

(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;

Recommend that Halifax Regional Council approve:

- a) The real property tax accounts in the amount of \$74,879.10 comprised of \$43,334.19 principal and \$31,544.91 interest as summarized in Schedule 1 be formally written out of the books of account;
- b) The general revenue accounts in the amount of \$9,593.37 comprised of \$9,552.68 principal and \$40.69 interest as summarized in Schedule 1 be formally written out of the books of account;
- c) The recreation accounts in the amount of \$26,124.15 comprised of \$26,124.15 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 March 25, 2021.

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, ie 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 many years ago but upon further review and title searches, the property description, boundaries or title cannot be confirmed. Many of these accounts do not have an associated PID. 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.
3. Properties owned by the government or Crown agencies are exempt from property tax. If these properties are leased to a commercial business they become taxable. If companies in these leased spaces cannot be collected these taxes will be written off because the funds cannot be recouped via tax sale.

Real Property Tax Accounts:

There are 28 real property accounts proposed for write off totaling \$74,879.10. 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.

There are 28 real property accounts proposed for write off:

Write Off Reason	Number of Accounts	Write Off Amount
Destroyed mobile homes unfit to live in	13	\$ 6,063.55
Legacy accounts that do not have a PID or cannot be verified (i.e. cannot confirm these accounts exist)	11	\$ 61,943.71

Lease accounts that were located in tax exempt properties where the company went out of business with taxes outstanding	4	\$ 6,871.84
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There is a broader initiative between the provincial Land Registry and PVSC to clean up the legacy accounts where there is insufficient information to confirm the property's existence. In the past, the criteria to have an Assessment Account Number (AAN) registered was much less rigorous than it is present day. The majority of real property accounts proposed for write off would not meet current standards to have an AAN assigned. There were two instances where accounts were billed in error. The new Tax and Revenue system scheduled to be rolled out in 2022 has reporting that will help identify issues of billing errors so corrective action can be taken. It is important to note that most real property taxes are recouped via the tax sale process.

General Revenue Accounts:

There are 12 general revenue accounts proposed for write off totaling \$9,593.37. One account totaling \$5,577.41 is related to rent owing by a company that ceased operations. Two accounts totalling \$104.34 are related to uncollectible non-sufficient funds (NSF) charges that were incurred before the municipality stopped charging NSF fees in 2020. The remaining nine accounts totalling \$3,911.62 are employee receivables related to overpayments or unpaid parking. The employees are no longer employed by the Municipality so the amounts owing are unable to be set off against future earnings. Where possible the employee's final pay was used to offset the amount owing to the Municipality. The remaining amounts proposed for write off were unable to be recouped by staff and an external collection agency. General revenue accounts are unlienable.

Recreation Accounts:

There are a total of 195 recreation receivables totaling \$26,124.15 proposed for write off. Of these, 177 (\$24,156.62) are related to the old recreation system, Class.

When Recreation transitioned from Class to the new system (Legend) a project was undertaken to recoup aged receivables in Class. This resulted in approximately \$3,000 being recouped. The remaining 177 receivables have been deemed uncollectible. These receivables are uncollectible because the Class system contained insufficient information on the customer and/or the program. For example, when staff attempted to collect they discovered there were multiple customers in the Municipality that shared the same name. As the system did not contain other identifying information it is impossible to verify the customer's identity and the collection cannot be pursued. In other instances, there is an address for the customer but they have moved and cannot be located. In some cases the Class receivable is in the name of a company or governmental agency however, the system does not provide sufficient back up detail to verify a service was actually rendered and remains unpaid. This was a limitation with the Class system. The 177 Class receivables proposed for write off represent the final clean up of receivables in the legacy system.

The new Legend recreation system has more robust features around the collection of customer information upon program registration. As well, most programs in Legend require payment in advance. There are 18 Legend receivables totaling \$1,967.53 proposed for write off. These relate to customers who dishonored a payment for a class or camp after the camp began and the customers cannot be located by staff or by the third party collection agency. These customer accounts have been flagged in the Legend system and if these customers attempt to sign up for another class or service, they will be required to pay the outstanding amount before being permitted to incur another receivable. The low number and low dollar value of the Legend receivables proposed for write off demonstrates the new system's efficiency in helping to reduce uncollectible accounts. Recreation 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	2020-21 Actuals
Write offs as a % of Billed General Revenue	0.18%	0.01%
% of Prior Year's Tax Arrears Not Collected in the Current Year as a % of the Current Year Levy	1.90%	2.55%
Total Uncollected Current Year Taxes as a % of Current Year Tax Levy	2.13%	2.66%

The above KPI's indicate receivables are in good shape and are well managed. There was a slight increase in uncollected taxes which staff believe is related to customers financially impacted by COVID, however, taxes are typically able to be recouped via the tax sale process and staff do not expect an increase in 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 Feb 2, 2022
Real Property	\$ 74,879.10	2521 - Allowance Tax	\$ 1,652,657.91
General Revenue	\$ 9,593.37	2525 – Allowance Other	\$ 1,037,641.68
Recreation	\$ 26,124.15	2525 – Allowance Other	\$ 1,037,641.68
Total Write off	\$110,596.62		

Total amounts proposed for write off as a percentage of billed revenue for fiscal 2021-22 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.

RISK CONSIDERATION

No risk considerations were identified.

COMMUNITY ENGAGEMENT

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

The Audit & Finance Standing Committee could choose not to approve the recommendations as outlined.

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 2021-2022

CUSTOMER TYPE	# OF ACCOUNTS	TOTAL AMOUNT	PRINCIPAL	INTEREST	DETAIL
Real Property	28	\$ 74,879.10	\$ 43,334.19	\$ 31,544.91	
General Revenue	12	\$ 9,593.37	\$ 9,552.68	\$ 40.69	
Recreation	195	\$ 26,124.15	\$ 26,124.15	\$ -	
TOTAL	235	\$ 110,596.62	\$ 79,011.02	\$ 31,585.60	