

**DATE:** January 28, 2021

**TO:** MAYOR AND COUNCIL

**NAME AND TITLE:** Kris Dalio, Director of Finance

**SUBJECT:** Tax and Utility Deadlines for 2021

**ATTACHMENT(S):** None

**RECOMMENDATION(S):**

That Council:

1. GIVES FIRST THREE READINGS to “City of Prince George Alternative Municipal Tax Collection Scheme Bylaw No. 7280, 2001, Amendment Bylaw No. 9175, 2021”;
2. GRANTS FINAL READING AND ADOPTION to “City of Prince George Alternative Municipal Tax Collection Scheme Bylaw No. 7280, 2001, Amendment Bylaw No. 9175, 2021”;
3. GIVES FIRST THREE READINGS to “City of Prince George Comprehensive Fees and Charges Bylaw No. 7557, 2004, Amendment Bylaw No. 9176, 2021”; and
4. GRANTS FINAL READING AND ADOPTION to “City of Prince George Comprehensive Fees and Charges Bylaw No. 7557, 2004, Amendment Bylaw No. 9176, 2021”.

**PURPOSE:**

This report has been prepared to establish tax and utility deadlines and applicable penalties for the 2021 calendar year.

**POLICY/REGULATORY ANALYSIS:**

The *Community Charter* sets July 2<sup>nd</sup> as the property tax deadline for municipalities with a mandatory 10% penalty to be applied to payments that are outstanding past the deadline. However, municipalities have the ability to set a different deadline and penalty system through a bylaw process. While legislatively the penalty must add up to 10% in the calendar year, municipalities can alter how the 10% is distributed.

Council has the ability to set deadlines, penalties and/or applicable interest on utility payments through the City’s Comprehensive Fees and Charges Bylaw. The general guidance is that user fees for services (including interest and penalties) must be related to the cost of providing the services; an inordinately high interest rate or penalty would be subject to challenge.

**BACKGROUND:**

**Property Tax Deadlines**

The City already has an existing bylaw that changes the deadline and penalty system for property taxes. It exercises that ability through Bylaw 7280. This bylaw establishes the deadline to the first Friday in July (unless that Friday is Canada Day, in which case it is moved to July 8<sup>th</sup>). While legislatively the penalty must add up to 10% in the calendar year, municipalities can alter how the 10% is distributed. Currently, the City distributes that 10% through a 5% penalty to outstanding amounts after the first Friday in July and an additional 5% penalty to outstanding amounts after the second Friday in September. In 2020, the City changed the second 5% penalty date to October 1<sup>st</sup> to align with provincial measures that were put in place for the business and industry tax classes. Interest rates are regulated by the Province and interest is not applied until January 1<sup>st</sup> of the following year.

The City also collects taxes on behalf of other organizations: Hospital, School District, Regional District (including the 9-1-1 funding), Municipal Finance Authority and BC Assessment. The deadline for paying these other organizations is also regulated by the Province and funds are due on July 31<sup>st</sup>, whether the City has collected the taxes or not. The Province made an exception to this in 2020 for the School Tax and extended the deadline to December 31<sup>st</sup> of that year. There is no indication yet that the same extension will be applied in 2021. The budgeted 2020 tax collection for School Tax is \$28.9 million. The remaining organizations' taxes total \$15.9 million. If the deadline for the City's property taxes was delayed further than July, the City's cash flow would be severely compromised when remitting the necessary July payments, coupled with the added risk of high delinquency of this year's collection. Unless the Province extends their July 31<sup>st</sup> remittance deadlines or provides a "backstop" to municipalities for uncollected property tax revenue, it is Administration's recommendation to not defer property taxes past the first Friday in July.

One other measure that took place in 2020 was to defer the annual tax sale. The City must offer for sale by public auction every parcel with unpaid taxes that have been delinquent for a period of two years. As per Section 645 of the *Local Government Act*, the annual tax sale takes place at 10am, on the last Monday in September, in Council Chambers. At this time, Administration is uncertain as to whether the ability to defer a tax sale again will be in place for 2021. The reason the City historically has the second 5% penalty deadline on the second Friday of September is so that the full upset price is reflected at the time of the tax sale and are inclusive of all penalties for the year. Administration is recommending the reinstatement of that deadline to restore the alignment of our practices before annual tax sales are conducted.

### **Utilities Deadlines and Late Payment Charges**

Currently, the City collects the annual revenue for its flat accounts in two payments a year - in early April and early October. These payments represent the periods of January 1<sup>st</sup> – June 30<sup>th</sup> and July 1<sup>st</sup> – December 31<sup>st</sup>. The annual revenue for metered accounts is collected quarterly and the deadlines are roughly six weeks after March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup>. A 10% penalty is applied to any amounts that are unpaid on the respective deadlines. There are no interest charges unless the bill remains unpaid long enough to roll over to unpaid taxes, at which point the Provincial regulated interest rate applies.

In order to provide financial relief to utility payers in the second half of 2020, Council eliminated the 10% penalty for late payments. Administration recommends that in 2022, the utility **penalty payment** system for overdue utility accounts be replaced by an **interest payment** system for overdue utility accounts. This change to the software that manages our utility accounts will need to be developed. It is anticipated that this can be developed and implemented for 2022. The recommend interest rate would be the interest rate established under Section 11(3) of the *Taxation (Rural Area) Act*, which is

the rate that is also used to calculate the interest on taxes in arrears or delinquent. The rate is based on 3.00% above the prime lending rate of the principal banker to the Province of British Columbia. The rate as of the date of this report is 5.45% (2.45% + 3.00%).

### Housekeeping Items

Administration would like to take the opportunity to update the Fees and Charges Bylaw in some other areas at the same time as this report. They are summarized as follows:

- Amalgamation of Schedule B-1 (CN Centre) and Schedule B-2 (Community Arenas) - Under the realigned PG Events Group structure (from October 2019), this amalgamation makes for a more cohesive Fees and Charges structure for our Entertainment and Event Services staff as well as our clients. As the majority of language and terms in both Schedule B-1 and B-2 were identical, this change results in the elimination of Schedule B-1 and provides a multi-page reduction for our indoor arenas that provides a simplified and streamlined Schedule for user groups. Additional specific housekeeping items include:
  - Adding a clause in all fee categories stating the City reserves the right to adjust the level of service under extenuating circumstances such as a pandemic.
  - Recreation Events – Secure Dates/Exclusive - added “major tournaments and test days” to the list along with the existing language of provincial or national competitions and any event that needs a higher level of service and requires exclusive use of the venue.
  - Removed Major and Minor Tenant definitions for Summer ice use - All local nonprofit summer ice renters will pay the same rates due to the higher costs of installing and maintaining ice in the warmer summer months.
  - Clarified the definition of Non-Prime ice. Times remain the same 8 am – 3 pm but dates are more realistic - “the first Monday in October to the first Monday after the School District #57 spring break.
  - Youth Discount and Adult Discount Recreation Rental Rates - clarified definition. For youth – the discount rate applies to local nonprofit groups when all participants are 18 years of age or younger. For Adults – there was an addition that “adults will be scheduled following youth not for profit users.” This reflects current practice.
  - Combined Spring and Summer Season definitions and updated dates – “Begins April 1st and ends August 31st.
  - Regular Season – updated dates to “September 1st and ends March 31st.”
  - Advertising – added definition to reflect actual practice of allowing community groups advertising opportunities in certain arenas.
  - Damage Deposits – increased from \$1,500 to \$2,500 to reflect increases in staff and material costs should the CPG have to perform the corrective measures.
  - Added payment accepted by “debit card”
  - Credit card payments may be used with a maximum allowable payment. CPG reserves the right to limit the amount payable and or charge a processing fee on credit card payments.
  - Clarity on Payment for our sustaining (regular) local ice users – Full payment is due 30 days after final date of the current month. If cancellation is received with less than 16 full days, a full rental charge will apply.
  - Clarity on Payment for Private Rentals – full payment is due 16 days in advance. If event is less than 16 days away from time of booking, full payment is required immediately.  
If cancellation is received with less than 16 full days, a full rental charge will apply. This is more clear and strict language than previously used.

- Parking and Traffic (Schedule C-2) - Security Deposit for Access Cards. Administration is recommending the removal of the \$20 deposit and implementing a \$20 charge for issuing or replacing lost, stolen or damaged access cards. Maintaining records of deposits outstanding is a costly administrative burden. Unclaimed deposits at the City exceed 10 years. Presumably, \$20 is not enough of an incentive for people to have to come in person and return their access card.

#### **FINANCIAL CONSIDERATIONS:**

In 2020, The Province announced that tax classes 4 through 8 would not be subject to property tax penalty until October 1<sup>st</sup>. Council then approved delaying the second 5% penalty date (the second Friday in September) for the remaining tax classes to align with the October 1, 2020 deadline set by the Province. The financial impacts of reversing the October 2020 deadline back to the original second Friday of September is negligible.

2019 penalties on late utility payments amounted to just under \$392,778. The recommendation to move to an interest payment system would not reach the same annual amount as a penalty payment system. The amount of annual interest revenue that can be collected is too difficult to estimate properly but it is unlikely to exceed \$150,000. Development of a new interest penalty system within the City's software will cost approximately \$10,000 - \$20,000.

The collective financial impacts of all housekeeping items in this report would be negligible.

#### **SUMMARY AND CONCLUSION:**

Administration is recommending that the second 5% penalty for taxes be moved back to the pre-COVID-19 deadline of the second Friday in September to align with the City's annual tax sale process. Administration is also recommending an interest payment system for overdue utility accounts to be implemented starting January of 2022.

#### **RESPECTFULLY SUBMITTED:**

Kris Dalio, Director of Finance

#### **APPROVED:**

Walter Babicz, Acting City Manager  
Meeting date: February 8, 2021