



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

Item No. 15.2.1
Halifax Regional Council
March 5, 2024

TO: Mayor Savage Members of Halifax Regional Council

SUBMITTED BY: - ORIGINAL SIGNED-

Deputy Mayor Deagle Gammon, Vice Chair, Audit and Finance Standing
Committee

DATE: February 21, 2024

SUBJECT: 2023/2024 Write off of Uncollectible Accounts

ORIGIN

February 21, 2024 meeting of Audit and Finance Standing Committee, Item 13.2.1.

LEGISLATIVE AUTHORITY

Legislative Authority is outlined in the attached staff report dated January 16, 2024.

Administrative Order One, *Respecting the Procedures of the Council Administrative Order*, Schedule 2
Audit and Finance Standing Committee Terms of Reference, section 1:

- (1) The purpose of the Audit and Finance Standing Committee is to provide advice to the Council on matters relating to audit and finance.
- (2) The other purposes of the Committee are to:
 - (a) fulfill the requirements as outlined in Section 48 of the *HRM Charter*; and
 - (b) assist the Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.

RECOMMENDATION ON PAGE 2

RECOMMENDATION

The Audit and Finance Standing Committee recommend that Halifax Regional Council approve:

- a) The real property tax accounts in the amount of \$17,157.54 comprised of \$11,415.39 principal and \$5,742.15 interest as summarized in Schedule 1 of the staff report dated January 16, 2024 be formally written out of the books of account;
- b) The general revenue accounts in the amount of \$18,342.94 comprised of \$14,581.72 principal and \$3,761.22 interest as summarized in Schedule 1 of the staff report dated January 16, 2024 be formally written out of the books of account; and
- c) The recreation accounts in the amount of \$16,066.08 comprised of \$16,066.08 principal and \$0.00 interest as summarized in Schedule 1 of the staff report dated January 16, 2024 be formally written out of the books of account.

BACKGROUND

Audit and Finance Standing Committee received a staff recommendation report dated January 16, 2024 to consider the proposed write off of uncollectable accounts for 2023/2024.

For further information refer to the attached staff report dated January 16, 2024.

DISCUSSION

Audit and Finance Standing Committee considered the staff report dated January 16, 2024 and approved the recommendation to Halifax Regional Council as outlined in this report.

FINANCIAL IMPLICATIONS

Financial implications are outlined in the attached staff report dated January 16, 2024.

RISK CONSIDERATION

Risk consideration is outlined in the attached staff report dated January 16, 2024.

COMMUNITY ENGAGEMENT

Meetings of the Audit and Finance Standing Committee are open to public attendance and members of the public are invited to address the Standing Committee for up to five (5) minutes during the Public Participation portion of the meeting. Meetings are live webcast on Halifax.ca. The agenda, reports, video, and minutes of the Standing Committee are posted on Halifax.ca.

For further information on Community Engagement refer to the attached staff report dated January 16, 2024.

ENVIRONMENTAL IMPLICATIONS

Environmental implications are outlined in the staff report dated January 16, 2024.

ALTERNATIVES

Alternatives are outlined in the attached staff report dated January 16, 2024.

ATTACHMENTS

Attachment 1 – Staff recommendation report dated January 16, 2024.

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: Dorothy Maponga, Legislative Assistant, Municipal Clerk's Office 902.478.2408



P.O. Box 1749
Halifax, Nova Scotia
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Item No.13.2.1
Audit & Finance Standing Committee
February 21, 2024

TO: Chair and Members of Audit & Finance Standing Committee

-ORIGINAL SIGNED-

SUBMITTED BY: _____
Cathie O’Toole, Chief Administrative Officer

DATE: January 16, 2024

SUBJECT: **2023/2024 Write off of Uncollectible Accounts**

ORIGIN

Staff and HRM Charter requirement.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, SNS 2008, c 39, s 42:

- 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.

Halifax Regional Municipality Charter, SNS 2008, c 39, s 147(7):

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

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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 the Audit and Finance Standing Committee forward this report to HRM Regional Council for approval and recommend that Halifax Regional Council approve:

- a) The real property tax accounts in the amount of \$17,157.54 comprised of \$11,415.39 principal and \$5,742.15 interest as summarized in Schedule 1 be formally written out of the books of account;
- b) The general revenue accounts in the amount of \$18,342.94 comprised of \$14,581.72 principal and \$3,761.22 interest as summarized in Schedule 1 be formally written out of the books of account;
- c) The recreation accounts in the amount of \$16,066.08 comprised of \$16,066.08 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 February 23, 2023.

DISCUSSION

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 do not pay and we cannot collect, these taxes will be written off because the funds cannot be recouped via tax sale.

Real Property Tax Accounts:

There are 13 real property accounts proposed for write off totaling \$17,157.54. 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 13 real property accounts proposed for write off:

Write Off Reason	Number of Accounts	Write Off Amount
Legacy accounts that do not have a PID or cannot be verified (i.e. cannot confirm these accounts exist)	12	\$11,149.06
HRM acquired property by expropriation from owners unknown	1	\$6,008.48

In the past, the criteria to have an Assessment Account Number (AAN) registered was much less rigorous than it is present day. The real property accounts proposed for write off would not meet current standards to have an AAN assigned. The new Tax and Revenue system that was 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 7 general revenue accounts proposed for write off totaling \$18,342.94. Two accounts totaling \$735.89 are for false alarm services. One account totaling \$2,827.57 is for advertising fees. One account totaling \$53.22 is related to police extra duty. One account totaling \$982.48 related to solid waste. One account totaling \$6,736.23 in relation to a salt and sand legal dispute. One account proposed for write off totaling \$7,007.55 in relation to an employee benefits legal matter unable to be collected. The 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 10 recreation receivables totaling \$16,066.08 proposed for write off.

These relate to customers who dishonored a payment for an ice-rental, class or camp after the camp began and the customers cannot be located by staff or by the third-party collection agency or have claimed bankruptcy. 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 Legend 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)	2020-21 Actuals	2021-22 Actuals	2022-2023 Actuals
Write offs as a % of Billed General Revenue	0.01%	0.33%	0.03%
% of Prior Year's Tax Arrears Not Collected in the Current Year as a % of the Current Year Levv	2.55%	1.85%	1.00%
Total Uncollected Current Year Taxes as a % of Current Year Tax Levv	2.66%	1.75%	2.00%

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 as of Dec 31, 2023
Real Property	\$17,157.54	2521 – Allowance Tax	\$1,642,130
General Revenue	\$18,342.94	2525 – Allowance Other	\$132,280
Recreation	\$16,066.08	2525 – Allowance Other	\$132,280
Total Write Off	\$51,566.56		

Total amounts proposed for write off as a percentage of billed revenue for fiscal 2023-24 is less than 1% indicating low financial risk. 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 or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Kaitlyn Gilbert, Collections Supervisor, Finance & Asset Management, 902.220.3610

**SCHEDULE 1: WRITE OFF
SUMMARY 2023-2024**

CUSTOMER TYPE	# OF ACCOUNTS	TOTAL AMOUNT	PRINCIPAL	INTEREST
Real Property	13	\$ 17,157.54	\$ 11,415.39	\$ 5,742.15
General Revenue	7	\$ 18,342.94	\$ 14,581.72	\$ 3,761.22
Recreation	10	\$ 16,066.08	\$ 16,066.08	\$ -
TOTAL	30	\$ 51,566.56	\$ 42,063.19	\$ 9,503.37