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Halifax Regional Council
April 20, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in black ink, appearing to be "George McLellan", written over a horizontal line.

George McLellan, Chief Administrative Officer

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

Dan English, Deputy Chief Administrative Officer

DATE: April 2, 2004

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 \$146,224.87 comprised of \$101,860.61 principal and \$44,364.26 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 \$788,378.20 comprised of \$584,682.64 principal and \$203,695.56 interest as detailed in Schedule 2 be formally written out of the books of account.
3. The general revenue accounts in the amount of \$1,178,707.27 comprised of \$1,146,746.58 principal and \$31,960.69 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 three reports to Council to write-off general uncollectibles and to provide collection related statistics. This is the fourth report for write-offs since amalgamation and is intended to clear from the records accounts considered to have no value including those which are outstanding amounts from prior to amalgamation. These amounts are in excess of 6 years old and efforts have been exhausted in their collection. 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 against overdue accounts 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.

Some significant amounts are being written off relative to billings which arose prior to amalgamation. These amounts, which are included in the General Revenue Schedule 3 breakdown, are mostly related to Provincial billings which were recorded as recoveries but which subsequently have proven to be over estimated and/or unsubstantiated. The billings were relative to debt charges, project cost sharing and tax rebate claims.

The current total balance of the valuation allowances for receivables is approximately \$16.6 M including the current year (03/04) provision. This current write off, if approved, will reduce the allowance on the balance sheet for all write offs to approximately \$14.7M.

The attached write off statistics indicate that of the total amount of revenues billed each year HRM writes off less than 0.5 to 1.5 percent on average. This statistic is expected to improve markedly over time as further collection processes are instituted.

BUDGET IMPLICATIONS

There is a current year budget implication relative to 2003/04 billings being written off in the amount of \$11,743.37, since these write offs have not been allowed for in the valuation allowance calculated as of March 31, 2003.

All other write-off amounts have previously been fully provided for in the valuation allowance.

Business occupancy interest is recorded only as it is collected. The reversal of interest associated with Business Occupancy accounts, therefore, in the amount of \$203,695.56 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


Council could direct staff to keep these accounts in the permanent records and segregate them as uncollectible into the future for reference purposes. This is not recommended as the records will become burdened with data associated with these inactive accounts.

ATTACHMENTS

Schedule 1, 2 and 3
Summary of Write-Offs (Principal and Interest)
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, Manager of Revenue 490-6470

Report Approved by: 
S. Dale MacLennan, CA, Director of Financial Services 490-6308

SCHEDULE 1

REAL PROPERTY & LIENABLES REMOVAL FROM ACCOUNTS

YEAR	AMOUNT
1995/96 and prior	\$36,202.86
1996/97	\$18,663.39
1997/98	\$7,419.57
1998/99	\$3,024.94
1999/00	\$31,237.59
2000/01	\$6,892.44
2001/02	\$39,005.21
2002/03	\$3,379.17
2003/04	\$399.70
TOTAL	\$146,224.87

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	\$238,073.50
1996/97	\$11,119.99
1997/98	\$13,056.96
1998/99	\$22,107.44
1999/00	\$25,510.59
2000/01	\$85,033.31
2001/02	\$281,067.94
2002/03	\$112,179.32
2003/04	\$229.15
TOTAL	\$788,378.20

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	\$252,513.22
1996/97	\$694,760.01
1997/98	\$22,406.82
1998/99	\$16,953.45
1999/00	\$45,596.03
2000/01	\$46,551.34
2001/02	\$70,601.95
2002/03	\$18,209.93
2003/04	\$11,114.52
TOTAL	\$1,178,707.27

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

SUMMARY OF WRITE-OFFS

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Real Property & Other Lienables	\$101,860.61	\$44,364.26	\$146,224.87
Business Occupancy	\$584,682.64	\$203,695.56	\$788,378.20
General Revenues	\$1,146,746.58	\$31,960.69	\$1,178,707.27
	<u>\$1,833,289.83</u>	<u>\$280,020.51</u>	<u>\$2,113,310.34</u>

WRITE-OFF STATISTICS

GENERAL REVENUES	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003	TOTAL
GENERAL REVENUES - BILLED	\$74,053,244	\$87,448,591	\$97,953,732	\$113,623,393	\$103,283,744	\$87,201,758	\$83,630,858	\$647,195,320
GENERAL REVENUES - Write offs	\$898,748	\$477,592	\$226,167	\$100,103	\$70,502	\$70,602	\$18,210	\$1,861,924
PERCENTAGE OF WRITE OFF TO BILLED	1.21%	0.55%	0.23%	0.09%	0.07%	0.08%	0.02%	0.29%
TAXATION	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003	TOTAL
TAXATION REVENUE	\$277,822,000	\$278,236,000	\$285,756,000	\$290,367,000	\$360,020,146	\$370,521,355	\$398,949,582	\$2,261,672,083
TAXATION - Write offs	\$390,465	\$694,399	\$703,262	\$492,539	\$344,809	\$320,073	\$115,558	\$3,061,105
PERCENTAGE OF WRITE OFF TO BILLED	0.14%	0.25%	0.25%	0.17%	0.10%	0.09%	0.03%	0.14%

Percent of Taxation Write offs which are BO Tax 84% 96% 97% 95% 97% 88% 97% 87%