax 50% - For those who do pay, they will be caught up within twelve months of program end
Other revenues (regulation fees, sales of goods and services) and expenditures	- Cashflow consistent with previous year	- Event ends May 31 - Revenue losses and increased expenditures consistent with Appendix 4	- Event ends July 31 - Revenue losses and increased expenditures consistent with Appendix 4
Borrowing	- $25 million in April (Fleet, Transit); $100 million debenture debt in November	- $25 million in April (Fleet, Transit); $100 million debenture debt in November	- $25 million in April (Fleet, Transit); $100 million debenture debt in November
Capital spending	- Projected capital spending	- Projected capital spending	- Projected capital spending
Grants	- $140 million in operating throughout the year; $100 million in capital in June	- $140 million in operating throughout the year; $100 million in capital in June	- $140 million in operating throughout the year; $100 million in capital in June