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**Item No.**  
**Audit & Finance Standing Committee**  
**March 8, 2017**

**TO:** Councillor Bill Karsten, Chair and Members of the Audit & Finance Standing Committee

**SUBMITTED BY:** Original Signed

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Amanda Whitewood, Director/CFO Finance & ICT

**DATE:** February 20, 2017

**SUBJECT:** **Write-off of Uncollectible Accounts**

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**ORIGIN**

Staff and HRM Charter requirement.

**LEGISLATIVE AUTHORITY**

Section 42 of the Halifax Regional Municipality (HRM) Charter states that:

The Treasurer shall promptly advise Council of

- (a) all moneys due to the Municipality that the Treasurer considers cannot reasonably be collected after pursuing all reasonable avenues of collection; and
- (b) the reasons for the belief that such moneys cannot be collected,

and the Council may write off the amounts determined to be uncollectible.

Section 147(7) of the Halifax Regional Municipality (HRM) Charter states that:

Taxes cease to be a lien on the property when six years have elapsed after the end of the fiscal year in which they were levied, but may be collected after they have ceased to be a lien.

Administrative Order 18, The Revenue Collections Policy states that:

5.0 Other Collection Policies

- (f) No account will be sent to write off unless all efforts have been exhausted in its collection and will only be so sent after recommendation of supervisor and concurrence of team leader and manager.

(g) Only Council can approve final write off of any revenue accounts. Such write off reports will be provided not less than once per year.

### **RECOMMENDATION**

It is recommended that

1. The Audit and Finance Standing Committee forward this report to HRM Regional Council for approval;
2. The Audit and Finance Standing Committee forward the private and confidential In Camera report "Write-off of Uncollectible Account - Details" to HRM Regional Council as a In Camera Information Report, and that the report not be released to the public;
3. The real property tax accounts in the amount of \$33,768.43 comprised of \$24,742.50 principal and \$9,025.93 interest as summarized in Schedule 1 be formally written out of the books of account;
4. The general revenue accounts in the amount of \$19,128.58 comprised of \$17,898.49 principal and \$1,230.09 interest as summarized in Schedule 1 be formally written out of the books of account;
5. The recreation accounts in the amount of \$20,083.42 comprised of \$20,083.42 principal and \$0.00 interest as summarized in Schedule 1 be formally written out of the books of account;

### **BACKGROUND**

The HRM Charter requires that all accounts considered uncollectible and which are to be removed from the accounts of the HRM be approved by Council. Administrative Order 18, The Revenue and Collections Policy, section 5(f) states that no account will be sent to write off unless all efforts have been exhausted in its collection and the appropriate recommendations and approvals are in place; and section 5(g) requires staff to provide Council with a write-off report at least once per year. The last write-off to Council was on March 22, 2016.

### **DISCUSSION**

For Privacy reasons, schedules listing account names and the reason for write-off can be referenced in the In Camera Information Report, "Write-off of Uncollectible Accounts – Details".

The discussion section of this report will provide narrative on each category of receivables proposed for write-off, as well as some key performance indicators around write-offs and collections.

#### **Real Property Tax Accounts:**

There are 42 real property accounts proposed for write-off totaling \$33,768. The HRM Charter requires that a property may be sold for taxes provided it meets certain criteria for sale. There must be a minimum level of certainty with respect to ascertaining the assessed owner(s) interest in an assessed property.

The real property accounts proposed for write-off relate to:

- Mobile homes that have been demolished as they are unfit to live in, or mobile homes that have

- been relocated and collection efforts fail to locate the owner.
- Leased land accounts of the Province or Crown Corporations
- The inability to confirm that the assessed owner has title or an ownership interest in the property based on title searches and other inquiries; and/or
- The inability to confirm the extent or location (boundaries) of the property, due to incomplete or vague legal descriptions or survey information, in circumstances where up to date legal descriptions or survey information is unlikely to advance the property to sale; and/or
- The subject property is fully encumbered by other property interests, such as right of ways;

As reported to Audit and Finance in 2014, the real property accounts proposed for write-off are part of a “Problem Tax Account Project” of Legal Services and Finance. The problematic properties are generally situate or deemed to be situate in rural HRM districts and/or in areas where property values are historically low. Staff has provided Property Valuation Services Corporation (PVSC) with information and research on the properties proposed for write-off and has recommended some accounts for deletion from the assessment roll.

**General Revenue & Recreation Accounts:**

There are 39 general revenue accounts proposed for write-off totaling \$19,129. The accounts are for miscellaneous charges related to insurance claims, encroachments, civic events, employee charges, background checks, and NSF cheques/charges. There are 31 recreation accounts proposed for write-off totaling \$20,083, relating to charges for memberships and facility programming and rentals. General revenue and recreation accounts are unalienable. The reasons for the write-offs are related to bankruptcies, defunct companies/organizations, inaccessible entities/persons and unsuccessful collection action by staff and 3<sup>rd</sup> party collection providers.

**Write-off and Collection (KPI's)**

The below table provides some write-off and collections KPI's

<b>Key Performance Indicator (KPI)</b>	<b>2015-16 Actuals</b>	<b>2016-17 Projection</b>	<b>MBNC 2015 Benchmark</b>
Total Write-offs as a % of Billed Revenue	0.02%	0.01%	<b>0.01%</b>
% of Prior Year's Tax Arrears Not Collected in the Current Year as a % of the Current Year Levy	1.3%	1.3%	<b>1.5%</b>
Total Uncollected Current Year Taxes as a % of Current Year Tax Levy	3.2%	3.0%	<b>2.6%</b>
% Of General Revenue Receivables over 90 days	3.6%	2%	<b>n/a</b>

The above KPI's indicate receivables are in good shape and are well managed.

**FINANCIAL IMPLICATIONS**

Each year the provision for losses on accounts is budgeted in the operating fund as mandated by the HRM Charter.

The HRM Charter section 93(1) – (2b) requires that:

93 (1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.

(2) The estimates shall include the probable revenue from all sources other than taxes for the fiscal year and make due allowance for

(a) the abatement and losses that might occur in the collection of the taxes; and

(b) taxes for the current fiscal year that might not be collected.

This provision is accumulated each year in the valuation allowance account in order to offset on the balance sheet the value of the receivables recorded in the books of account. In this way, and in accordance with legislation and with generally accepted accounting practices, there is recognition that not all accounts billed will be collectible.

Accounts proposed for write-off in this report have been 100% provided for in the annual valuation allowance expense.

<b>Account Type</b>	<b>Write-off Amount</b>	<b>Allowance GL Account</b>	<b>Balance Jan 31, 2017</b>
Real Property	\$33,768.43	2521 – Allowance Tax	\$1,975,395.00
General Revenue	\$19,128.58	2525 – Allowance Other	\$18,517,949.00
Recreation	\$20,083.42	2525 – Allowance Other	\$18,517,949.00

**RISK CONSIDERATION**

Total amounts proposed for write-off as a percentage of billed revenue for fiscal 2016-17 is 0.01%, indicating low financial risk. As per the financial implications section of this report, financial risk is mitigated through the valuation allowance. All amounts proposed for write-off in this report have been 100% allowed for.

**COMMUNITY ENGAGEMENT**

N/A.

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

None.

**ATTACHMENTS**

Schedule 1: Write-off Summary

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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**SCHEDULE 1: WRITE OFF SUMMARY 2017**

<b>CUSTOMER TYPE</b>	<b># OF ACCOUNTS</b>	<b>TOTAL AMOUNT</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
Real Property	42	\$ 33,768.43	\$ 24,742.50	\$ 9,025.93
General Revenue	39	\$ 19,128.58	\$ 17,898.49	\$ 1,230.09
Recreation	31	\$ 20,083.42	\$ 20,083.42	\$ -
<b>TOTAL</b>	<b>112</b>	<b>\$ 72,980.43</b>	<b>\$ 62,724.41</b>	<b>\$ 10,256.02</b>