

Staff Report to Council

Financial Services

FILE: 05-1610-01/20

REPORT DATE: April 23, 2020 **MEETING DATE:** April 28, 2020
TO: Mayor and Council
FROM: Mark Roberts, Chief Administrative Officer
Cheryl Harding, Director of Financial Services
SUBJECT: COVID-19 Financial Relief Grant Program and Policy

CHIEF ADMINISTRATIVE OFFICER REVIEW/APPROVAL:

RECOMMENDATION(S): THAT Council:

- A. Approve the COVID-19 Financial Relief Grant Program as presented at the April 28, 2020 regular meeting of Council; AND
- B. Approve Council Policy C104 'COVID-19 Financial Relief Grant '; AND
- C. Direct staff to issue grants per the COVID-19 Financial Relief Grant Policy; AND
- D. Direct staff to review the 2020 capital projects to ascertain the appropriateness for capital project postponements and implement postponements at the discretion of the Chief Administrative Officer; AND
- E. Direct staff to postpone the rehabilitation of the South Bonson Roundabout and immediately implement minor safety improvements; OR
- F. Other.

PURPOSE

The purpose of this report is to seek Council approval of the COVID-19 Financial Relief Grant Program and related Council Policy, and provide direction to staff to issue the grants per the policy.

DISCUSSION

Background:

In recognition of the COVID-19 pandemic and the resulting financial impacts affecting residential taxpayers the COVID-19 Financial Relief Grant Policy has been created to provide support to the Pitt Meadows community.

Relevant Policy, Bylaw or Legislation:

The proposed COVID-19 Financial Relief Grant Policy (Attachment B) provides a onetime 2020 grant of \$150 to single family and \$100 to multi-family residential taxpayers.

Analysis:

In order to provide financial relief to the community, staff carefully considered two approaches:

1. Reduce the 2020 planned property tax and utility increase of 4.52%; or
2. Introduce a residential grant program.

There were a number of important factors that guided staff's recommended approach:

- **Time Horizon:** As recently indicated by both the Federal and Provincial Health Officers, relaxation of the COVID-19 pandemic restrictions are anticipated to be slowly introduced in the coming months which will allow economic recovery to begin, albeit likely full normalcy will not occur until a vaccine has been developed. Although, it is unclear when precisely a vaccine will occur, the estimated timeline is up to 18 months, at which time full economic recovery can be achieved. This information is important since the timeline of 18 months should govern the type of financial solution the City chooses to implement, being a short-term solution for a shorter term horizon (i.e.; 18 months).
- **Service Levels:** It is important to recognize senior government levels deem City services to be essential services to ensure the welfare and health of communities. This means a large majority of City costs are unavoidable in order to maintain essential City services. Therefore, with this in mind, the financial relief approach that is chosen needs to ensure service levels are minimally impacted or not impacted if possible.

That said, for those services deemed by the City to be non-essential (ex: recreation), the very nature of the COVID-19 pandemic has resulted in many facility closures, including the recreation centre. Therefore cost realignment with reduced revenues for non-essential services, for the most part, have been appropriately made, including staff reductions.

- **Asset Replacement:** The selected approach to provide the community with financial relief must consider the City's long-term financial health and its ability to fund the City's asset replacements in a timely manner. In recent years, the City engaged an Asset Management consultant to provide the City with an appropriate funding plan. Similar to many Canadian municipalities, it was determined the City of Pitt Meadows has a significant historic infrastructure funding gap that needs to be addressed, without delay, to ensure service continuity and to adhere to a proper asset management program. Adherence to a proper asset management plan avoids costly maintenance failures, mitigates increased financial management challenges and avoids further build-up of our infrastructure deficit.
- **Cash Flow:** Alike other businesses, the COVID-19 pandemic is causing significant disruption to the City's cash flow including:
 - Anticipated significant reduction in property tax collection by the established due date in July;
 - Payments to City service providers (ex: Metro Vancouver, RCMP) have increased and are expected to be paid regardless of the City's financial circumstances;
 - Closure of City facilities (ex: recreation complex and arena) have caused significant revenue decline. While we have mitigated declined revenue for the Recreation Complex by introducing direct cost savings measures, the arena revenue decline is substantial (particularly with fall/winter programming) and cannot be offset by cost savings measures that have been implemented. A forecasted 2020 net loss for the arena of \$400,000 needs to be absorbed by the City's by operating cost saving measures elsewhere in the City;
 - Increased costs are being incurred directly attributable to the pandemic; and

- Postponement of property tax penalty due dates implemented by the Province and likely to be implemented by the City for the remaining classes (residential & farming).

Reducing or eliminating the currently planned property tax increase will only serve to exasperate our anticipated cash flow challenges even if it was acceptable to have offsetting expenditure reductions amounting to \$1.0 million with a corresponding permanent service reduction. Any temporary surpluses that could be generated resulting from moving forward with the planned tax increase (ex: cancellation of staff training & development) are helpful to assist with cash flow challenges.

Since the City is efficiently managed, staff complements are conservative and budgets are very prudent (as evidenced by City's low overall taxes), staff's recommendation for service reduction would likely involve a whole service removal. This would be preferred over scraping resources away from many areas that are already thinly resourced or adversely affecting the City's long-term health for diligent asset replacement and related business continuity.

- **Employee Retention:** Recognize the importance of employee corporate knowledge/experience and the value of promoting a supportive/cohesive and loyal culture.
- **Budget Characteristics:**
 - Ensure proper budgeting practices are followed such as not utilizing reserves to artificially reduce property taxes;
 - Ability for the existing budget to absorb revenue declines/postponements and unplanned expenditures.

Since the City of Pitt Meadows currently has the lowest average single family taxes & utilities in Metro Vancouver and we deliver acceptable/quality services levels, we can be assured the City's budget does not have the capacity to absorb unplanned revenues/expenses.

It is important to note that even if all other municipalities chose to have a zero property tax and utility increase in 2020 and Pitt Meadows chose to

continue with the 4.52% property & utility tax increase, without implementing the grant program, the City would have the 2nd lowest taxes in the region. The important message here is: reducing the tax increase to zero is less relevant. Clearly, what is more relevant is what are the total taxes paid. With the introduction of the grant program, it is anticipated the City of Pitt Meadows would remain the lowest average property taxes for a single family home in Metro Vancouver.

- Acknowledge that property tax reductions require permanent (not temporary) revenue/expense reductions;
- Recognize property tax reductions will create a compounding affect year over year. For example, if the annual contribution to reserves is decreased by \$500,000 to reduce taxes, the reserve will be impacted in perpetuity year over year such that, in 10 years, the reserve will be \$5 million less, unless there was a deliberate decision to double-up the tax increase in a subsequent year, in itself creating a financial challenge.

With these factors in mind, in the table below, staff has provided a high-level summary of the 2020 planned property and utility tax increase:

2020 Budget Increase Summary								
Description	Taxation \$	Utility Fees \$	Total \$	Property Tax %	Property Tax SF \$	Utility Fees SF \$	Total SF \$	Total SF \$ / 2019
<u>Uncontrollable Costs</u>								
RCMP Police Services	140,600	-	140,600	0.64%	13	-	13	0.41%
FVRL Library Services	14,600	-	14,600	0.07%	1	-	1	0.04%
Metro Vancouver water purchases & sewage treatment	-	185,400	185,400	-	-	19	19	0.60%
	155,200	185,400	340,600	0.71%	14	19	33	1.05%
<u>City Departments</u>								
Growth	- 189,000	-	- 189,000	-0.87%	- 18	-	- 18	-0.54%
Salaries & Benefits	380,000	-	380,000	1.74%	35	-	35	1.11%
Net Other Expenses-Contracted Services, Supplies, Materials, Equipment	264,000	-	264,000	1.21%	25	-	25	0.77%
Utility Maintenance	-	244,400	244,400	-		24	24	0.75%
	455,000	244,400	699,400	2.09%	42	24	66	2.09%
<u>Asset Replacement Savings</u>								
Funded by property taxes	332,000	-	332,000	1.52%	31	-	31	0.97%
Funded by utility fees	-	130,800	130,800	-	-	13	13	0.41%
	332,000	130,800	462,800	1.52%	31	13	44	1.38%
Total	942,200	560,600	1,502,800	4.32%	88	56	144	4.52%

Further comments, in context with the factors outlined earlier in this report, are provided below for your consideration:

- **Uncontrollable Costs:** According to the table, 1.05% of the tax increase relates to uncontrollable costs, primarily related to RCMP and Metro Vancouver. The City is required to pay these costs each year so, if the property taxes were reduced, the City would need to find reductions in other budgets to compensate. Undoubtedly this would result in a permanent service reduction and loss of position(s);
- **City Departments:** Most of the 2.09% increase relates to salaries & benefits, mostly pertaining to contractual union increments and cost of living increases. The salary & benefits portion of the 2.09% is estimated at 1.39% of the 2.09%, being the 1.11% displayed in the table plus another .28% related to the salaries and benefits contained in the 'Utility Maintenance' line item.

While the increase shown in the table also includes exempt management salaries & Council indemnity, Council has chosen to suspend their 2020 increase and the CAO has placed all exempt management increases on hold. These measures were taken to help curtail expenses to assist with anticipated cash flow challenges.

- **Asset Replacement Savings:** With reference to the table, 1.38% of the tax increase relates to savings needed for the replacement of the City's infrastructure. As mentioned previously in this report, it is imperative that the City continue to save for this purpose to properly manage the City's infrastructure deficit, to ensure service continuity and to avoid costly maintenance should asset replacement be unduly delayed.

Given the factors mentioned above, staff's strong recommendation to Council is to implement a Grant Program that would provide a number of benefits:

- No impacts to operational service levels;
- Financially prudent;
- Comparatively speaking, limits the impact to the City's capital plan and asset maintenance/replacement;
- Follows proper budgeting practices;

- Provides financial relief to the average single family residential taxpayer equivalent to the increase of \$144 (see above table) that was planned by the 4.52% property tax and utility increase.

Staff would recommend the grant be set at \$150;

- Provides financial relief to the average multi-family residential taxpayer equivalent to the increase of \$95 that was planned by the 4.52% property tax and utility increase.

Staff would recommend the grant be set at \$100;

- The grant program is a short term solution which matches the anticipated time horizon communicated by Federal & Provincial Health Officer's when the COVID-19 restrictions are anticipated to be relaxed (up to 18 months). If this assumption is incorrect, the City could consider continuation of the grant program once more is known;
- Does not create compounding effects that reduced tax increases or reduced reserve savings would have.
- The grant program would be funded by identifying capital project savings (Attachment A) through cancellations, scope changes or surplus budget, thereby provides onetime grant funding;

The review of the capital program was a difficult process because all the projects were initially identified as important initiatives to varying degrees. However, in light of COVID-19 and the financial hardship this has placed on our community, staff has made the choice to propose project cancellations to help Pitt Meadows residents, in a small way, in their time of need.

- Lessens the anticipated cash flow concerns by redirecting capital project savings to fund the program. From a finance perspective, the combination of the project cancellations and funding the grant program will have a net zero financial impact. Unlike a tax decrease that would have an ongoing adverse financial impacts;

Other Considerations:

Community Charter section 25 (1) prohibits providing grants to businesses and therefore, they are not included in this policy.

However, there are a number of Federal and Provincial programs recently announced to assist businesses including:

- 50% reduction in the provincial school tax rate plus a further reduction announced April 16, 2020 to reduce the overall tax bill by 25% in total;
- All business and industrial class properties (Classes 4, 5, 6, 7, 8) property tax payment penalties have been postponed to October 1, 2020;
- 75% Canada Emergency Wage Subsidy has been introduced to businesses to encourage continued employment;
- Extension of a number of other tax payment deadlines (GST, PST, Employer Health Tax) to September 30, 2020;
- Interest free loans of up to \$40,000;
- Low interest working capital loans; and
- Loan payment deferrals and other financing products to agriculture and the food industry including: \$50 million to help farmers such as \$1,500 per temporary foreign worker to employers to ensure mandatory 14-day isolation periods are followed for workers arriving from abroad.

In addition, the City of Pitt Meadows support for businesses and farmers includes:

- Creation of the Economic Resiliency Task Force to work in collaboration with stakeholders to identify new initiatives that will assist business resiliency through the pandemic, as well as assist economic recovery for businesses, workers and the community as soon as possible;
- Deferral of payment penalties on Metered Water Accounts from April 1 and May 1 to June 1 and July 1;

- Farming and residential class properties (Classes 9, 1) property tax payment penalties anticipated postponed to October 1, 2020, pending a Council motion in an upcoming Council meeting;

Where possible, staff will be redeployed to assist with administration, recognizing inexperienced staff will require training.

We're aiming to have the grant added to the property tax accounts before the tax notices are printed. If timing doesn't allow, the grants will be added to the accounts after the tax notices are printed.

Although all property owners are encouraged to pay their property taxes by the July 2 due date, cash flows will be affected by the province's decision to postpone penalties to October 1. To be consistent, the City will be following suit by deferring penalties on Class 1 Residential and Class 9 Farm through the tax rate bylaw coming forth for Council's consideration on May 5th, 2020.

Alternatively, Council could choose not to implement the grant program and retain the funding from cancelled projects in the reserve for future City use.

In addition and separate to implementing the Grant Program, staff recommend a review of the 2020 capital projects be undertaken to ascertain the appropriateness for capital project postponements. Postponements will help alleviate financial challenges, albeit this would be temporary assistance in nature. Parameters for project postponement consideration by the Chief Administrative Officer include, but are not limited to, the degree of impact associated with:

- Public Health & Safety;
- Financial Prudence;
- Asset Protection; and
- Quality of Life.

As well, it is recommended that the South Bonson Roundabout be postponed and only minor safety improvements are immediately implemented such, as reduced shrubbery to improve vehicle/pedestrian sight lines and crosswalk installation.

COUNCIL STRATEGIC PLAN ALIGNMENT

☒ Principled Governance ☒ Balanced Economic Prosperity ☒ Corporate Excellence

☒ Community Spirit & Wellbeing
☐ Not Applicable

☐ Transportation & Infrastructure Initiatives

FINANCIAL IMPLICATIONS

☐ None ☐ Budget Previously Approved ☐ Referral to Business Planning
☒ Other

The capital program has been reviewed and, if approved by Council, it will be adjusted in order to provide funding for the COVID-19 Financial Relief Grant program. Projects have either been cancelled, or scope reduced, or surpluses have been identified. The list of projects is provided in Attachment A. The grant program is estimated to cost the equivalent of the 2020 tax increase of \$985,000 (4.52% x \$218,000) or approximately \$1.0 million. The \$150 Single Family and \$100 Multi-Family grants equate to slightly more than the average tax increase to those properties experiencing the average 2020 assessment increase.

PUBLIC PARTICIPATION

☒ Inform ☐ Consult ☐ Involve ☐ Collaborate ☐ Empower

Comment(s):

The tax insert and City social media channels will communicate information on the new COVID-19 Financial Relief Grant program. As well, a press release will be issued.

KATZIE FIRST NATION CONSIDERATIONS

Referral ☐ Yes ☒ No

SIGN-OFFS

Written by:

Mark Roberts, Chief Administrative Officer
Cheryl Harding, Director of Financial Services

ATTACHMENT(S):

- A. Capital Project Budgets Amended
- B. COVID-19 Financial Relief Grant Policy

CAPITAL PROJECTS – AMENDED
(Either Cancelled, or Scope Adjusted, or Surplus Identified)

Category Code Name	CostCenter Description	Budget Reduction (cancellation, scope change or surplus)
8130 HUMAN RESOURCES CAPITAL	190003 - COMPENSATON BENCHMARK STUDY #1	(1,000)
8130 HUMAN RESOURCES CAPITAL Total		(1,000)
8140 COMMUNICATIONS CAPITAL	180005 - PUBLIC ENGAGEMENT #18-CM-095	(15,000)
8140 COMMUNICATIONS CAPITAL Total		(15,000)
8150 IT CAPITAL	150020 - FIBRE MAINTENANCE #14-IT-082	(3,500)
8150 IT CAPITAL	190018 - AV REPLACEMENTS #19-IT-002	(6,900)
8150 IT CAPITAL Total		(10,400)
8160 GEN GOVT FACILITIES CAPITAL	150004 - CITY FAC-LIFECYCLE MNTCE #15-F	(65,000)
8160 GEN GOVT FACILITIES CAPITAL	180026 - FACILITIES ASSESSMNT #18-FA-10	(10,000)
8160 GEN GOVT FACILITIES CAPITAL	190081 - CAO OFFICE FURNITURE 19-FA-015	(5,000)
8160 GEN GOVT FACILITIES CAPITAL Total		(80,000)
8240 BYLAW ENFORCEMENT CAPITAL	200009 - 2ND BIKE AND BIKE RACK #20-DE-	(3,000)
8240 BYLAW ENFORCEMENT CAPITAL Total		(3,000)
8300 TRANSPORTATION CAPITAL	080012 - ACTIVE TRANSPORTATION #09-TR-0	(22,000)
8300 TRANSPORTATION CAPITAL	090029 - AERIAL PHOTO RENEWAL #09-IT-03	(370)
8300 TRANSPORTATION CAPITAL	120017 - ARENA PARKING LOT REPAVE #12-T	(15,100)
8300 TRANSPORTATION CAPITAL	180007 - TRAFFIC CALM ENGAGE & IMPL #18	(15,000)
8300 TRANSPORTATION CAPITAL	200011 - STREETLIGHT LED PROGRAM DP #20	(10,000)
8300 TRANSPORTATION CAPITAL Total		(62,470)
8320 OPERATIONS FACILITIES CAPITAL	170029 - WORKSYARD OFFICE EXPANSION #17	(242,300)
8320 OPERATIONS FACILITIES CAPITAL Total		(242,300)
8410 WATER CAPITAL	140013 - WILDWOOD CRES MAIN REPLACMNT #	(103,000)
8410 WATER CAPITAL	180068 - WATER ASSET CONDITN ASSESMNT #	(3,000)
8410 WATER CAPITAL Total		(106,000)
8471 DIKING AREA #1 CAPITAL	170045 - DIKE MASTER PLAN #17-DK-047N	(65,000)
8471 DIKING AREA #1 CAPITAL Total		(65,000)
8480 ENVIRONMENTAL STEWARDSHIP CAP	170037 - COMMUNITY CARBON OFFSET PROJ #	(2,000)
8480 ENVIRONMENTAL STEWARDSHIP CAP	190051 - ENVIRONMENTAL STEWSHIP LAPTOP	(5,000)
8480 ENVIRONMENTAL STEWARDSHIP CAP	200020 - STORM DRAINAGE STUDY HAMMOND #	(10,000)
8480 ENVIRONMENTAL STEWARDSHIP CAP	200021 - SOIL BYLAW UPDATE #20-ES-002	(8,500)
8480 ENVIRONMENTAL STEWARDSHIP CAP Total		(25,500)
8550 PLANNING AND DEVELOPMENT CAPI	190052 - CANNABIS IMPLEMENTATION #19-DE	(50,000)
8550 PLANNING AND DEVELOPMENT CAPI Total		(50,000)
8600 PARKS CAPITAL	080006 - CIVIC CENTRE SIGNAGE #13-FA-06	(32,000)
8600 PARKS CAPITAL Total		(32,000)
8630 RECREATION CAPITAL	000018 - RECREATION MISC EQUIPMENT #08-	(60,000)
8630 RECREATION CAPITAL	140034 - SENIORS CNTRE EQUIPMENT #14-RE	(3,200)
8630 RECREATION CAPITAL	200025 - FEES AND CHARGES REVIEW #20-RE	(10,000)
8630 RECREATION CAPITAL Total		(73,200)
8640 REC & CULT FACILITIES CAPITAL	120005 - ARENA BLDG & EQUIPMENT #13-AR-	(70,000)
8640 REC & CULT FACILITIES CAPITAL	180004 - HERITAGE HALL HVAC&MISC LIFEC	(5,000)
8640 REC & CULT FACILITIES CAPITAL	190004 - COTTONWOOD PARK SEPTIC SYSTEM	(25,000)
8640 REC & CULT FACILITIES CAPITAL	990028 - REC FACILITIES MNTC & UPGRDES	(75,000)
8640 REC & CULT FACILITIES CAPITAL Total		(175,000)
8660 CULTURE CAPITAL	170008 - ARTS AND SPECIAL EVNTS STRTUP	(36,165)
8660 CULTURE CAPITAL	180085 - COMMUNITY ART PROJECT #18-AC-0	(9,400)
8660 CULTURE CAPITAL	180088 - ART STORAGE AREA & SUPPL #18-A	(8,000)
8660 CULTURE CAPITAL	180089 - LIGHTING & SOUND SYSTEM #18-AC	(10,000)
8660 CULTURE CAPITAL Total		(63,565)
Grand Total		(1,004,435)

COUNCIL POLICY C104

05 - Finance

COVID-19 Financial Relief Grant

Effective Date: [Month DD, YYYY]

Policy Statement

1. The intent of this Policy is to guide the City in managing the COVID-19 Financial Relief Grant.

Purpose

2. The purpose of the COVID-19 Financial Relief Grant is to provide financial relief to privately owned residential properties within Pitt Meadows for the 2020 calendar year.

Scope

3. This policy applies to private individuals owning residential property as identified on the BC Assessment Roll within the Class 1 Residential Classification.

Exclusions

4. This policy does not include residential property owned by businesses since legislation prohibits the provision of grants to businesses per *Community Charter Section 25 (1)*.

Policy

Definitions

5. In this policy,
 - (a) **Single Family** means the Assessment Roll properties identified as single family within the Class 1 Residential classification as produced by BC Assessment Authority.
 - (b) **Multi-Family** means the Assessment Roll properties identified as multi-family within the Class 1 Residential classification as produced by BC Assessment Authority.

(c) **Grant** means COVID-19 Financial Relief Grant Program.

Roles and Responsibilities

6. **Council will:**
 - (a) approve this Policy;
 - (b) approve future amendments to this Policy; and
 - (c) approve the budget to fund the payment of the Grant.
7. **The Chief Administrative Officer will:**
 - (a) implement this Policy;
 - (b) bring forward future amendments to this Policy for Council's consideration; and
 - (c) approve amendments to the budget to fund the payment of the Grant provided they can be accommodated within the City's overall capital program.
8. **The Chief Financial Officer will:**
 - (a) ensure compliance with this Policy as required.

Prohibitions

9. Any properties owned by businesses are not eligible for the COVID-19 Financial Relief Grant as per *Community Charter Section 25 (1)*.

Procedures and Guidelines

10. Individual grants
 - (a) will be applied to the 2020 Assessment Roll property accounts;
 - (b) are limited to one grant per property folio; and
 - (c) will be in the amount of:
 - (i) \$150 for Single Family Property Owner, OR
 - (ii) \$100 for Multi-Family Property Owner, OR
 - (iii) \$100 for Vacant or Other Class 1 Properties.

11. In the event the application of a Grant results in the property tax notice being a negative balance (excluding prepayments and other credits), the Grant will be reduced to bring the negative balance up to zero.
12. The taxes levied on behalf of other jurisdictions (including Provincial School Taxes, TransLink, British Columbia Assessment Authority, Greater Vancouver Regional District and Municipal Finance Authority of British Columbia) will remain unaffected by the Grant and will be due and payable as stipulated on the property tax notice.
13. In the event a property owner elects to defer property taxes under the provincial property tax deferment program, the Grant will be applied before deferment is processed.
14. Property owners have the option to waive the Grant. Requests to waive the Grant will be processed upon receipt of the request.
15. The Grant will be applied after all other payments and credits and is not refundable. If the Grant results in a net credit account balance, the credit will remain on the account until the following year.