



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 12.4.3
Audit & Finance Standing Committee
March 27, 2019

TO: Chair and Members of the Audit & Finance Standing Committee

Original Signed

SUBMITTED BY:

Jane Fraser, Director/CFO, Finance, Asset Management & ICT

Original Signed

Jacques Dubé, Chief Administrative Officer

DATE: February 20, 2019

SUBJECT: Write-off of Uncollectible Accounts

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

RECOMMENDATION ON PAGE 2

(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 an In Camera Information Report, and that the report not be released to the public;
3. The real property tax accounts in the amount of \$843.53 comprised of \$768.71 principal and \$74.82 interest as summarized in Schedule 1 be formally written out of the books of account;
4. The general revenue accounts in the amount of \$8,602,318.07 comprised of \$8,602,306.12 principal and \$11.95 interest as summarized in Schedule 1 be formally written out of the books of account;
5. The recreation accounts in the amount of \$2,033.94 comprised of \$2,033.94 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 report to Council was on April 10, 2018.

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 3 real property accounts proposed for write-off totaling \$843.53. 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.

General Revenue & Recreation Accounts:

There are 6 general revenue accounts proposed for write-off, totaling \$8,602,318.07. The majority (98%) of this amount relates to the MDF (Multi-District Facility) agreement approved by Council on August 14, 2018 to write off the debt of the Dartmouth Sportsplex Community Association and the St. Margaret's Community Centre Association as at the date of the execution of those management agreements. The total amount to be written off is \$8,479,270.34 (\$5,791,630.98 Dartmouth Sportsplex Community Association, \$2,687,639.36 St. Margaret's Centre Association). The link to the August 14, 2018 Council report is below:

<https://www.halifax.ca/sites/default/files/documents/city-hall/regional-council/180814rc1421.pdf>

Of the remaining general revenue amounts, \$122,955.78 is related to organizations unable to meet their obligations and \$91.95 pertains to NSF cheques/charges.

There are 13 recreation accounts proposed for write-off totaling \$2,033.94, relating to charges for memberships and facility programming and rentals. General revenue and recreation accounts are unlienable. Collection efforts by staff and 3rd party collection providers were unsuccessful.

Write-off and Collection (KPI's)

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

Key Performance Indicator (KPI)	2017-18 Actuals	2018-19 Projection	MBNC 2017 Benchmark
Total Write-offs as a % of Billed Revenue	0.2%	1.0%	0.1%
% of Prior Year's Tax Arrears Not Collected in the Current Year as a % of the Current Year Levy	1.1%	1.1%	1.2%
Total Uncollected Current Year Taxes as a % of Current Year Tax Levy	3.0%	3.0%	2.2%
% Of General Revenue Receivables over 90 days	1%	2%	12%

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.

Account Type	Write-off Amount	Allowance Account	GL	Balance Feb 28, 2019
Real Property	\$ 843.53	2521 - Allowance Tax		\$ 1,715,034.79
General Revenue	\$ 8,602,318.07	2525 – Allowance Other		\$ 8,846,626.19
Recreation	\$ 2,033.94	2525 – Allowance Other		\$ 8,846,626.19
Total Write-off	\$ 8,605,195.54			

RISK CONSIDERATION

Total amounts proposed for write-off as a percentage of billed revenue for fiscal 2018-19 is 1% 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

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Renee Towns, Manager of Revenue, Treasurer, Finance & Asset Management 902.293.7983

SCHEDULE 1:**WRITE OFF SUMMARY 2018-2019**

CUSTOMER TYPE	# OF ACCOUNTS	TOTAL AMOUNT	PRINCIPAL	INTEREST
Real Property	3	\$ 843.53	\$ 768.71	\$ 74.82
General Revenue	6	\$ 8,602,318.07	\$ 8,602,306.12	\$ 11.95
Recreation	13	\$ 2,033.94	\$ 2,033.94	\$ -
TOTAL	22	\$ 8,605,195.54	\$ 8,605,108.77	\$ 86.77