

AGENDA ADDENDUM

SPECIAL MEETING OF COUNCIL

Monday, April 20, 2020

7:00 p.m.

To be held virtually but audio streamed at

<http://app.dnv.org/councillive/>

Council Members:

Mayor Mike Little

Councillor Jordan Back

Councillor Mathew Bond

Councillor Megan Curren

Councillor Betty Forbes

Councillor Jim Hanson

Councillor Lisa Muri



NORTH VANCOUVER
DISTRICT

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AGENDA ADDENDUM

3. BUSINESS

3.1 **Bylaw 8418: Reserve Funds Bylaw** File No.

Please note: Joint report submitted for items 3.1, 3.2 and 3.5

Recommendation:

THAT the April 16, 2020 report of the General Manager – Finance & CFO entitled COVID-19 Financial Management is received for information.

3.2 **Bylaw 8435: 2020-2024 Financial Plan Approval Bylaw** File No.

Please note: Joint report submitted for items 3.1, 3.2 and 3.5

Recommendation:

THAT the April 16, 2020 report of the General Manager – Finance & CFO entitled COVID-19 Financial Management is received for information.

3.5 **Waiving Interest on Overdue (non-tax) Accounts Receivable** File No.

Please note: Joint report submitted for items 3.1, 3.2 and 3.5

Recommendation:

THAT the April 16, 2020 report of the General Manager – Finance & CFO entitled COVID-19 Financial Management is received for information.

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REPORTS

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COUNCIL AGENDA/INFORMATION			
<input type="checkbox"/> In Camera	Date: _____	Item # _____	
<input type="checkbox"/> Regular	Date: _____	Item # _____	
<input type="checkbox"/> Agenda Addendum	Date: _____	Item# _____	
<input type="checkbox"/> Info Package			
<input type="checkbox"/> Council Workshop	DM# _____	Date: _____	Mailbox: _____



**The District of North Vancouver
REPORT TO COUNCIL**

April 16, 2020
File:
Tracking Number: RCA -

AUTHOR: Andy Wardell, General Manager, Finance & CFO

SUBJECT: COVID-19 Financial Management

RECOMMENDATION:
THAT Council receive this report for information.

REASON FOR REPORT:
To update Council on the District’s cash position and the measures that may be necessary to address the financial impacts of the COVID-19 Pandemic. The Pandemic will have a material impact on the District’s cash position driven primarily from risks associated with the collection of property taxes, utility fees and other revenues.

While both the Federal and Provincial governments have created major fiscal stimulus packages totalling approximately \$300 Billion to protect economic fallout none of these measures directly support local governments at this time.

Early recovery of both the US and Canadian economies must be balanced with Public Health Officer orders and recommendations including the potential for a 2020 fall recurrence of COVID-19.

SUMMARY:
Even with the April 16th announcement of local government support by the Provincial there are risks to local government associated with cash flow including no change in the potential for significant non-payment of property taxes, utilities fees and other revenues which are the primary sources of funds that sustain municipal operations. The structure of the Provincial announcement expects a July 2nd property tax due date, provides no relief for residents, school tax relief for commercial tax classes and a statutory penalty date of October 1st (only for those commercial tax classes). Further, full payments of taxes for Metro Vancouver, Translink and BC Assessment must be paid in full in August 2020 whether fully collected or not. Some relief is provided in that School taxes must be paid by December 31, 2020.

Community Charter Section 189 restricts the use of funds placed into statutory reserves for restricted purposes. Within certain highly restrictive parameters those funds cannot be used for any other purpose. This changed on April 16, 2020 as the Provincial announcement provides interest free internal borrowing from these capital reserves for purposes other than capital purposes with a requirement to repay any amount borrowed within five years. The District's statutory (capital, DCC and CACS) reserves hold \$90 million. At this time the District's unrestricted cash flow should be sufficient and there is no current need to access statutory reserves.

We expect our existing cash flow position, inclusive of non-statutory reserves, to serve as a buffer during the Pandemic and through the potentially lengthy economic recovery that follows.

While Government Finance Officers best practices support the creation statutory reserves and various risks it appears that the scope is not sufficient for major events like a Pandemic. Neither did the Community Charter as up until April 16, 2020 it restricted capital reserves to capital purposes.

For these reasons the CFO has taken a conservative position and, with the advice of the municipal solicitor, created a series of non-statutory general purposes reserves and transferred non-statutory reserve fund balances (at December 31, 2019) to these general purposes reserves. This transfer was recorded as part of the March 2020 quarter end. This creates the maximum financial flexibility for the District to continue essential services for the foreseeable future. With this move, Council, on April 20th, 2020 can proceed to approve both the new Reserve Fund Bylaw and the 2020 to 2024 Financial Plan and then make amendments as new information becomes available.

Staff are currently modelling long-term cash flow implications and will be making recommendations to Council on 2020 to 2024 financial plan amendments.

BACKGROUND:

On February 28 the Office of the Provincial Health Officer issued a memo outlining ways local governments can prepare for COVID-19, including assessing the possibility of short-term decrease in revenue.

On March 17, 2020 B.C.'s provincial health officer declared a public health emergency enabling the District to claim eligible COVID-19 response costs. Many of the District's community facilities closed the same day and soon after Canada announced its [COVID-19 Economic Response Plan](#) and BC announced its [COVID-19 Action Plan](#).

Both plans provide supports for individuals, businesses and industries including temporary income supports, payment deferrals, access to credit and a 50% reduction in school taxes as well as wage subsidies for business and industry (but not public sector workers).

EXISTING POLICY:

On March 9 Council gave first three readings to Reserve Funds Bylaw 8418 and Financial Plan Bylaw 8435, which includes a 3% property tax increase.

Community Charter Section 189 restricts the use of funds placed into statutory reserves for restricted purposes. Within certain highly restrictive parameters those funds cannot be used for any other purpose. This changed on April 16 2020 as the Provincial announcement provides interest free internal borrowing from these capital reserves for purposes other than capital purposes with a requirement to repay any amount borrowed within five years. The District's statutory (capital, DCC and CACS) reserves hold \$90 million. At this time the District's unrestricted cash flow is sufficient and there is no current need to access statutory reserves.

Community charter (s.165.9) states that "If actual expenditures and transfers to other funds for a year exceed actual revenues and transfers from other funds for the year, the resulting deficiency must be included in the next year's financial plan as an expenditure in that year".

Every year the District's Financial Plan already includes a \$3 million provision for emergency expenditures.

ANALYSIS:

COVID-19 has brought an unprecedented situation to local governments across Canada and a great deal of uncertainty remains regarding the length of the pandemic response.

After the closure of community facilities and partial closure of park facilities, the remaining essential municipal services continue amid declining business and economic activity. While senior government support programs are focused on providing individuals and businesses with continuing income to meet their obligations, COVID-19 will still impact their ability to pay.

The District's strong financial position relies on a stable cash flow, primarily from the collection of tax and utility fees in the middle of the year. There's now uncertainty around the timing and rate of that collection.

While the District has less risk in its non-tax revenue streams than other municipalities (e.g. limited pay parking revenue), permanent revenue losses due to facility closures and declining economic activity have the potential to produce a budget shortfall.

Items for Council's Meeting – April 20, 2020

To address the uncertainty regarding the length of the pandemic response, staff are recommending the following near term actions to strengthen the District's cash position and support residents and businesses:

For Council Action (resolution required):

1. Reserve Fund bylaw - Staff recommend going back to 3rd reading, removal of the transfers of funds in Sections 4 to 7, then adoption as amended.
2. 2020 - 2024 Financial Plan Approval Bylaw (Bylaw 8435) - Staff recommend adoption as presented.
3. Following adoption of the 2020 - 2024 Financial Plan Approval Bylaw (Bylaw 8435), the following resolution would be in order:

THAT the 2020 tax levy increase be reduced from 3% down to 2%.

4. Fees & Charges Bylaw - waiving interest on overdue non-tax accounts and extending utility payment due dates for up to 120 days. Staff recommend adoption as presented.

For Direction to Staff:

5. Providing tenant rent deferrals on a case by case basis.
6. Issuance of tax notices on July 2nd with penalties set at 2% in July and 8% in September showing support for residents and business within the limited flexibility Provincial laws provide. Staff to bring back to Council an amendment to the Municipal Tax Collection Bylaw 7722 for 2020.
7. Enhance the profile of the Province's Property Tax Deferral Program. In the absence of any Provincial program expansions to support residents paying their property taxes and utility fees, guide residents to existing provincial and deferral relief programs. Currently only 15% of resident utilize the Province's property tax deferral program. Based on demographics this could go as high as 70% if residents understood the benefits.

Timing/Approval Process:

All municipalities in BC must have a financial plan (or budget) that is adopted annually, by bylaw, before the annual property tax bylaw is adopted. The financial plan may be amended by bylaw at any time. Generally, the bylaw is amended twice a year: once in spring and once in fall. The bylaw authorizes continued operations until Council adopts the 2021 - 2025 Financial Plan. Early adoption enables earlier procurement thereby securing services and potential cost savings in competitive markets.

Concurrence:

The municipal solicitor concurs with this report.

Financial Impacts:

Quantification of impacts is ongoing.

Liability/Risk: (what exposure we have)

At this time the assumption is that no Provincial support is forthcoming. It is early days and the District needs to manage its risks. The adjustments to reserves and the near term actions outlined in this report are the first measures being take to reduce financial risks. Additional measures will need to be taken and will continue to be worked upon.



Andy Wardell
General Manager & CFO

SUBJECT: COVID-19 Financial Management

April 15, 2020

<u>REVIEWED WITH:</u>	<u>REVIEWED WITH:</u>	<u>REVIEWED WITH:</u>	<u>REVIEWED WITH:</u>
<input type="checkbox"/> Sustainable Community Development	<input type="checkbox"/> Clerk's Office	External Agencies:	Advisory Committees:
<input type="checkbox"/> Development Services	<input type="checkbox"/> Corporate Services	<input type="checkbox"/> Library Board	<input type="checkbox"/> _____
<input type="checkbox"/> Utilities	<input type="checkbox"/> Communications	<input type="checkbox"/> NS Health	<input type="checkbox"/> _____
<input type="checkbox"/> Engineering Operations	<input type="checkbox"/> Finance	<input type="checkbox"/> RCMP	<input type="checkbox"/> _____
<input type="checkbox"/> Parks & Environment	<input type="checkbox"/> Fire Services	<input type="checkbox"/> Recreation Commission	
<input type="checkbox"/> Economic Development	<input type="checkbox"/> Human resources	<input type="checkbox"/> Other: _____	
	<input type="checkbox"/> ITS		
	<input type="checkbox"/> Solicitor		
	<input type="checkbox"/> GIS		