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Item No. 10.1.7

Halifax Regional Council
September 18, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

Dan English, Chief Administrative Officer

Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services and Strategy

DATE: August 3, 2007

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. This section also requires that the reasons for belief that such monies cannot be collected should be conveyed to Council.

RECOMMENDATION

It is recommended that:

1. The real property tax and lienable charges in the amount of \$32,408.26 comprised of \$26,534.18 principal and \$5,874.08 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 \$467,612.86 comprised of \$390,366.36 principal and \$77,246.50 interest as detailed in Schedule 2 be formally written out of the books of account.
3. The general revenue accounts in the amount of \$137,008.08 comprised of \$130,086.18 principal and \$6,921.90 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 five reports to Council to write-off uncollectible accounts. This is the sixth report for write-offs since amalgamation and is intended to clear from the records accounts considered to have no value. Staff would also like to provide Council with up to date statistics with regard to write-offs.

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.

Staff employ all means at their disposal within the parameters of the MGA as well as the Council Approved AO#18 (Revenue Collections Policy) 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. Staff are however very optimistic that with the implementation of the Revenue module of the Hansen system in 2008 that collection efforts will be enhanced and empowered by the credit analysis and dunning features.

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 2003/04 and 2004/05. 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 mobile home accounts, bankruptcies, defunct companies or people we cannot locate.

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

The attached schedules 4, 5 and 6, write off statistics, indicates that the total amount of write-offs since amalgamation have been generally decreasing especially in the area of business occupancy.

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.

Business occupancy interest is recorded only as it is collected. The reversal of interest associated with Business Occupancy accounts, therefore, in the amount of \$77,246.50 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.

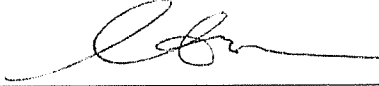
ATTACHMENTS

Schedules 1, 2, & 3 - Summary of write-offs
Schedules 4, 5 & 6 - Write-off statistics

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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SCHEDULE 1

REAL PROPERTY
REMOVAL FROM ACCOUNTS

YEAR	TOTAL
1997	\$275.31
1998	\$0
1999	\$371.78
2000	\$630.02
2001	\$8,286.77
2002	\$3,842.30
2003	\$3,866.23
2004	\$4,567.66
2005	\$5,522.07
2006	\$5,046.12
TOTAL	\$32,408.26

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

SCHEDULE 2

**BUSINESS OCCUPANCY
REMOVAL FROM ACCOUNTS**

YEAR	TOTAL
1995 and prior	\$96.60
1996	\$8,656.15
1997	\$9,633.70
1998	\$11,286.18
1999	\$15,685.39
2000	\$5,636.88
2001	\$19,088.18
2002	\$30,304.41
2003	\$88,622.00
2004	\$157,908.06
2005	\$117,810.34
2006	\$2,884.97
TOTAL	\$467,612.86

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

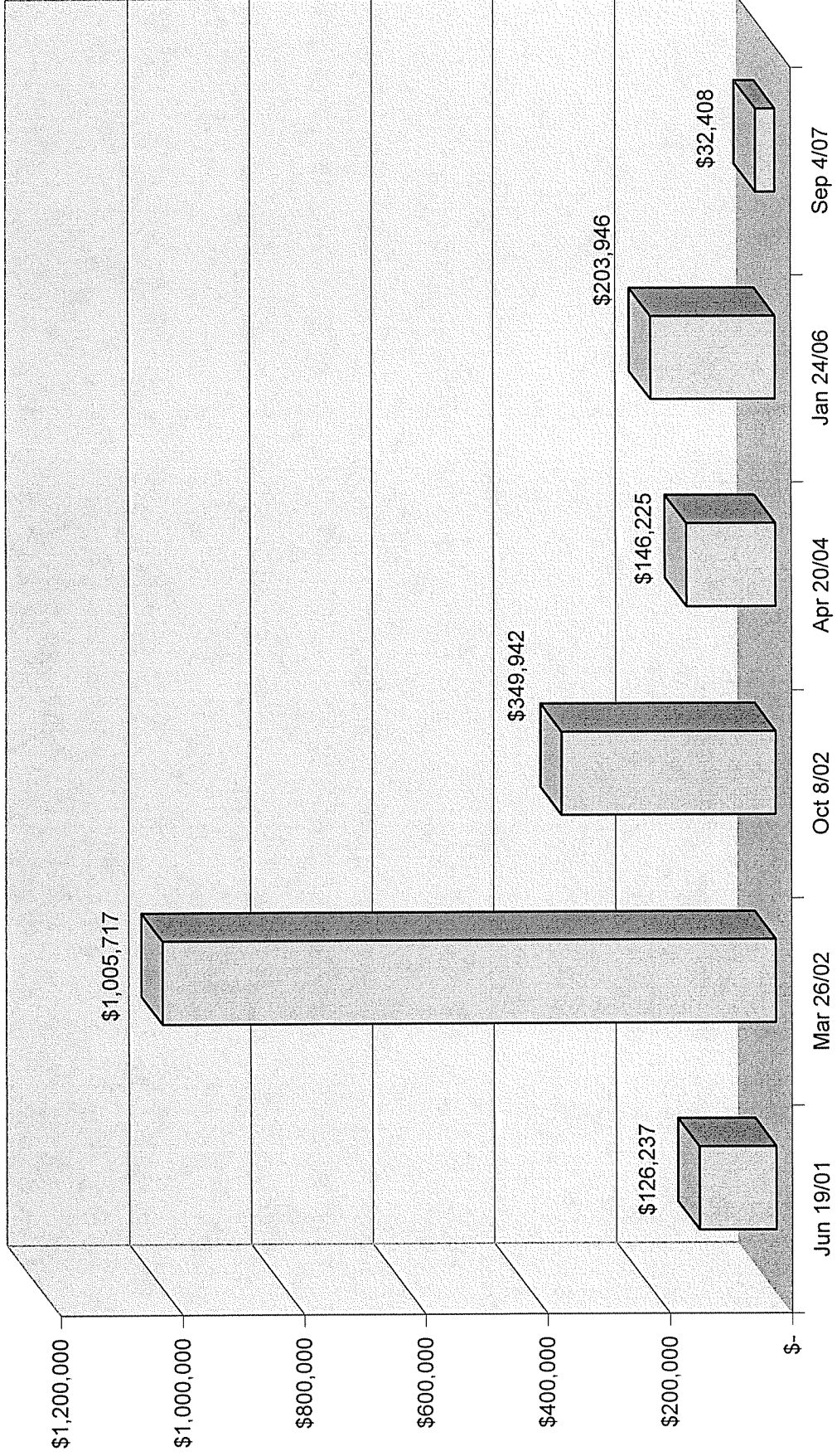
SCHEDULE 3

**GENERAL REVENUE
REMOVAL FROM ACCOUNTS**

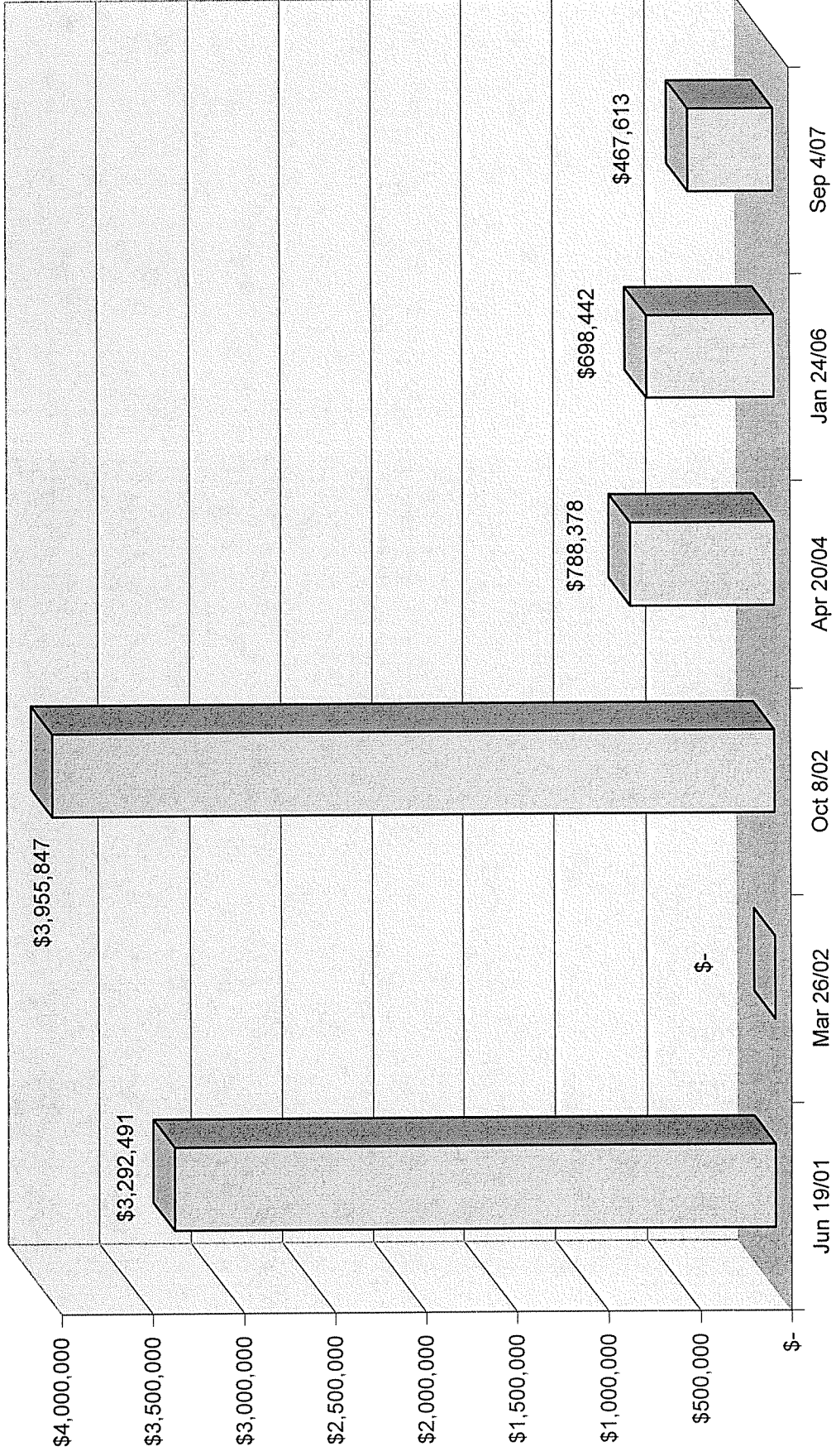
YEAR	TOTAL
1996	\$890.09
1997	\$486.00
1998	\$1,307.60
1999	\$0
2000	\$2,037.86
2001	\$6,982.82
2002	\$18,448.67
2003	\$35,728.38
2004	\$31,668.56
2005	\$37,197.53
2006	\$2,260.57
TOTAL	\$137,008.08

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

**SCHEDULE 4: Total Real Property Write-offs Since Amalgamation
(Including Interest)**



**SCHEDULE 5: Total Business Occupancy Write-offs Since Amalgamation
(Including Interest)**



**SCHEDULE 6: Total General Revenue Write-offs Since Amalgamation
(Including Interest)**

