



Office of the Commissioner
Finance Department

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

From: Laura Mirabella, FCPA, FCA
Commissioner of Finance and Regional Treasurer

Date: April 21, 2020

Re: Additional Financial Information Regarding Waiving Interest on Property Tax Instalments in Response to COVID-19

On April 16, 2020, Committee of the Whole considered a report, "[Waiving Interest on Property Tax Instalments in Response to COVID-19](#)." Consideration of the recommendations was referred to the April 30, 2020 Council meeting. Committee asked staff to provide further financial information for the two options presented in the report and additional scenarios based on the discussion.

Two options were considered in the report

Option 1 (Recommended): Waiving of interest on any portion of the four tax levy instalments in 2020 not remitted to the Region, as a direct result of a local municipality's COVID-19 tax relief program for 90 days, following the normal tax instalment dates.

Option 2: Waiving of interest on any portion of tax levy instalments not remitted to the Region, as a direct result of a local municipality's COVID-19 tax relief program until December 31, 2020.

Two additional scenarios were discussed at Committee

Scenario 1: Postponement of the remaining 2020 due dates for property tax installments by 90 days.

Scenario 2: Waiving interest until January 1, 2021 on any portion of property tax instalments, for the 2020 taxation year, not remitted to the Region as a direct result of a local municipality's COVID-19 tax relief program, save and except for the interest related to the final 2020 installment which shall be waived until March 31, 2021.

Interest waiving measures expect local municipalities to continue to remit taxes collected whilst deferral scenario would see payments on deferred dates

Under the interest waiving options and scenario, it is still expected the local municipalities would continue to remit any taxes collected on behalf of the Region. As such, the actual amount of interest ultimately waived and cost incurred to the Region would be much lower than the maximum amounts allowed. Under the deferral scenario, local municipalities would remit the Regional tax instalments on the revised due dates, even if they had previously collected property taxes from residents and businesses.

To estimate the cost of each option, staff made local collection and remittance assumptions to reflect decreasing remittance levels as the length and depth of negative economic impacts continues. It should be noted, this contrasts with the report, which reported the maximum interest waiver only.

Table 1
Property Tax Instalment Dates and Remittance Level Assumptions

	Instalment Date	Assumed Tax Instalment Remittance Level	Instalment (\$M)	Estimated Outstanding Amount (\$M)
Interim	April 30, 2020	90%	\$283.6	\$28.4
Interim	June 30, 2020	75%	\$283.6	\$70.9
Final	September 30, 2020*	60%	\$308.8	\$123.5
Final	December 15, 2020*	60%	\$308.8	\$123.5

* Estimated dates based on historic tax instalment dates. Final tax instalments for 2020 have not yet been approved by Council.

The options and scenarios will result in a range of interest costs to the Region and cost savings to the local municipalities

Based on the assumed remittance levels, it is estimated that the waiving of interest charges would result in the waiver of \$13 million to \$18 million in interest or savings to local municipalities with associated costs to the Region of \$2 to \$3 million. The Region has sufficient liquidity provision to manage the delay of receiving the equivalent of up to one full tax instalment for three months. However, beyond that amount or duration, the Region would face liquidity risks which would require short-term external borrowing or inter-reserve borrowing to finance operations. The costs associated with funding the delay, including interest costs, will be repaid

through future property tax revenues. These estimates are based on the remittance levels assumed. Should they be lower, the costs and financial risks to the Region would be higher.

The full postponement of regional tax instalment due dates by 90 days each, would result in the waiver of \$44 million in interest for the local municipalities, at a cost of over \$6 million to the Region. Because local municipalities would be able to use any Regional property taxes collected from residents and businesses to finance their operations for 90 days, they would also be avoiding internal or external short-term borrowing costs of approximately \$4.6 million.

Table 2
Savings to Local Municipalities vs. Maximum Cost to the Region (\$M)

Option/Scenario	Description	Value of Relief/ Saving to Locals	Cost to the Region	Financing Costs Avoided for Locals**
Option 1* (Recommended)	Waiving Interest - 90 days	12.81	1.88	NA
Option 2*	Waiving Interest - till Dec 31, 2020	13.70	2.01	NA
Scenario 1	Deferral - 90 days	43.83	6.43	4.55***
Scenario 2*	Option 1 + Option 2	18.36	2.69	NA

* Interest waiving estimates are based on assumed tax remittance levels depicted in Table 1

** Because the local municipalities would only be required to remit to the Region tax instalments on the deferred dates, despite that they would have collected property taxes from residents and businesses, it provides a financing mechanism to the local municipalities for their operations

*** Local municipality borrowing rates are assumed to be the same as the Region's

Compared with interest waiving measures, the deferral scenario is the most costly to the Region but provides the highest value of relief to the local municipalities.

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Commissioner of Finance

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