

DATE OF MEETING    APRIL 9, 2020

AUTHORED BY        LAURA MERCER, DIRECTOR, FINANCE

**SUBJECT                USER RATE BILLING PAYMENT DUE DATE EXTENSION**

## **OVERVIEW**

### **Purpose of Report**

To provide Council with information on the City of Nanaimo's user rates billing system. |

### **Recommendation**

That Council extend the payment due date from 30 to 90 days on user rates billings issued after 2020-MAR-17.

## **BACKGROUND**

The City of Nanaimo issues user rates bills to residents for water, sewer and garbage services three (3) per year. The billings include sixteen (16) categories and each category is billed 3 times per year. This provides for a weekly billing of approximately \$750,000 and smooths the billing and collection process as well as workload.

All rates charged, as outlined in the applicable bylaws, are due and payable when bills are levied and are subject to a 5% discount. The discount is applied provided that the rates for the current billing period are paid in full including all arrears. Each user rate billing is payable thirty (30) days from the invoice date.

The City has two (2) prepayment plans that property owners can sign up for:

- User Rates Installment Plan: equal monthly payment Installments
- User Rates Auto Debit Program: authorizes the City of Nanaimo to automatically withdraw the User Rates account balance from the property owner's bank account on each billing discount date.

The utility billings are not subject to a late payment penalty. However, if there is an outstanding balance on account at December 31<sup>st</sup>, the balance will be transferred to property tax arrears and are subject to prescribed daily interest until the balance has been paid. If the balance remains outstanding for three (3) years the property could be sold at tax sale. |

## **DISCUSSION**

The user rates levied are needed to fund the infrastructure to provide these essential services. In an effort to provide some immediate financial relief to those property owners who have been impacted by the COVID-19 pandemic, Staff are recommending that the payment due date be extended from 30 days to 90 days.

## **Cash Flows**

The impact of this change will affect cash-flows for the City of Nanaimo. Currently there are monthly inflows of payments for user rates. There will be a two (2) month delay in payments initially. Starting in June, cash flows should start to resume monthly as the revised due dates become payable. Due to the COVID-19 pandemic, cash flows would likely be impacted anyway as some property owners would be adversely affected.

## **Discounts**

Under this recommendation, the discount date on user rate billings would be extended from 30 days to 90 days. The City could experience an increase in the amount of discounts claimed if people take advantage of the delayed due date. Alternately, less discounts could be claimed if the pandemic continues to the end of the year and property owners are unable to pay their bills. At this time, it is difficult to determine what the potential impact will be. If every eligible property received the discount, expenses would increase by \$337,143 based on budgeted revenues for 2020.

## **Financial Information**

2019 Actuals:

User Rates Utility	User Rates Revenue	Discounts Claimed	% of Revenue
Water	\$ 20,276,939.00	\$ 862,593.00	
Sewer	7,592,911	316,069	
Garbage	4,875,232	194,334	
Total	\$ 32,745,082.00	\$ 1,372,996.00	4.2%

2020 Budget:

User Rates Utility	User Rate Revenue	Discounts Claimed	% of Revenue
Water	\$ 21,129,122.00	\$ 845,405.00	
Sewer	7,682,142	307,446	
Garbage	4,943,097	197,724	
Total	\$ 33,754,361.00	\$ 1,350,575.00	4.0%

## **CONCLUSION**

Given the current state of the economy due to the COVID-19 pandemic, staff are recommending<sup>i</sup> extending the payment deadline from 30 to 90 days for user rates billings issued after 2020-MAR-17. This would provide some immediate financial relief to those property owners who have been impacted by the COVID-19 pandemic.

## **OPTIONS**

- That Council extend the payment due date from 30 to 90 days on utility bills issued after 2020-MAR-17.
  - The advantages of this option:
    - Provides home owners with some immediate financial relief who have been impacted by the COVID-19 pandemic.
  - The disadvantages of this option:
    - The longer due date could increase the amount of discounts claimed
  - Financial Implications:
    - If all eligible properties received the 5% discount, 2020 expenditures would increase by approximately \$337,143 based on budgeted revenues.
    - Cash flows will be impacted until the revised due date bills come due in June 2020.
- That Council provide alternative direction. ]

## **SUMMARY POINTS**

- The City of Nanaimo issues user rates bills for water, sewer and garbage services three (3) per year.
- All rates charged, as outlined in the applicable bylaws, are due and payable when bills are levied and are subject to a 5% discount if paid on or before due date.
- In an effort to provide some immediate financial relief to those property owners who have been impacted by the COVID-19 pandemic, staff are recommending that the payment due date be extended from 30 days to 90 days.
- Cash flows will initially be affected until the first billings after 2020-MAR-17 come due.

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