

Report to Council



Date: April 6, 2020
File: 0250-20
To: City Manager
From: Genelle Davidson, Divisional Director Financial Services
Subject: COVID19, Financial Operations temporary changes
Report Prepared by Jackie Dueck, Controller

Recommendation:

THAT Council receives, for information, the report from Divisional Director, Financial Services, dated April 6, 2020, with respect to temporary changes to financial operational practices;

AND THAT Council directs staff to maintain the current tax due date of July 2, 2020;

AND THAT Council directs staff to bring forward a bylaw amendment to Property Tax Bylaw 11791 to change the penalty date to move the 10% penalty for late payment of property taxes to September 1st, 2020;

AND THAT Council directs staff to bring forward a Revenue Anticipation Borrowing Bylaw that will provide for the ability to short term borrow until tax revenues have been collected;

AND THAT Council directs staff to allow property tax customers that are on monthly payment plans to request auto-withdrawals be put on hold starting April 7, 2020 to August 31, 2020;

AND THAT Council directs staff to bring forward a bylaw amendment to the Utility Billing Customer Care Bylaw 8754 to temporarily waive interest charges on Utility Bills from April 2020 to August 31, 2020;

AND THAT Council directs staff to allow utility customers on monthly payment plans to request auto-withdrawals be put on hold starting April 7, 2020 to August 31, 2020;

AND THAT Council directs staff to waive interest charges on Accounts Receivable accounts (i.e. permits, licenses, rents) as of April 7, 2020 until August 31, 2020;

AND THAT Council directs staff to suspend Collection Agency efforts in the collection of outstanding accounts receivable customers as well as parking tickets starting April 7, 2020 until August 31, 2020;

AND THAT Council directs staff to waive the returned cheque fee between April and August 31, 2020 upon approval of updated bylaw;

AND FURTHER THAT Council directs staff to bring forward a bylaw amendment to the Fees and Charges Bylaw 9381 to temporarily waive the returned cheque fee from April to August 31, 2020.

Purpose:

To provide Council with recommendations for temporary changes to financial operations to support citizens of Kelowna during the extraordinary circumstances of the COVID 19 Pandemic.

Background:

Considering the COVID19 pandemic and the current economic outlook, Financial Services staff have reviewed operational practices in order to determine where the City can support our taxpayers and customers by providing relief, while still being able to provide essential services. The areas being addressed include Property Tax Due Date and penalty, Utility Billing, Accounts Receivable interest and collection and the Returned Cheque fee.

Financial Services has tracked the relief that other Municipalities across the country are providing and have considered what flexibility our municipality may have while still following British Columbia Provincial legislation. Although staff, and many other financial officers across the Province have had weekly calls with the Province regarding potential relief for our customers, the Province has yet to change any legislative deadlines for Municipalities. Staff have reviewed and reassessed the City's budget and cash flow, Provincial legislation as it relates to municipalities as well as City of Kelowna Bylaws and Policies to determine the following recommendations.

The recommendations are for temporary changes from April to August 31, 2020 with the intention of reassessing the situation at that point in time.

Property Tax due date

The recommendation is to maintain the current due date of July 2, 2020 with a 0% penalty and to move the required 10% penalty for late property tax payment to September 1, 2020. This means that property taxes must be paid by midnight on August 31, 2020 in order to be exempt from the penalty charge.

Maintaining the due date but pushing out the penalty date for two months, supports some of the City's requirements for cash flow assuming those that can pay, will, and provides a relief measure for individuals who require more time to pay. It also provides more time for taxpayers to claim their Home Owners Grant (HOG) and/or apply for the provincial deferment program.

It is also recommended that property tax customers on monthly payment plans be allowed to request their auto-withdrawals be put on hold between April and August 31, 2020 so that they have the opportunity for more flexibility if they require it.

Making these changes will result in the likely risk that the City could have insufficient funds to pay all or part of the other taxing authority payments during this period of time while also continuing to provide City essential services. The City recognizes that other taxing authorities which include the Regional Hospital, Schools and Regional District of Central Okanagan may rely on the funding we collect on their behalf, to operate their services.

To mitigate the cash flow risk staff are requesting Councils support in establishing a Revenue Anticipation Borrowing Bylaw which allows the City to borrow funds until tax revenues are collected. The rate of borrowing (1.85%-1.95%) is comparable to the interest that would be charged on any late payments to the Province for school taxes. Cash flow risk is also mitigated as it is expected that those who pay their taxes through their mortgage companies will continue to pay in this manner and that these will be paid by the due date and a good portion of taxes due from those that pay by pre-authorized payments have been collected already. This accounts for approximately 24% of tax payments.

Utility Bills

Recommendation is to waive interest charges on utility bills from April to August 31, 2020.

It is also recommended that utility billing customers on monthly payment plans be allowed to request their auto-withdrawals be put on hold between April and August 31, 2020 so that they have the opportunity for more flexibility if they require it.

Accounts Receivable - Interest and Collection

Recommendation is to waive interest charges on Accounts Receivable accounts (i.e. permits, licensing, rents etc.) from April until August 31, 2020.

It is also recommended that Collection Agency efforts be suspended from April to August 31, 2020 for the collection of outstanding accounts receivable accounts. i.e. permits, licenses, rents and parking tickets.

Returned Cheque Fee

Recommendation is to waive the returned cheque fee from April until August 31, 2020.

Conclusion:

Considering the significant impact that COVID19 is having on the Community, staff have provided the recommendations above for Council consideration to provide support for City of Kelowna taxpayers and customers. These financial impacts will be considered through the upcoming proposed Final Budget, to balance these financial provisions with mind to the continuation of essential services as well as maintenance and support of economic stability through the provision of jobs within the Community.

Should Council endorse staff's recommendations those that do not require a bylaw amendment will be implemented on Tuesday April 7, 2020 and those requiring bylaw amendments will be implemented upon approval of the bylaws.

Internal Circulation: Stephen Fleming, City Clerk

Legal/Statutory Procedural Requirements: Property Tax Penalty Bylaw 11971, Utility Billing Customer Care Bylaw 8754, Fees and Charges Bylaw 9381

Financial/Budgetary Considerations:

Financial impacts include reductions in the anticipated receipt of the budgeted amount of \$850,000 in property tax penalty revenue, the \$85,000 in Utility Billing interest charges, \$45,000 in Accounts Receivable interest and will need to cover the costs of a portion of the returned cheques \$10,600. The 2020 Final Budget revenues will be lowered to reflect actual anticipated revenues.

Considerations not applicable to this report:

Legal/Statutory Authority:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by: J. Dueck, Controller

Approved for inclusion:

GD

G. Davidson, Divisional Director Financial Services

cc:

S. Fleming, City Clerk

C. Weaden, Divisional Director, Corporate Strategic Services