



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

**Item No. 9.1.4**  
**Audit & Finance Committee**  
**December 17, 2014**

**TO:** Councillor Bill Karsten, Chair, and Members of Audit & Finance Standing Committee

Original Signed

**SUBMITTED BY:**

\_\_\_\_\_  
Greg Keefe, Director of Finance & ICT, CFO

**DATE:** December 2, 2014

**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 real property tax accounts in the amount of \$277,240.72 comprised of \$170,975.50 principal and \$106,265.22 interest as listed on Schedule 1 be formally written out of the books of account for accounting purposes; and
3. If the accounts listed on Schedule 1 remain on future assessment rolls, then each account will continued to be billed for property taxes.

### **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 and also that taxes cease to be a lien on the property when six years have elapsed, but may be collected after they cease to be a lien. 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 in September 2014.

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. Since amalgamation staff has identified approximately 360 tax accounts that are problematic in terms of meeting the minimum requirements for tax sale. Some of the problems are:

- 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
- The subject property is a duplicate assessment.

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.

### **DISCUSSION**

In 2012, Finance and Legal Services agreed to make the resolution of the 360 problematic files a priority. Legal Services at this time was undergoing an internal review and re-structuring. Finance through internal savings transferred funding in the 2013-14 fiscal budget to fund a new Legal FTE to lead the service level around this initiative. Accumulated arrears for the 360 problematic properties at this time were \$2.7M.

In September 2013, Legal and Finance agreed to focus on the top 50 accounts with arrears. The new

legal resource, in addition to other duties, would be responsible to advance resolution of the problematic files through:

- Re-evaluating problematic properties and where possible clearing the properties for tax sale;
- Forming relationships with Property Valuation Services Corporation (“**PVSC**”), Service Nova Scotia (“**SNS**”) and Department of Natural Resources (“**DNR**”) (PVSC, SNS and DNR are collectively hereinafter referred to as the “**Stakeholders**”) and gathering additional information from the Stakeholders to aid in such re-evaluations; and
- Making recommendations to Council and the Stakeholders on the problematic accounts.

Over the past year 39 accounts have been resolved to date with arrears of \$600k.

- 18 accounts sold at tax sale;
- 1 account purchased by DNR under their conservation mandate;
- 1 account resolved through an interested party;
- 19 accounts through deletions/revisions to the assessment roll filed by PVSC; and
- There are 23 accounts that are cleared for future tax sales.

The resolutions to date are largely based on legal re-evaluation together with recommendations and consultations with the Stakeholders.

The accounts listed on Schedule 1 represent another 33 accounts with arrears and interest in the amount of approximately \$277K. The accounts have been extensively reviewed and researched by legal and have been given to PVSC for review prior to closing the 2015 assessment roll. Staff firmly believes that the accounts cannot be taken to tax sale at this time and are highly unlikely to be resolved (in terms of collection) in the near future, if at all.

Council’s approval of the recommendations will simply result in writing off a receivable for accounting purposes. This means that the arrears associated with each account are to remain collectable against the assessed owner or subsequent owner.

On a go forward basis, Staff will monitor the assessment accounts listed on Schedule 1 each year when it receives the annual assessment roll and deal with each account appropriately.

### **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), 93(2) (a) and 93(2) (b) 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 Account</b>	<b>Balance Nov 14, 2014</b>
Real Property	\$277,240.72	2521 – Allowance Tax	-\$2,004,984.00

**COMMUNITY ENGAGEMENT**

N/A

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

None.

**ATTACHMENTS**

Schedule 1 - Summary of write-offs

---

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 490-4210, or Fax 490-4208.

Report Prepared by: Jerry Blackwood, CGA, Manager of Revenue, 490-6470

Ben Fairbanks, Solicitor, Legal, Insurance & Risk Management Services, 490-1036

Legal Approval by:

Original Signed

\_\_\_\_\_  
John Traves, Director of Legal, Insurance & Risk Management Services, 490-4219

Financial Approval by:

Original Signed

\_\_\_\_\_  
Greg Keefe, Director of Finance & ICT/CFO, 490-6308

---

**SCHEDULE 1: Summary of Write-offs**

<b>Account #</b>	<b>Total</b>	<b>Principle</b>	<b>Interest</b>	<b>Years o/s</b>	<b>2014 Taxes</b>
03537897	\$31,305.64	\$18,312.00	\$12,993.64	1989-2014	\$1,581.12
02567822	\$25,380.28	\$15,066.96	\$10,313.32	1989-2014	\$794.56
00247472	\$23,749.74	\$10,909.06	\$12,840.68	1989-2014	\$480.96
00980455	\$20,734.51	\$11,619.87	\$9,114.64	1997-2014	\$646.42
01321056	\$19,541.69	\$15,670.42	\$3,871.27	2002-2014	\$554.33
06195067	\$12,914.05	\$7,558.47	\$5,355.58	1989-2014	\$336.41

<b>Account #</b>	<b>Total</b>	<b>Principle</b>	<b>Interest</b>	<b>Years o/s</b>	<b>2014 Taxes</b>
04515404	\$12,109.78	\$9,790.13	\$2,319.65	2000-2014	\$982.80
04030532	\$11,167.04	\$6,502.21	\$4,664.83	1989-2014	\$332.22
04067258	\$10,162.81	\$6,021.97	\$4,140.84	1991-2014	\$256.51
08881847	\$9,518.80	\$6,259.00	\$3,259.80	1996-2014	\$369.58
03840328	\$9,282.73	\$5,321.58	\$3,961.15	1993-2014	\$229.43
01686313	\$9,135.19	\$5,082.10	\$4,053.09	1989-2014	\$219.34

<b>Account #</b>	<b>Total</b>	<b>Principle</b>	<b>Interest</b>	<b>Years o/s</b>	<b>2014 Taxes</b>
02671875	\$8,904.24	\$7,038.21	\$1,866.03	2003-2014	\$609.41
08882193	\$8,740.60	\$5,573.56	\$3,167.04	1996-2014	\$269.19
08887659	\$7,116.09	\$4,619.21	\$2,496.88	1997-2014	\$284.10
04067223	\$6,977.90	\$4,139.34	\$2,838.56	1991-2014	\$203.41
08949883	\$6,589.67	\$4,486.68	\$2,102.99	1997-2014	\$265.92
01923072	\$5,227.66	\$3,166.51	\$2,061.15	1991-2014	\$130.61

<b>Account #</b>	<b>Total</b>	<b>Principle</b>	<b>Interest</b>	<b>Years o/s</b>	<b>2014 Taxes</b>
00843377	\$4,572.27	\$2,590.99	\$1,981.28	1989-2014	\$112.66
01006789	\$3,608.99	\$2,056.46	\$1,552.53	1992-2014	\$68.79
00367346	\$2,951.97	\$1,823.39	\$1,128.58	1995-2014	\$90.05
02439263	\$2,899.43	\$1,567.53	\$1,331.90	1989-2014	\$66.69
02289717	\$2,859.84	\$1,480.12	\$1,379.72	1989-2014	\$51.35
10052181	\$2,855.83	\$2,816.53	\$39.30	2005-2014	\$322.84



<b>Account #</b>	<b>Total</b>	<b>Principle</b>	<b>Interest</b>	<b>Years o/s</b>	<b>2014 Taxes</b>
03953262	\$2,789.28	\$1,535.63	\$1,253.65	1989-2014	\$54.85
08608571	\$2,591.14	\$1,679.37	\$911.77	2005-2014	\$60.63
02452294	\$2,546.41	\$1,325.60	\$1,220.81	1989-2014	\$46.11
03638677	\$2,521.65	\$1,643.64	\$878.01	1998-2014	\$88.41
01039911	\$2,486.34	\$1,300.80	\$1,185.54	1989-2014	\$40.88
02364255	\$2,240.48	\$1,406.06	\$834.42	1,996.20	\$91.73

<b>Account #</b>	<b>Total</b>	<b>Principle</b>	<b>Interest</b>	<b>Years o/s</b>	<b>2014 Taxes</b>
01272802	\$2,173.15	\$1,752.00	\$421.15	2010-2014	\$278.25
00416959	\$1,518.27	\$792.85	\$725.42	1989-2014	\$24.33
02352915	\$67.25	\$67.25	\$0.00	2012-2014	\$26.90
<b>TOTALS</b>	<b>\$277,240.72</b>	<b>\$170,975.50</b>	<b>\$106,265.22</b>		<b>\$9,970.79</b>