

# Information Report

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Service Area	Office of the Chief Administrative Officer
Date	Friday, February 21, 2025
Subject	<b>2024 Property Tax Receivables and Collections</b>

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## Executive Summary

### Purpose of Report

As per the City of Guelph's Tax Billing and Collection Policy, annually staff provide Council with an analysis of the current state of tax collection and arrears. This report provides information as of December 31, 2024.

### Key Findings

Property tax receivable as a percentage of taxes levied annually is 3.16 per cent on December 31, 2024 (2023 – 2.33 per cent) and continues to remain lower than the Waterloo/Wellington municipal average of 5.7 per cent as reported in the 2024 BMA Management Consulting Inc. Study (2023 data). The total 2024 tax arrears as a percentage of taxes levied is 3.63 per cent (2023 – 2.80 per cent). As the number of properties in Guelph has increased by 11 per cent over the past 10 years from 43,976 in 2015 to 48,914 in 2024, the City has experienced a consistent low level of tax receivables and tax arrears that are reflective of the strong economic and financial health of Guelph. We are seeing an increase in the total amount of arrears in 2024 which can be tied to increased interest rates in the market, and overall economic changes. Enhanced payment options such as multiple preauthorized payment (PAP) plans, with 41.6 per cent (2023 – 39.6 per cent) of properties on a PAP, and the ability to pay through any Canadian financial institutions or with a credit card also contribute to the low tax receivables.

One significant factor that has contributed to the higher year-end results in this report, is the City's receipt of a \$2.5 million payment from the Province for 2024 Payments in-Lieu of taxes (PIL) in early February 2025. If this payment had been received in December 2024 as it usually is, the results at year end would have been closer to previous years' values.

### Strategic Plan Alignment

This report aligns with initiative 4.1 of the Foundations theme of the Future Guelph Strategic Plan by continuing to implement financial policies and practices to support a sustainable long-term financial position for the City. Accurate management of property tax accounts contributes to the establishment of a reliable, efficient, and cost-conscious local government that can deliver excellent service and good governance.

### Future Guelph Theme

Foundations

## Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

## Financial Implications

Tax arrears as a percentage of taxes levied is an important financial indicator of municipal economic health and is considered by S&P Global Ratings in their determination of a credit rating. The lower percentage of tax arrears is a favorable factor to the City's credit rating.

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## Report

### Details

#### Definition of terms

Tax arrears - the amount of taxes outstanding on all accounts.

Tax credits - credits on the tax account that occur due to pre-payments by the property owner, assessment reductions, or Municipal Act tax adjustments applied to the account.

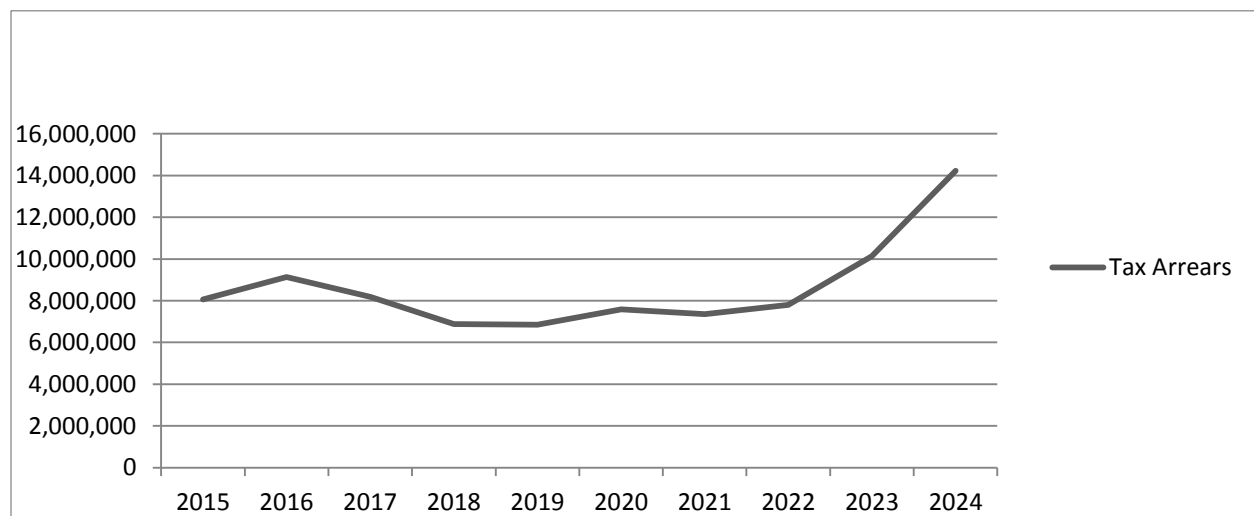
Tax receivables - the net amount of taxes owing to the City (tax arrears, less tax credits).

#### Tax arrears

From 2015 to 2024, year-end tax arrears have varied, as shown in Figure 1 below. The City received a \$2.5 million payment towards 2024 taxes in early February 2025, which increased the year-end arrears reported as of December 31, 2024.

If the payment had been received before year-end, tax arrears would have been recorded as \$11.7 million, with the average tax arrears since 2015 being \$8.6 million.

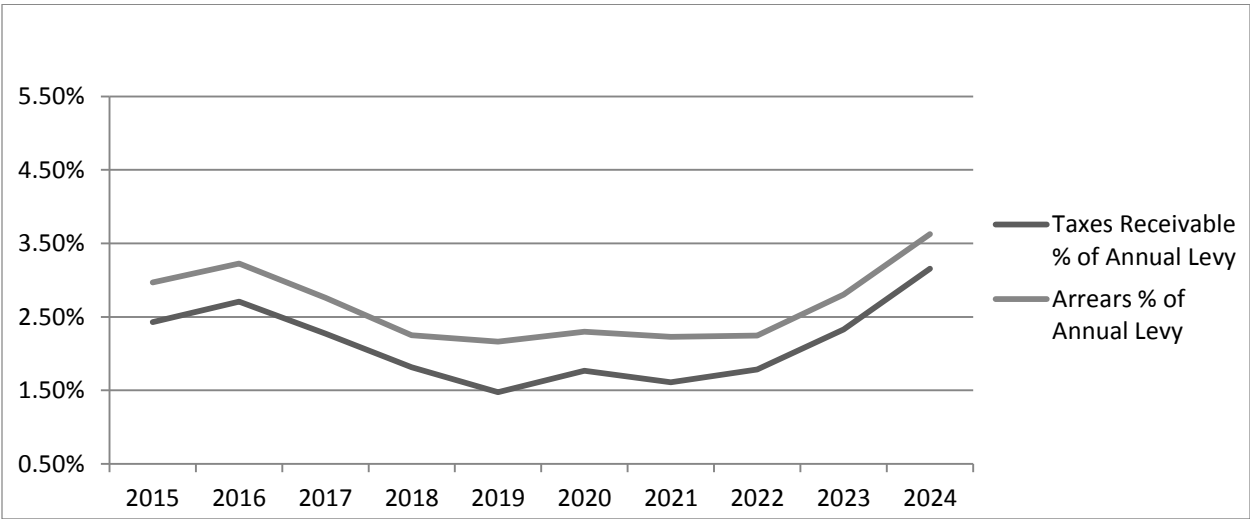
Figure 1: Tax Arrears



**Tax receivables and arrears**

Overall, the adjusted tax receivables and tax arrears reflect the City’s continued strong economic health and the ability of taxpayers to meet their financial obligations. The most substantial rise in receivables is observed in the current year (2024 tax year). This increase may be due to the notable hike in mortgage rates and other challenging economic factors. Tax arrears, warning and final letters typically sent in November and December respectively were not sent due to the postal strike. This may have contributed to a delay in payments often collected prior to year end. The availability of payment options and the application of the Tax Billing and Collection Policy contributes to keeping arrears as low as possible. The City’s tax receivables as a percentage of taxes levied annually is 3.16 per cent on December 31, 2024 (2023 – 2.33 per cent) and continues to remain lower than the Waterloo/Wellington municipal average of 5.7 per cent as reported in the 2024 BMA Management Consulting Inc. Study (2023 data). The overall tax arrears, as a percentage of taxes annually levied, is also significantly lower than 5.7 per cent, sitting at 3.63 per cent in 2024 (2023 – 2.80 per cent).

Figure 2: Tax Receivables and Arrears

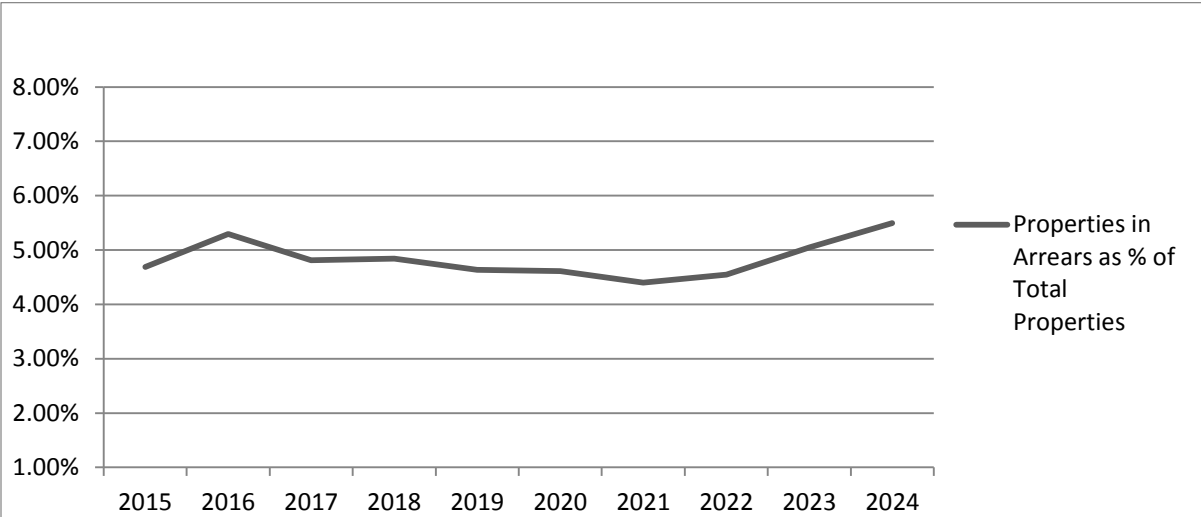


**Properties in arrears**

At the end of 2024, there were 2,688 properties in arrears, representing 5.50 per cent of all properties, compared to 2,451 properties or 5.05 per cent in 2023. This ratio is similar to the past 10 years, ranging from a low of 4.4 per cent to 5.5 per cent.

**Properties in Arrears as Per Cent of Total Properties**

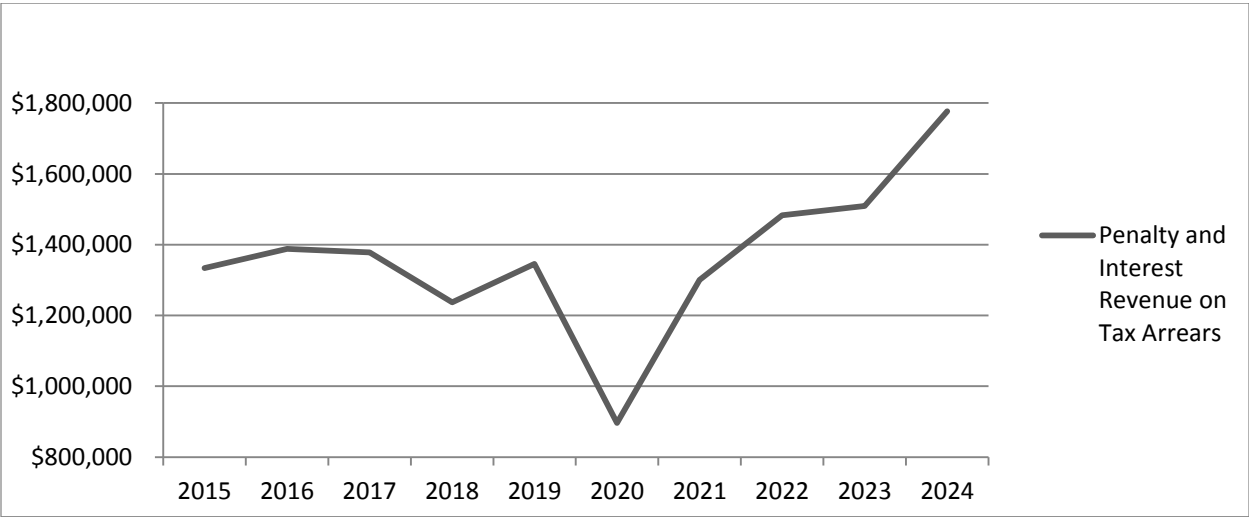
Figure 3: Properties in Arrears as Per Cent of Total Properties



**Penalty and interest revenue on tax arrears**

Penalty and interest revenue in 2024 increased to \$1,776,853 in 2024 (2023 - \$1,509,441), compared with the annual budget of \$1,360,000. The 10-year trend is shown below. Notably, due to COVID, penalties and interest were waived for the period of May 2020 to August 2020.

Figure 4: Penalty and Interest Revenue on Tax Arrears



**Payment plans**

During 2024, there were an additional 1,123 properties enrolled in the PAP program, representing an increase of six per cent from 2023 to 2024. The total number of properties enrolled in one of the monthly PAP plans is 16,018 and 4,327 properties in the Instalment (due date) PAP plan. This translates to an overall increase with the total representing 41.6 per cent (2023 - 39.6 per cent) of all property tax accounts in Guelph enrolled into a payment plan.

Increased enrollment in PAP plans is a successful efficiency initiative that enables the City to process a large number of tax payments without manual entry, provides stable cash flow throughout the calendar year and allows taxpayers the opportunity to spread their payments out monthly.

In January 2024 the City's new property tax portal went live, providing property owners with a convenient and easy way to sign up and manage their pre-authorized payment plan (PAP). During 2024 close to 20 per cent of all properties were signed up for the portal. There were over 2,000 transactions on the portal related to new PAP applications, bank account changes and cancellations.

### **Collection procedures**

On an annual basis, if arrears two years and greater are not paid, the City will commence the tax sale registration process. With commencement of the tax sale registration process, many property owners will pay their outstanding property taxes prior to actual registration occurring later in the year. Once registration takes place, the affected property owners have one year from the date of registration to pay all taxes and associated costs including penalties and interest. Through every stage the City continues to be actively advising and working with property owners in arrears to meet their obligations to avoid being registered or removed from the tax sale process. As a last resort if the taxes remain unpaid at the end of the one-year period, the City will sell the property to recoup the taxes outstanding.

At the end of 2024 there were 289 properties two years in arrears eligible for tax sale registration, compared to 310 in 2023. During 2024, of the 310 eligible properties for tax sale registration at the end of 2023, payments were made on over 87 per cent of those properties. Of the remaining 40 eligible properties, the City proceeded with the tax sale process and in August of 2024, Tax Arrears Certificates were registered on title. In 2024, there were no properties eligible to be sold through the tax sale process. In the Spring of 2025, there are a few properties eligible for tax sale but staff continue to work with property owners to clear up all outstanding arrears and avoid the tax sale process.

### **Financial Implications**

Tax arrears as a percentage of taxes levied is an important financial indicator of municipal economic health and is considered by S&P Global Ratings in their determination of a credit rating. The lower percentage of tax arrears is a favourable factor to the City's credit rating.

### **Consultations**

None.

### **Attachments**

None.

### **Departmental Approval**

James Krauter, Deputy Treasurer / Revenue and Treasury

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