



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

**Item No. 14.2.1**  
**Halifax Regional Council**  
**March 22, 2016**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Councillor Bill Karsten, Vice-Chair, Audit & Finance Standing Committee

**DATE:** March 14, 2016

**SUBJECT:** Write-off of Uncollectible Accounts

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**ORIGIN**

March 11, 2016 meeting of the Audit & Finance Standing Committee, Item No. 12.1.1.

**LEGISLATIVE AUTHORITY**

The principle role of the Audit and Finance Standing Committee is to provide advice to Council on matters relating to Audit and Finance. In particular, Section 3.2.6 of the Audit and Finance Standing Committee's Terms of Reference shall "Review as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the Municipalities CAO and the Committee".

**RECOMMENDATION**

It is recommended by the Audit & Finance Standing Committee that Halifax Regional Council authorize the following:

1. The real property tax accounts in the amount of \$148,070 comprised of \$96,100 principal and \$51,970 interest as summarized in Schedule 1 of the staff report dated February 18, 2016 be formally written out of the books of account;
2. The general revenue accounts in the amount of \$10,276 comprised of \$9,971 principal and \$304 interest as summarized in Schedule 1 of the staff report dated February 18, 2016 be formally written out of the books of account;
3. The business occupancy tax accounts in the amount of \$2,231 comprised of \$1,736 principal and \$494 interest as summarized in Schedule 1 of the staff report dated February 18, 2016 be formally written out of the books of account;
4. The recreation accounts in the amount of \$797 comprised of \$797 principal and \$0 interest as summarized in Schedule 1 of the staff report dated February 18, 2016 be formally written out of the books of account.

## **BACKGROUND**

The HRM Charter requires that all accounts considered uncollectible and which are to be permanently removed from the accounts of the HRM be approved by Council. Administrative Order 18, The Revenue and Collections Policy, section 5(g) requires staff to provide Council with a write-off report at least once per year.

A staff report dated February 18, 2016 pertaining to the Write Off of Uncollectible Accounts was before the Audit & Finance Standing Committee at its meeting held on March 11, 2016. For further information please refer to the attached staff report dated December February 18, 2016.

## **DISCUSSION**

The Audit & Finance Standing Committee reviewed this matter at its meeting held on March 11, 2016 and forwarded the recommendation to Halifax Regional Council as outlined in this report.

## **FINANCIAL IMPLICATIONS**

As outlined in the attached staff report dated February 18, 2016.

## **COMMUNITY ENGAGEMENT**

All meetings of the Audit & Finance Standing Committee are open to the public. The agenda and reports are provided online in advance of the meeting.

## **ENVIRONMENTAL IMPLICATIONS**

Not applicable.

## **ALTERNATIVES**

The Audit & Finance Standing Committee did not discuss alternatives.

## **ATTACHMENTS**

1. Staff report dated February 18, 2016.

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Liam MacSween, Legislative Assistant, 902.490.6521.

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**Attachment 1**  
**Audit & Finance Standing Committee**  
**March 11, 2016**

**TO:** Councillor Linda Mosher, Chair and Members of the Audit & Finance Standing Committee

Original Signed

**SUBMITTED BY:**

\_\_\_\_\_  
Amanda Whitewood, Director/CFO Finance & ICT

**DATE:** February 18, 2016

**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:

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.

**Recommendation on page 2**

(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 a In Camera Information Report, and that the report not be released to the public;
3. The real property tax accounts in the amount of \$148,070 comprised of \$96,100 principal and \$51,970 interest as summarized in Schedule 1 be formally written out of the books of account;
4. The general revenue accounts in the amount of \$ 10,276 comprised of \$9,971 principal and \$304 interest as summarized in Schedule 1 be formally written out of the books of account;
5. The business occupancy tax accounts in the amount of \$2,231 comprised of \$1,736 principal and \$494 interest as summarized in Schedule 1 be formally written out of the books of account;
6. The recreation accounts in the amount of \$797 comprised of \$797 principal and \$0 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 to Council was on January 13, 2015.

### **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 \$148,070. 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:

- The inability to confirm that the assessed owner has title or an ownership interest in the property

based on title searches and other inquiries; and/or

- The inability to confirm the extent or location (boundaries) of the property, due to incomplete or vague legal descriptions or survey information, in circumstances where up to date legal descriptions or survey information is unlikely to advance the property to sale; and/or
- The subject property is fully encumbered by other property interests, such as right of ways; and/or

As reported to Audit and Finance in 2014, the real property accounts proposed for write-off are part of a “Problem Tax Account Project” of Legal Services and Finance. The problematic properties are generally situate or deemed to be situate in rural HRM districts and/or in areas where property values are historically low. Staff has provided Property Valuation Services Corporation (PVSC) with information and research on the properties proposed for write-off and has recommended some accounts for deletion from the assessment roll.

**General Revenue Accounts:**

There are 10 general revenue accounts proposed for write-off totaling \$10,276. The accounts are for miscellaneous charges related to insurance claims, rents, event sponsorship, sign encroachments and NSF cheques. The reasons for the write-offs are related to bankruptcies, defunct companies/organizations or inaccessible entities/persons that have been deemed uncollectible. Staff has obtained judgements on some general revenue accounts through small claims action.

**Business Occupancy Tax Accounts:**

Fiscal 2012-13 was the last year for business occupancy tax billings. Current recommended write-offs for business occupancy, (\$2,231), is for a closed/defunct company. This was the last active business occupancy account on HRM’s book of receivables.

Since the phase-out of business occupancy tax in 2006, HRM has billed \$117.8M in revenues and has written-off \$2.4M, for an uncollectible rate of 2%.

**Recreation Accounts:**

There are 4 recreation accounts proposed for write-off totaling \$797. With respect to recreation accounts collection efforts have been unsuccessful and the account owners cannot be located.

**Write-off and Collection (KPI’s)**

The below table provides some write-off and collections KPI’s

<b>Key Performance Indicator (KPI)</b>	<b>Fiscal 2014-15 Actuals</b>	<b>Fiscal 2015-16 Fcst Feb 2016</b>
Total Write-offs as a % of Billed Revenue	<b>0.05%</b>	<b>0.02%</b>
Total Uncollected Taxes as a % of Current Year Tax Levy	<b>3.9%</b>	<b>3.9%</b>
Current Year Uncollected Taxes as a % of Current Year Tax Levy	<b>3.0%</b>	<b>3.2%</b>
% Of General Revenue Receivables over 90 days	<b>6%</b>	<b>4%</b>

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 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.

<b>Account Type</b>	<b>Write-off Amount</b>	<b>Allowance GL Account</b>	<b>Bal Jan 31, 2016</b>
Real Property	\$148,070	2521 – Allowance Tax	-\$2,051,994
General Revenue	\$10,276	2525 – Allowance Other	-\$26,737,261
Business Occupancy	\$2,231	2521 – Allowance Tax	-\$2,051,994
Recreation	\$797	2525 – Allowance Other	-\$26,737,261

**COMMUNITY ENGAGEMENT**

N/A.

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

None.

**ATTACHMENTS**

Schedule 1: Write-off Summary

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Jerry Blackwood, CPA, CGA, Manager of Revenue, Treasurer 902.490.6470

Original Signed

Report Approved by: \_\_\_\_\_  
Martin Ward, Q.C., Acting Director, Legal, Insurance & Risk Management Services,  
902.490.6532

Original Signed

Financial Approval by: \_\_\_\_\_  
Amanda Whitewood, Director of Finance and Information Technology/CFO, 902.490.6308

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**SCHEDULE 1: WRITE OFF SUMMARY**

<b>CUSTOMER TYPE</b>	<b># OF ACCOUNTS</b>	<b>TOTAL AMOUNT</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
Real Property	24	\$ 148,070	\$ 96,100	\$ 51,970
General Revenue	10	\$ 10,276	\$ 9,971	\$ 304
Business Occupancy	1	\$ 2,231	\$ 1,736	\$ 494
Recreation	4	\$ 797	\$ 797	\$ -
<b>TOTAL</b>	<b>39</b>	<b>\$ 161,374</b>	<b>\$ 108,606</b>	<b>\$ 52,768</b>