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Halifax, Nova Scotia  
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**Item No. 15.1.9**  
**Halifax Regional Council**  
**April 4, 2023**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed

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Cathie O'Toole, Chief Administrative Officer

**DATE:** March 28, 2023

**SUBJECT:** Amend AO14 Interest Rate on Overdue Accounts

**ORIGIN**

At the March 3, 2023 Budget Committee, the Committee moved to return the interest rate on overdue accounts to pre-pandemic rates.

**LEGISLATIVE AUTHORITY**

Clause 60 (1)(a) of the *Halifax Regional Municipality (HRM) Charter* states that:

- 60 (1) The Council may make policies  
(a) setting the interest rate to be charged on overdue taxes, area rates, water charges, sewer charges and any other charges or sums owing to the Municipality;

**RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Adopt the amendments to Administrative Order 14, *Respecting the Application of Interest Charges on Outstanding Accounts*, as set out in Attachment 2 of this report.

## **BACKGROUND**

On April 14, 2020, Regional Council reduced the interest rate on overdue accounts from 15% to 10% as part of their commitment to assisting HRM customers experiencing financial difficulties due to the COVID-19 pandemic. Since that time, there has been a general economic recovery and staff recommends increasing the interest rate on overdue accounts to the pre-pandemic rate of 15%.

## **DISCUSSION**

As a COVID relief measure, effective June 2, 2020, HRM reduced the interest rate on overdue accounts from 15% to 10%. At the time, the bank prime rate in Canada was 2.45%. Since that time, there has been a general economic recovery and increase in inflation. As of January 25, 2023, the bank prime rate is 6.70%.

One reason for a punitive rate is to encourage timely payment from customers. If the rate is set too low, it encourages customers (residential as well as commercial) to delay payment to the Municipality as they deploy their funds elsewhere. If all customers did this the Municipality would not take in sufficient revenue to continually meet our obligations. Conversely, a high penalty interest rate hurts customers who are financially vulnerable who fall behind on their payments.

To curb undesirable late payment behaviour while alleviating the interest burden on vulnerable customers, HRM currently uses a dual interest rate structure:

1. The general late payment interest rate is set per AO14 (currently 10%) and applied against all overdue accounts; and
2. Low-income customers who qualify for the HRM deferral program are able to defer their taxes, which accumulate interest at a rate of prime minus 2%. Prime is 6.70% as of January 25, 2023 so deferral customers are accruing interest on their deferred taxes at a rate of 4.70%.

An interest rate of 15% on overdue accounts is in line with the rates charged by other jurisdictions on overdue taxes and represents a return to the interest rate in effect before the COVID-19 pandemic. As outlined in the Administrative Order, the rate would return to 15% effective May 1, 2023.

## **FINANCIAL IMPLICATIONS**

Increasing the interest rate from 10% to 15% will result in an estimated increase in interest revenues of \$1.3M annually.

## **RISK CONSIDERATION**

No risks were identified.

## **COMMUNITY ENGAGEMENT**

No community engagement required.

## **ENVIRONMENTAL IMPLICATIONS**

No environmental implications identified.

**ALTERNATIVES**

1. Council could choose to keep the interest rate at 10% per annum by refusing to adopt the amendments.

**ATTACHMENTS**

Attachment 1: Showing Proposed Changes to Administrative Order 14

Attachment 2: Amending Administrative Order

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Renée Towns, Director of Revenue, Treasurer, Finance & Asset Management

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**ATTACHMENT 1  
(Showing Proposed Changes to Administrative Order 14)**

**ADMINISTRATIVE ORDER #14  
RESPECTING THE APPLICATION OF INTEREST CHARGES  
ON OUTSTANDING ACCOUNTS**

**Application:**

Subject to Section 2 hereof, the following interest rates shall apply:

1. (a) ~~Subject to clause (aa)~~ On or before June 1, 2020, simple daily interest, at the rate of 1.25% monthly (15% annually) will be charged on outstanding amounts owing to the Halifax Regional Municipality.
- (aa) Effective June 2, 2020, until April 30, 2023, including both dates, simple daily interest at the rate of 0.833 monthly (10% annually) will be charged on outstanding amounts owing to the Halifax Regional Municipality.
- (ab) Effective May 1, 2023, simple daily interest at the rate of 1.25% monthly (15% annually) will be charged on outstanding amounts owing to the Halifax Regional Municipality.
- (b) Interest at the rate noted above shall be charged on outstanding accounts that remain unpaid after the latest of:
  - (i) the due date noted on the invoice, bill, or charge summary dates on the document; or
  - (ii) the due date that set by Council under 4.2.2(b) of Administrative Order 18, the *Revenue Collections Policy Administrative Order*; or
  - (iii) for the 2020-2021 fiscal year, the expiry date of any tax deferral program established due to Covid-19, providing the owner qualified for such program.

