



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

Item No. 11.2.1
Halifax Regional Council
September 1, 2020

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY: _____
Lorelei Nicoll, Vice Chair, Audit and Finance Standing Committee

DATE: August 19, 2020

SUBJECT: Write Off of Uncollectible Accounts

ORIGIN

Audit and Finance Standing Committee August 19, 2020 meeting, Item No. 12.2.1.

LEGISLATIVE AUTHORITY

Administrative Order One, Schedule 2, Audit and Finance Standing Committee, Terms of Reference, section 1 Purpose states:

'(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.'

Additionally, section 4(f) Finance and Risk Management states:

'That the Audit and Finance Standing Committee shall:

(f) review as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the CAO and the Committee.'

RECOMMENDATION

That the Audit and Finance Standing Committee recommends that Halifax Regional Council approve:

1. The real property tax accounts in the amount of \$17,070.18 comprised of \$14,270.10 principal and \$2,800.08 interest as summarized in Schedule 1 of the staff recommendation report dated February 14, 2020 be formally written out of the books of account;

RECOMMENDATIONS CONTINUE ON PAGE 2

2. The general revenue accounts in the amount of \$67,252.70 comprised of \$61,834.80 principal and \$5,417.90 interest as summarized in Schedule 1 of the staff recommendation report dated February 14, 2020 be formally written out of the books of account;
3. The recreation accounts in the amount of \$30,416.49 comprised of \$30,416.49 principal and \$0.00 interest as summarized in Schedule 1 of the staff recommendation report dated February 14, 2020 be formally written out of the books of account;
4. The capital account in the amount of \$1,051,000 comprised of \$1,051,000 principal and \$0.00 interest as summarized in Schedule 1 of the staff recommendation report dated February 14, 2020 be formally written out of the books of account.

BACKGROUND

A staff recommendation report dated February 14, 2020 pertaining to the write off of uncollectible accounts was before the Audit and Finance Standing Committee for consideration at its August 19, 2020 meeting.

For further information, please refer to the attached staff recommendation report dated February 14, 2020.

DISCUSSION

The Audit and Finance Standing Committee considered the request and approved the staff recommendation to Halifax Regional Council as outlined in this report.

FINANCIAL IMPLICATIONS

Financial implications are outlined in the attached February 14, 2020 staff report.

RISK CONSIDERATION

Risk consideration is outlined in the attached February 14, 2020 staff report.

COMMUNITY ENGAGEMENT

The agenda, reports, and minutes of the Audit and Finance Standing Committee are posted on Halifax.ca.

ENVIRONMENTAL IMPLICATIONS

Environmental implications are outlined in the attached February 14, 2020 staff report.

ALTERNATIVES

The Audit and Finance Standing Committee did not discuss alternative recommendations. An alternative is outlined in the attached February 14, 2020 staff report.

ATTACHMENTS

Staff recommendation report dated February 14, 2020.

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: Robyn Dean, Legislative Assistant, Office of the Municipal Clerk, 902.490.6521



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

Item No. 12.2.1
Audit & Finance Standing Committee
August 19, 2020

TO: Councillor Russell Walker, Chair and Members of the Audit & Finance Standing Committee

- Original Signed -

SUBMITTED BY:

Bruce Fisher, Acting Director/CFO Finance, Asset Management & ICT

- Original Signed -

Caroline Blair-Smith, Acting Chief Administrative Officer

DATE: February 14, 2020

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.

RECOMMENDATIONS ON PAGE 2

Administrative Order 18, The Revenue Collections Policy states that:

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:

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 \$17,070.18 comprised of \$14,270.10 principal and \$2,800.08 interest as summarized in Schedule 1 be formally written out of the books of account;
4. The general revenue accounts in the amount of \$67,252.70 comprised of \$61,834.80 principal and \$5,417.90 interest as summarized in Schedule 1 be formally written out of the books of account;
5. The recreation accounts in the amount of \$30,416.49 comprised of \$30,416.49 principal and \$0.00 interest as summarized in Schedule 1 be formally written out of the books of account;
6. The capital account in the amount of \$1,051,000 comprised of \$1,051,000 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 16, 2019.

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 24 real property accounts proposed for write off totaling \$17,070.18. 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; and/or
- The inability to confirm the extent or location (boundaries) of the property due to incomplete or vague legal descriptions or survey information means the property is unlikely to proceed to tax sale.

General Revenue Accounts:

There are 48 general revenue accounts proposed for write off, totaling \$67,252.70.

Four accounts totaling \$30,034.80 are related to insurance claims that legal have advised are uncollectible. Fourteen accounts totalling \$20,317.38 are related to employee receivables related to overpayments or sick leave advance. The remaining \$16,900.52 are organizations unable to meet their obligations for charges related to fees such as police extra duty, encroachment fees, and NSF cheques/charges. Collection efforts by staff and 3rd party collection providers were unsuccessful. General revenue accounts are unlienable.

Recreation Accounts:

There are 104 recreation accounts proposed for write off totaling \$30,416.49 relating to charges for memberships and facility programing and rentals. General revenue and recreation accounts are unlienable. Collection efforts by staff and 3rd party collection providers were unsuccessful. These accounts are mostly related to the legacy recreation system, which permitted bookings on a pay later basis and had no ability to permit the calculation of interest on overdue amounts. 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.

Capital Account:

There is one capital account to be written off, related to the MDF (Multi-District Facility) agreement approved by Council on October 2, 2018. This agreement approved a write off the debt of the Alderney Landing Facility Association as at the date of the execution of that management agreement. The total amount to be written off is \$1,051,000. The link to the October 2, 2018 Council report is below:

<https://www.halifax.ca/sites/default/files/documents/city-hall/regional-council/181002rc1425.pdf>

The debt was related to unfunded capital from the initial construction of Alderney Landing in 1998. The construction costs were funded via contributions from the province (\$2,790,800), ACOA (\$500,000), HRM (\$3,559,200) and a capital fundraising campaign led by Alderney Landing (\$1,444,000). The capital campaign raised \$393,000, leaving a debt of \$1,051,000 to be repaid by Alderney Landing to HRM. As part of the new management agreements, Council approved this debt be written off.

Write off and Collection (KPI's)

The table below provides some write off and collections KPI's. These cover both write-offs and uncollected taxes:

| Key Performance Indicator (KPI) | 2018-19 Actuals | MBNC 2018 Benchmark |
|---|-----------------|---------------------|
| Total Write offs as a % of Billed Revenue | 0.2% | 0.1% |
| % of Prior Year's Tax Arrears Not Collected in the Current Year as a % of the Current Year Levy | 1.1% | 1.2% |
| Total Uncollected Current Year Taxes as a % of Current Year Tax Levy | 2.5% | 2.3% |
| % Of General Revenue Receivables over 90 days | 13% | 14% |

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 accounts 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 20, 2020 |
|---------------------|-------------------------|-----------------------------|-----------------------------|
| Real Property | \$ 17,070.18 | 2521 - Allowance Tax | \$ 1,679,001.60 |
| General Revenue | \$ 67,252.70 | 2525 – Allowance Other | \$ 408,275.86 ¹ |
| Recreation | \$ 30,416.49 | 2525 – Allowance Other | |
| Capital | \$ 1,051,000.00 | 2524 – Allowance Capital | \$ 1,226,949.63 |
| Total | \$ 1,165,739.37 | | \$ 3,314,227.09 |

¹ General Revenue and Recreation amounts are both included in the balance for the “Other Allowance” section of the Valuation Allowance.

RISK CONSIDERATION

Total amounts proposed for write off as a percentage of billed revenue for fiscal 2019-20 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.

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

SCHEDULE 1: WRITE OFF SUMMARY 2019-2020

| CUSTOMER TYPE | # OF ACCOUNTS | TOTAL AMOUNT | PRINCIPAL | INTEREST | DETAIL |
|----------------------|----------------------|------------------------|------------------------|--------------------|----------------|
| Real Property | 24 | \$ 17,070.18 | \$ 14,270.10 | \$ 2,800.08 | See Schedule 2 |
| General Revenue | 48 | \$ 67,252.70 | \$ 61,834.80 | \$ 5,417.90 | See Schedule 3 |
| Recreation | 104 | \$ 30,416.49 | \$ 30,416.49 | \$ - | See Schedule 4 |
| Capital | 1 | \$1,051,000.00 | \$ 1,051,000.00 | \$ - | See Schedule 5 |
| TOTAL | 177 | \$ 1,165,739.37 | \$ 1,157,521.39 | \$ 8,217.98 | |