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Halifax Regional Council
December 13, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in dark ink, appearing to read "Dan English", written over a horizontal line.

Dan English, Chief Administrative Officer

A handwritten signature in dark ink, appearing to read "Wayne Anstey", written over a horizontal line.

Wayne Anstey, Acting Deputy Chief Administrative Officer

DATE: December 6, 2005

SUBJECT: Write-off of Uncollectible Accounts

ORIGIN

The Municipal Government Act (MGA), Section 38, prescribes that all accounts considered uncollectible and which are to be permanently removed from the accounts of HRM must be approved by Council.

RECOMMENDATION

It is recommended that :

1. The real property tax and lienable charges in the amount of \$203,945.65 comprised of \$120,082.69 principal and \$83,862.96 interest as detailed in Schedule 1 be formally written out of the books of account.
2. The business occupancy tax accounts in the amount of \$698,441.92 comprised of \$600,153.81 principal and \$98,288.11 interest as detailed in Schedule 2 be formally written out of the books of account.
3. The general revenue accounts in the amount of \$43,929.47 comprised of \$42,234.42 principal and \$1,695.05 interest as detailed in Schedule 3 be formally written out of the books of account.

BACKGROUND

The MGA requires that all accounts considered uncollectible and which are to be permanently removed from the accounts of the HRM be approved by Council. Since amalgamation there have been four reports to Council to write-off general uncollectibles and to provide collection related statistics. This is the fifth report for write-offs since amalgamation and is intended to clear from the records accounts considered to have no value. Staff also wants to provide Council with up to date statistics with regard to collection performance.

DISCUSSION

Each year the provision for losses on accounts is budgeted in the operating fund as mandated by the MGA. 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.

Yet, staff employ all means at their disposal to collect appropriate charges on a timely basis. General revenue accounts receive monthly statements as the terms on these accounts are usually net 30 days. Follow up phone calls are made and payment arrangements put in place where customers indicate the need and where staff deem appropriate. Regular credit reports are received from credit reporting institutions and against this background the overall collectibility of accounts is assessed. In the case of business occupancy taxes, monthly reminder letters are issued to overdue accounts and, as a final measure, warrants of distraint are issued and assets are seized in satisfaction of the accounts in accordance with the MGA. In the case of real property taxes, friendly reminder letters are sent twice a year, as well as the biannual tax bills showing outstanding arrears and, as a final measure, notices of tax sale are sent to the property owner if no satisfactory payment arrangements can be made and due process is followed as per the provisions of the MGA. Legal action is taken where appropriate to collect accounts in dispute.

Still, with all these measures, some accounts remain uncollectible either because of bankruptcy or because the owner has vacated the premises and cannot be located or there are insufficient assets to satisfy the outstanding amount.

It should be noted that all of these accounts although written out of the active records will be maintained in history for future reference should the same businesses reopen or should it come to our attention that these accounts can be pursued.

The Business Occupancy tax accounts are, once again, the highest amounts being proposed for write off. This tax remains the most difficult to collect as the tax is non-liable. Our current recommended write offs are for companies that are defunct or bankrupt or the owners cannot be located. The highest amounts of write off are in the billing years 2002/03 and 2003/04. These two years include over 300 accounts as opposed to 100 or less in the shoulder years.

Staff have not written off very large amounts in these two years prior to this report. It is usual that processes to pursue accounts will take two to three years prior to being declared uncollectible by the trustee in bankruptcy or by our third party collection agency.

The amounts of lienable charges being recommended for write off are for amounts related to land leased by commercial operations from the federal or provincial governments. These are technically lienable charges but as the responsible companies are bankrupt and have no real property interest in the land they had leased, the property cannot be sold to satisfy these accounts. Other lienable charges being recommended for removal are for mobile home accounts and for old machinery and equipment tax charges; all for bankrupt, defunct companies or people we cannot locate.

General Revenue charges being recommended for removal are for miscellaneous charges related to bankrupt, defunct or missing persons and for numerous NSF charges that cannot be pursued and which are associated with these uncollectibles.

The attached schedule of write off statistics indicates that of the total amount of revenues billed each year HRM writes off less than 0.15 to 1.29 percent on average. BO tax write offs were at their highest in 97/98 and 98/99 when we were forced to write off a little over 2 percent of revenues. Improvements in collection efforts have reduced this statistic even with an increased dollar amount of BO taxes to collect. We have recently appointed a project lead to focus even more on BO tax collection and lead a team of staff to address collection as this tax is eliminated over the next five years.

BUDGET IMPLICATIONS

Each year an allowance for bad debt, the valuation allowance is calculated based on estimates of amounts outstanding that may be uncollectible in future years. In the current write off list there is \$6,068.69 that is uncollectible for amounts billed in 2005/06. This amount will reduce current year revenues. This is because the valuation allowance calculated on March 31, 2005 would not have contemplated allowing for amounts that had not yet been billed.

Business occupancy interest is recorded only as it is collected. The reversal of interest associated with Business Occupancy accounts, therefore, in the amount of \$98,288.11 has no budget implications.

There are no other budget implications as these amounts have been fully provided for in the annual valuation allowance expense.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

There are none recommended.

ATTACHMENTS

Schedule 1, 2 and 3

Summary of Write-Offs (Principal and Interest)

Schedule 4 - Write-Off Statistics

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Catherine Sanderson, CMA, Senior Manager , Financial Services 490-1562

Report Approved by:


S. Dale MacLennan, CA, Director of Finance 490-6308

SCHEDULE 1

REAL PROPERTY & LIENABLES REMOVAL FROM ACCOUNTS

YEAR	AMOUNT
1995/96 and prior	\$88,372.45
1996/97	\$33,086.68
1997/98	\$27,301.65
1998/99	\$9,834.01
1999/00	\$4,262.27
2000/01	\$8,783.71
2001/02	\$7,301.50
2002/03	\$7,858.72
2003/04	\$12,769.71
2004/05	\$4,335.52
2005/06	\$39.43
TOTAL	\$203,945.65

NOTE: Details of specific accounts
supporting the above amounts available
upon request

SCHEDULE 2

BUSINESS OCCUPANCY

REMOVAL FROM ACCOUNTS

YEAR	AMOUNT
1995/96 and prior	\$19,392.73
1996/97	\$8,487.75
1997/98	\$13,094.60
1998/99	\$19,196.07
1999/00	\$25,590.04
2000/01	\$29,995.31
2001/02	\$86,346.05
2002/03	\$231,959.91
2003/04	\$189,297.51
2004/05	\$69,052.69
2005/06	\$6,029.26
TOTAL	\$698,441.92

NOTE: Details of specific accounts
supporting the above amounts
available upon request

SCHEDULE 3

GENERAL REVENUE

REMOVAL FROM ACCOUNTS

YEAR	AMOUNT
1995/96 and prior	\$0.00
1996/97	\$649.00
1997/98	\$110.00
1998/99	\$976.81
1999/00	\$187.39
2000/01	\$657.92
2001/02	\$7,398.07
2002/03	\$15,375.49
2003/04	\$17,030.02
2004/05	\$1,544.77
2005/06	\$0.00
TOTAL	\$43,929.47

NOTE: Details of specific accounts
supporting the above amounts
available upon request

SUMMARY OF WRITE-OFFS

	Principal	Interest	Total
Real Property & Other Lienables	\$120,082.69	\$83,862.96	\$203,945.65
Business Occupancy	\$600,153.81	\$98,288.11	\$698,441.92
General Revenues	\$42,234.42	\$1,695.05	\$43,929.47
	<u>\$762,470.92</u>	<u>\$183,846.12</u>	<u>\$946,317.04</u>

WRITE-OFF STATISTICS

GENERAL REVENUES		1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	TOTAL
GENERAL REVENUES		\$73,972,000	\$83,560,000	\$91,847,000	\$99,708,000	\$107,700,000	\$112,222,000	\$121,487,000	\$116,875,000	\$807,371,000
GENERAL REVENUES - Write offs		\$699,397	\$477,702	\$227,078	\$100,223	\$71,088	\$77,661	\$33,132	\$27,534	\$1,913,815
PERCENTAGE OF WRITE OFF TO BILLED		1.22%	0.57%	0.25%	0.10%	0.07%	0.07%	0.03%	0.02%	0.24%
ALL TAXATION		1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	TOTAL
TAXATION REVENUE		\$277,822,000	\$278,236,000	\$285,756,000	\$290,367,000	\$305,928,000	\$327,054,000	\$343,358,000	\$378,028,000	\$2,486,549,000
TAXATION - Write offs		\$505,934	\$761,982	\$750,937	\$541,022	\$383,722	\$397,489	\$323,012	\$185,096	\$3,849,195
PERCENTAGE OF WRITE OFF TO BILLED		0.18%	0.27%	0.26%	0.19%	0.13%	0.12%	0.09%	0.05%	0.15%
BUSINESS OCCUPANCY TAXATION		1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	TOTAL
BUSINESS OCCUPANCY TAXATION REVENUE		\$33,843,000	\$30,541,000	\$30,897,000	\$31,535,000	\$34,150,000	\$38,255,000	\$40,941,000	\$43,924,000	\$284,086,000
BUSINESS OCCUPANCY TAXATION - Write off		\$415,066	\$718,492	\$722,956	\$515,034	\$375,017	\$397,489	\$323,012	\$184,696	\$3,651,763
PERCENTAGE OF WRITE OFF TO BILLED		1.23%	2.35%	2.34%	1.63%	1.10%	1.04%	0.79%	0.42%	1.29%