

Municipality of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Financial Services

To: Mayor and Members of Council

From: Matt Torrance, MBA, CPA, CGA
Director, Financial Services

Date: April 13, 2021

Subject: COVID-19 Waiving of Late Payment Charges on Tax Arrears

Recommendation

It is recommended that:

1. Late payment charges on all properties classes for current year tax arrears through August 3, 2021 be waived.

Background

On April 7, 2021 the Province of Ontario, in consultation with the Chief Medical Officer of Health and other health experts, declared a third provincial emergency under s 7.0.1 (1) of the Emergency Management and Civil Protection Act (EMPCA). The emergency was declared as a result of rapid COVID-19 transmission, increased risks as a result of the variants of concern, and the threat to the Province's health care capacity.

Effective April 8, 2021 at 12:01 AM, a province wide stay-at-home order, requiring everyone to stay at home except for essential purposes, was implemented. The emergency declaration also included additional measures applicable to certain businesses including:

- Limiting of non-essential retailers to curbside pickup, delivery only or appointment only depending on goods sold or services provided
- Restricting access to shopping malls to limited specific purposes on an appointment basis only
- Restricting the types of items sold in big box stores to essential items only
- Restricting hours of operations
- Those businesses permitted to allow in-person shopping being limited to 25% capacity

Administration brought a report on April 12, 2021 recommending the waiving of late payment charges to small businesses on an application basis. The report was referred back with direction to provide options to expand the recommendation to other property classes, particularly residential.

Comments

Public health measures implemented through the COVID-19 pandemic have had a significant effect on business operations in Chatham-Kent and around the world. Each sector of the economy has been impacted differently. Some sectors such as construction have posted record profits, while others such as food services, hospitality and entertainment have been disproportionately affected.

While the COVID-19 pandemic has had a significant effect on small businesses, many home owners have had their incomes impacted as a result of operating restrictions placed on their businesses and many who don't own businesses have been laid off or had to manage through a reduction in employment hours.

While administration would prefer an application-based process to ensure assistance is provided to those most in need, the short time frame to the May 3 tax due date and expected volume increases from including the residential class make the logistics of an application-based process very difficult to manage. Therefore it is recommended that Chatham-Kent waive penalties on current year tax arrears for all property classes through August 3, 2021.

During the onset of the COVID-19 pandemic in 2020, the Municipality provided temporary relief to property owners. This was done by amending the second instalment of the 2020 interim tax levy and waiving late payment charges on current year tax arrears from April 1 to July 10, 2020. Despite the deferral of the tax due date, as of May 1, 2020 which was the original due date for the second interim installment, 80.5% of taxes were still paid by property owners. It is expected that a similar trend would occur based on this recommended deferral and therefore not have a significant effect on cash flows.

Property owners who are currently enrolled in the installment Pre Authorized Payment (PAP) programs will be required to submit a cancellation form no later than end of business on April 26, 2021 to have their next payment cancelled. Property owners enrolled in the monthly PAP program can submit a request up to the end of the business day on May 10, 2021. The cancellation form can be found on the Municipality of Chatham-Kent website and can be submitted by email to the specified address. Property owners should be advised that the cancellation of payments now will become due August 3, 2021 and the deferral is only for interest and penalty.

Property owners who have previously submitted post-dated cheques for future tax payments can send a request in writing by email to CKAccountsReceivable@chatham-kent.ca to have their post-dated cheque pulled from our vault and not be processed on May 3, 2021. Cheques that are removed from processing will be shredded and not returned to property owners. Requests should be submitted no later than end of business on April 27, 2021.

Financial Services will continue to monitor public health restrictions and economic conditions. If conditions warrant, Financial Services will return to Council in the coming months with further recommendations.

Administration encourages all impacted small businesses to access the available assistance from both the Federal and Provincial governments. Programs are regularly evolving and changing. Economic Development staff can assist local businesses in accessing [available programs](#). Property taxes pay for services that are still required daily by Chatham-Kent residents, and municipalities are not allowed to go into a deficit, whereas upper levels can borrow to assist the economy, businesses and residents get through the pandemic. The recovery response mandate remains with upper levels of government, not on local property owners.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

- Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus and critical success factors
- Neutral issues (does not support negatively or positively)

Consultation

No departments were consulted.

Financial Implications

Chatham-Kent has a 2021 base budget of \$1.2M for revenues related to late payment charges, approximately \$100,000 per month. It is estimated that 50% of revenues relate to current year arrears with the remainder resulting from prior to 2021. The recommendation in this report would result in the waiving of interest for 4 months with an estimated impact of \$200,000. Recommendations on how this should be funded will be made once the 2021 operating surplus / deficit has been determined as part of the 2021 Variance Report.

Prepared by:

Reviewed by:

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Chief Financial Officer/Treasurer

Attachment(s): None

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