HALIFAX

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Item No. 12.2.2
Audit & Finance Standing Committee
Special Meeting
March 25, 2021

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY:

-Original Signed-

Jane Fraser, Executive Director of Finance, Asset Management and ICT; CFO

-Original Signed-

Jacques Dubé, Chief Administrative Officer

DATE: January 13, 2021

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:

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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 the Audit and Finance Standing Committee :

1. Forward this report to HRM Regional Council for approval;

2. 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. Recommend to HRM Regional Council that;

    a. The real property tax accounts in the amount of $3,246.72 comprised of $2,808.21 principal and $438.51 interest as summarized in Schedule 1 be formally written out of the books of account;

    b. The general revenue accounts in the amount of $8,789.65 comprised of $7,560.97 principal and $1,228.68 interest as summarized in Schedule 1 be formally written out of the books of account;

    c. The recreation accounts in the amount of $255.54 comprised of $255.54 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 September 1, 2020.

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". In the past, Council have asked why this information cannot be released publicly, given that during the tax sale process names and outstanding tax amounts are published in the newspaper and on the HRM website. The reason is that HRM is permitted to publicly release such information only when the purpose of doing so is to collect a tax, as per the Nova Scotia Freedom of Information and Protection of Privacy Act. Accounts are proposed for write off when staff have exhausted all collection avenues so releasing them publicly does not meet the legislative criteria required for public disclosure.

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.

Collection Procedures
Collection procedures are outlined in Administrative Order 18, Respecting Revenue Collections Policy. Before recommending an unlienable account for write off, the following collection efforts are undertaken:

- Accounts overdue by 30 days receive a reminder phone call and an emailed or mailed reminder statement. Staff continue to pursue the accounts until they are 90 days overdue.
- Accounts more than 90 days overdue are escalated to the internal collections department where more serious action is taken, such as:

1) requiring a payment arrangement or enacting a right of offset for any amounts that HRM might owe the client;
2) a refusal to do further business on a billed basis, i.e. cash only;
3) advising the client of legal action we may take, for example, small claims court action or legal action to file judgements;
4) file action in appropriate civil court, obtain judgment and file judgment at Registry of Deeds;
5) obtain and action execution order or garnishee;
6) issuing a warrant to distrain (hold and possibly sell) goods of the client against the debt owed;
7) where internal collection efforts have not been successful, the account will be turned over to a third party collection agency on contract with the HRM.

The steps above outline the process for unlienable accounts, i.e. amounts owing that are not related to real property. Amounts owing related to real property (lienable) accounts are typically recouped via the tax sale process. There are a few instances where it is not possible to recover lienable amounts:

1. A mobile home on leased land is destroyed or moved.
2. A legacy account was removed from the assessment roll by the Land Registry. There are several hundred legacy accounts that were assigned AANs but upon further review and title searches, the property description, boundaries or title cannot be confirmed. In some of these cases the Land Registry will determine these properties should be removed from the roll. Although they were assessed for tax many of these properties do not have updated ownership information and the tax bills were often returned in the mail. The taxes that accrued on properties subsequently removed from the roll will appear on the write off report.

Real Property Tax Accounts:

There are 7 real property accounts proposed for write off totaling $3,246.72. 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:

- Six mobile homes that have been demolished as they are unfit to live in

- One legacy AAN account that was not associated with a PID. Upon further investigation by the Land Registry and PVSC, it was determined the AAN was assigned many years ago to a small camp that had been placed on Crown property that was subsequently removed or burned down. This type of account would not meet present day standards to be assigned an AAN. The removal of this property from the roll is part of a larger clean up of properties being undertaken by the Land Registry, PVSC and the Municipality.

General Revenue Accounts:

There are 5 general revenue accounts proposed for write off, totaling $8,789.65.

Three accounts totaling $8,153.80 are related to rent owing by companies that have gone bankrupt. The remaining two accounts totalling $635.85 are employee receivables related to overpayments. The employees are no longer employed by the Municipality so the amounts owing are unable to be set off against future earnings. General revenue accounts are unlienable.

Recreation Accounts:

There are 4 recreation accounts proposed for write off totaling $255.54 relating to charges for memberships. Collection efforts by staff and 3rd party collection providers were unsuccessful. These accounts are mostly related to memberships where a regularly scheduled credit card payment was dishonored. When this occurs, staff attempt collection and in most cases are successful. If the amount is not collected and a second consecutive payment is dishonored the membership is cancelled. This means the customer will no longer have access to the facility so accounts do not typically exceed more than two months past due. The new recreation technology is configured so the majority of payments are due in advance, which staff believe will lead to fewer future uncollectible accounts. Recreation revenue accounts are unlienable.

Write off and Collection (KPI's)

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

Key Performance Indicator (KPI)	2019-20 Actuals
Total Write offs as a % of Billed Revenue	0.18%
% of Prior Year's Tax Arrears Not Collected in the Current Year as a % of the Current Year Levy	1.90%
Total Uncollected Current Year Taxes as a % of Current Year Tax Levy	2.13%

The above KPI's indicate receivables are in good shape and are well managed. Staff expect to see an increase in uncollected taxes related to COVID, however, as taxes are typically able to be recouped via the tax sale process this is not expected to result in increased real property (lienable) write offs. Staff continue to closely monitor unlienable receivables such as general revenues and recreation accounts.

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 GL Account	Balance Jan 26, 2021
Real Property	$ 3,246.72	2521 - Allowance Tax	$ 1,763,960.00
General Revenue	$ 8,789.65	2525 – Allowance Other	$ 2,005,281.76
Recreation	$ 255.54	2525 – Allowance Other	$ 2,005,281.76
Total Write off	$12,291.91		

RISK CONSIDERATION

Total amounts proposed for write off as a percentage of billed revenue for fiscal 2020-21 is less than 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.

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SCHEDULE 1: WRITE OFF SUMMARY 2020-2021

CUSTOMER TYPE	# OF ACCOUNTS	TOTAL AMOUNT	PRINCIPAL	INTEREST	DETAIL
Real Property	7	$ 3,246.72	$ 2,808.21	$ 438.51	See Schedule 2
General Revenue	5	$ 8,789.65	$ 7,560.97	$ 1,228.68	See Schedule 3
Recreation	4	$ 255.54	$ 255.54	$ -	See Schedule 4
TOTAL	**16**	**$ 12,291.91**	**$ 10,624.72**	**$ 1,667.19**	