

# DECISION/DIRECTION NOTE

---

**Title:** Interest Free Payment Plan

**Date Prepared:** March 26, 2021

**Report To:** Committee of the Whole

**Councillor and Role:** Councillor Shawn Skinner, Finance & Administration

**Ward:** N/A

---

**Decision/Direction Required:** Whether to provide an interest free payment option for residential municipal taxes

## **Discussion – Background and Current Status:**

Council requested staff consider the impact of modifying the existing monthly payment plans for residential taxpayers to be interest free and not require payment in advance. The request did not include commercial taxpayers as they are billed in arrears on a quarterly basis and are also complicated by potential vacancy allowance claims.

The City currently has an interest free monthly payment option for those using preauthorized payment (PAP) however it requires payment in advance. For example – if the January 2021 tax bill was \$1,200 a taxpayer would pay \$200 from September 2020 through February 2021 so that after the six months \$1,200 would be accumulated on the taxpayers' account so that no interest would be charged. These taxpayers are referred to as "pay in advance" accounts.

There are also regular PAP clients who pay the same amount each month but are being charged interest. As an example, a taxpayer availing of this method on a home valued at \$300,000 will pay approximately \$60 in interest over the course of a year.

There are approximately 2,800 accounts which are paying in advance, 2,000 regular accounts making monthly payments with interest, and another 17,000 where payments are made by a financial institution. With approximately 40,000 residential accounts this leaves approximately 18,200 who could avail of such a change. Of these 18,200 there are also a number of residents who pay directly to the City each year in full and as a result would not "cost" the City interest revenue.

Attempting to assess the full uptake of such a program is very difficult. If this is immensely popular the type of payment becomes an important consideration. If for example 5,000 accounts switched to this method and they all wanted to use post-dated cheques this would create an additional 60,000 transactions to be keyed by staff. This is for illustrative purposes as many would use the PAP option. That said, to prevent increased staffing costs for keying transactions PAP is the preferred payment method.

# ST. JOHN'S

**Key Considerations/Implications:**

## 1. Budget/Financial Implications:

The full loss in interest revenue of providing a monthly interest free option is difficult to ascertain as the full utilization is hard to assess. For the 2,000 accounts currently on regular PAP, and assuming an average house in the City valued at \$300K, the loss of interest revenue to the City will be approximately \$120,000. For every additional 1,000 accounts that are currently paying interest and that partake in an interest free program the cost to the City is estimated at \$60,000. While this could be upwards of 18,200 accounts the uptake is not expected anywhere close to that amount. The impact on interest revenue is not expected to materially impair the City's finances.

## 2. Partners or Other Stakeholders:

This will provide taxpayers with some interest relief and payment flexibility. It will allow them to smooth their cash flows without having to make two significant lump sum payments.

## 3. Alignment with Strategic Directions/Adopted Plans:

A sustainable City

## 4. Legal or Policy Implications:

## 5. Privacy Implications:

## 6. Engagement and Communications Considerations:

A communications plan has been developed to make taxpayers aware of the monthly interest free option and to provide direction for those who already make monthly payments.

## 7. Human Resource Implications:

## 8. Procurement Implications:

## 9. Information Technology Implications:

## 10. Other Implications:

**Recommendation:**

That Council approve the creation of a monthly interest free payment program for residential taxpayers whose accounts are current and are set up for a preauthorized payment option only. This option would become effective April 1, 2021.

**Prepared by:**

**Approved by:**

**Report Approval Details**

Document Title:	Interest Free PAP.docx
Attachments:	
Final Approval Date:	Apr 1, 2021

This report and all of its attachments were approved and signed as outlined below:

**Kevin Breen - Apr 1, 2021 - 11:10 AM**