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Item No. 13.1.1
Audit & Finance Standing Committee
February 18, 2025

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

FROM: Cathie O'Toole, Chief Administrative Officer

DATE: January 10, 2025

SUBJECT: **2024/2025 Write off of Uncollectible Accounts**

ORIGIN

Staff-initiated and HRM Charter requirement.

EXECUTIVE SUMMARY

This report, prepared for the Audit & Finance Standing Committee, recommends the write-off of uncollectible accounts for the 2024/2025 fiscal year, in accordance with the Halifax Regional Municipality (HRM) Charter and Administrative Order 18. The total proposed write-off amounts to $40,067.00, encompassing real property tax accounts, general revenue accounts, and recreation receivables.

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 $20,759.93 comprised of $17,363.85 principal and $3,396.08 interest as summarized in Schedule 1 be formally written out of the books of account;

b) The general revenue accounts in the amount of $16,517.67 comprised of $13,298.31 principal and $3,219.36 interest as summarized in Schedule 1 be formally written out of the books of account; and

c) The recreation accounts in the amount of $2,789.40 comprised of $2,789.40 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 be approved by Council before being removed from the accounts of HRM. 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 5, 2024.

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 a non-lienable account for write off, statements and late notices are initially sent monthly showing the account status. If the account remains outstanding, a delinquent account is subject to more serious action, including the following collection efforts:

- require a payment arrangement or enacting a right of offset for any amounts that HRM might owe the client;
- refuse to do further business on a billed basis, i.e. cash only;
- advise the client of legal action we may take, for example, small claims court action or legal action to file judgements;
- file an action in appropriate civil court, obtain and file judgment at Registry of Deeds;
- obtain and action execution order or garnishee; and
- issue a warrant to distrain (hold and possibly sell) goods of the client against the debt owed.

When internal collection efforts are not successful, the account is turned over to a third-party collection agency on contract with the HRM.

The steps above outline the process for amounts owing that are not related to real property, and therefore, are considered non-lienable accounts. Amounts owing related to real property are considered lienable accounts and usually 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 18 real property accounts proposed for write off totaling $20,759.93. 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 following accounts are 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)	11	$17,639.62
Mobile homes which no longer exist (destroyed, moved or damaged by fire etc.)	7	$3,120.31

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 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 20 general revenue accounts proposed for write off totaling $16,517.67. Nine accounts totaling $3,512.92 are for false alarm services. One account totaling $712.07 is related to police extra duty. Ten accounts proposed for write off totaling $12,292.68 are in relation to employee payroll overpayments 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 non-lienable.

Recreation Accounts:

There are four recreation receivables totaling $2,789.40 proposed for write off.

These accounts relate to customers who dishonored a payment for a facility rental, class or camp. 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 rent or 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 non-lienable.

Write off and Collection (KPI's)

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

Key Performance Indicator (KPI)	2021-22 Actuals	2022-2023 Actuals	2023-2024 Actuals
Write offs as a % of Billed General Revenue	0.33%	0.03%	0.02%
% of Prior Year's Tax Arrears Not Collected in the Current Year as a % of the Current Year Levy	1.85%	1.00%	1.87%

Total Uncollected Current Year Taxes as a % of Current Year Tax Levv	1.75%	2.00%	1.71%

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) 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 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 10, 2025
Real Property	**$20,759.93**	**2521 – Allowance Tax**	**$1,578,591.06**
General Revenue	**$16,517.67**	**2525 – Allowance Other**	**$100,924.03**
Recreation	**$2,789.40**	**2525 – Allowance Other**	**$100,924.03**
Total Write Off	**$40,067.00**		

Total amounts proposed for write off as a percentage of billed revenue for fiscal 2024-25 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.

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
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> (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:

5.1 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.

ATTACHMENTS

Schedule 1: Write off Summary

Report Prepared by: Kaitlyn Gilbert, Collections Supervisor, Finance & Asset Management 902.220-3610

SCHEDULE 1

WRITE OFF SUMMARY

CUSTOMER TYPE	# OF ACCOUNTS	TOTAL AMOUNT	PRINCIPAL	INTEREST
Real Property	18	$ 20,759.93	$ 17,363.85	$ 3,396.08
General Revenue	20	$ 16,517.67	$ 13,298.31	$ 3,219.36
Recreation	4	$ 2,789.40	$ 2,789.40	$ -
TOTAL	**42**	**$ 40,067.00**	**$ 33,451.56**	**$ 6,615.44**