



STAFF REPORT

Title: Financial Write Offs - Uncollectable Accounts

Meeting Date: June 23, 2020

Executive Summary:

Administration has made every attempt to collect all outstanding receivables. Collection procedures such as monthly statements, letters and phone calls have been utilized with little or no success. Outstanding accounts that are eligible by bylaw to be transferred to taxes, have been transferred and the resident has been notified. The outstanding amounts being brought forward for write off represent amounts outstanding up to December 31, 2018 and to June 30, 2019 for some property tax accounts. All accounts will be sent to collections and if collected the City will receive 50% of the total amount collected. There is an adequate allowance being held in reserves for the recommended write offs. The amounts recommended for write off are as follows:

CITY OF COLD LAKE 2020 PROPOSED WRITE OFF SUMMARY

	2018	2019	Total
Accounts Receivable	3,225.95		3,225.95
Utility	9,366.23		9,366.23
Taxes		9,522.34	9,522.34
Recreation	342.19		342.19
	12,934.37	9,522.34	22,456.71

Background:

Administration annually reviews outstanding accounts for the purposes of establishing an allowance that represents possible bad debt. Collection measures that have been used include: phone calls, letters, final notices, cut offs, serving notices by peace officers and sometimes solicitors.

The total requested for write off is \$22,456.71. Of this amount, \$13,348.61 (60%) is one bulk water account and four Province of Alberta owned properties where there was a reduction of the amount of Grants in Place of Taxes paid for 2019 as per their 2019 Budget passed and related penalties.



As per the MGA and the Utility Bylaw the City transfers unpaid utility bills to taxes and the amount is then collected under the tax collection methods. Administration still has some issues with collections as some of the renters have been grandfathered in and still hold a Utility Account. There are also some issues with timing of the invoices. If a resident sells their property and the water invoice is not generated until after the sale we sometimes are unable to collect the water invoice through taxation. Staff is very cognizant of this issue and does try to mitigate the risk when they are aware of the sale. The proposed write off for Utilities is \$9,366.23 and stem from three bulk water accounts totalling \$6,688.91, one being a business totalling \$6,460.11. The remainder of \$2,677.32 from owners leaving the area without paying final bill after the sale of their property.

The proposed write off for taxes and related penalties total \$9,522.34. Of this amount, \$6,888.50 is related to four properties owned by the Alberta Government where Grants in Place of Taxes are paid. In the 2019 Provincial Budget, it was announced they would be reducing the amount paid for Grants in Place of Taxes by 25% in 2019 and another 25% in 2020. The \$6,888.50 is made up of the 25% reduction in payment of \$3,375.91 and penalties of \$3,512.59 for late payment of taxes. According to the Alberta Finance Treasury Board Directive #04~85, section 3.d)ii), interest is not paid to a local government body. The balance of \$2,633.84 is from Manufactured Homes that were moved out of the community with taxes left outstanding. Currently the Finance department is working with the Planning Department to ensure that when a permit is pulled to move a home, taxes are paid up to date before the permit is issued. Unfortunately there are times when a permit has not been pulled before a manufactured home is moved out so there has not been the opportunity to collect the outstanding taxes.

The total write off amount includes all accounts that have arrears dating back to December 31, 2018 and property arrears that are June 30, 2019 that do not have a payment arrangement or have not been brought to Council under separate cover. Currently General Accounts Receivable more than 90 days in arrears totals \$161,537.85 and utility accounts more than 90 days in arrears total \$50,865.24. An allowance is usually set up at year end for any accounts 180 days or more in arrears unless a payment arrangement has been made. The detailed attached list contains the names of businesses but the names of the individuals have been removed. The City of Cold Lake will retain all write offs on file so that they may be referenced in the future in the event these individuals wish to reopen an account with the City. Please note all accounts will be sent to collections and if collected the revenue is receipted into the current year. There is an adequate allowance being held in reserves for the recommended write offs.



Alternatives:

Council may choose one of the following options:

1. Council may pass a resolution to write off the outstanding receivables as presented.
2. Council may not choose to pass a resolution to write off the outstanding receivables.

Recommended Action:

That Council approve Administration's recommendation to write off the uncollectable accounts totaling \$22,456.71.

Budget Implications (Yes or No):

Yes

Submitted by:

Kevin Nagoya, Chief Administrative Officer