

Report

City of Merritt
REGULAR Council Meeting
April 7, 2020

File Number: 1610

To: Scott Hildebrand, Chief Administrative Officer
From: Sheila Thiessen, Director of Finance & IT
Date: April 2, 2020
Subject: Financial Considerations Related to COVID - 19

RECOMMENDATION:

THAT Council receive this report for information.

Background:

The COVID – 19 pandemic has had a major impact on City operations. The full consequences of this pandemic are not known. City staff are working to maintain essential services, protect the health of the employees and provide support to other agencies and levels of government as required.

The impact of the pandemic on the City's finances is unknown at this point. There are many variables to consider, including reduced revenues, level of expenditures required, and the impact on the taxpayer and community.

Municipal Finance officers have approached the Province for direction or options in relation to tax payable deadlines, ability to adjust penalties and other items to enable municipalities to respond to COVID – 19 in a fiscally responsible manner.

The major issue that municipalities will be facing is cash flow. This is a result of the following factors:

1. Reduced revenues due to closed facilities and programs, business closures impacting utility consumption
 - a. Fixed costs remain

2. Collection issues related to taxpayer's ability to pay
 - a. Payments to other authorities may still be required even if the City doesn't collect.
3. Financial Market uncertainty
 - a. Lower interest revenues
 - b. Ability to finance capital projects may be impacted

The actions that the City will be considering are:

1. Use of reserves and surpluses
 - a. Internal borrowing from some statutory reserves for cash flow if possible
2. Reduction of costs
3. Reconsideration of capital projects

Options / discussion

Staff are developing scenarios to show the impact on the budget as presented in draft, along with suggestions for revisions due to the new reality that the City is facing. It is important that both the short- and long-term implications are considered.

Financial / Risk Implications:

It is important that Council or staff do not make any announcements on the City's response before all impacts have been considered.

Committing to a path without looking at the whole picture could limit the City's ability to get back to financial security in the long term. Staff is requesting Council's support in allowing the time to be able to present well thought out proposals for moving ahead.

The May 15th deadline for Financial Plan and Tax Rate Bylaws are still in place now and staff is working diligently to meet those deadlines, while addressing the response to the issues the pandemic presents.

Others Consulted:

Finance staff are working with other municipal finance departments to consider all the possible responses to this unprecedented circumstances that we are facing.

The Government Financial Officers Association of BC (GFOABC) has been meeting regularly with the Provincial Ministries, Municipal Financial Authority (MFA), BC Assessment Authority (BCAA) and representatives of a variety of municipalities and regional districts to ensure that the Province has all the relevant information needed to make decisions.

There was a webinar yesterday that over 160 Municipal Finance Professionals attended to discuss the issues that this group has been considering.

It is hoped that in the next few days, the Province will be providing a circular that details what the municipalities and regional districts will be able to do in order to address the issues raised.

Respectfully submitted,

Sheila Thiessen, CPA, CMA
Director of Finance & IT