



STAFF REPORT

Title: Financial Write Offs - Uncollectible Accounts

Meeting Date: July 11, 2023

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 on the remaining outstanding accounts. 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 outstanding accounts receivable and utilities balances up to April 6, 2023 and property tax accounts to January 1, 2023. All accounts except for the property tax accounts owned by the Province 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:

	2020-2021	2022	2023	Total
Accounts Receivable	\$4,216.41	\$2,882.09	\$26.37	\$7,124.87
Property Taxes		\$9,580.50		\$9,580.50
Utilities	\$1,886.47	\$983.93	\$4.50	\$2,874.93
Total	\$6,102.88	\$13,446.55	\$30.87	\$19,580.30

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 \$19,580.30. The write offs fall within three categories:

1. Accounts Receivable (total proposed write offs: \$7,124.87)

Of the total requested write off 78% is from fire call invoices and related penalties due to non-payment or lack of insurance information for forwarding invoices (\$5,558.92). Additionally, there is 9% from penalty invoices that are being written off after customers have paid the invoice balance but not paid the penalties (\$662.32). The remaining \$903.63 are from other invoiced amounts and penalties where the customers have not responded to various attempts for collection of payment.



As per Bylaw No. 592-FN-16, Interest and Penalty Bylaw on Unpaid General Accounts Receivable, the City charges 1.5% per month on any general accounts receivable owing to the City. The total penalties included amount to \$2,008.18. Of this amount, there are \$1,180.42 of penalties related fire call invoices that are being written off, \$662.32 related to penalties where invoices have been paid but the penalties on account remain unpaid and the remaining \$165.44 is related to other invoices that have not be paid. When most accounts are paid, customers will refuse to pay interest after the multiple attempts at collecting balances.

2. Property Taxes (total proposed write offs: \$9,580.50)

This entire amount is related to three properties owned by the Alberta Government where Grants in Place of Taxes (GIPOT) 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 \$9,580.50 is the 50% reduction in payment for the 2022 tax levy against these three properties. Because Government of Alberta owned properties are ultimately exempt, and the GIPOT revenue is a grant rather than a tax, it is not necessary for Council to cancel the portion of taxes not funded by GIPOT. From an accounting perspective, an allowance needs to be set up for the portion of the expected amount to be written off. There is a sufficient allowance set up for this write off.

3. Utility Accounts (total proposed write offs: \$2,874.93)

As per the *Municipal Government Act* and the City of Cold Lake's 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. For example, if a resident sells their property and the utility invoice is not generated until after the sale, we are unable to collect the water invoice through taxation as the title has transferred to the new owner. Staff are very cognizant of this issue and try to mitigate the risk when they are aware of the sale.

There has been a large increase in the number of people who have had their utilities transferred to taxes and when the property has been sold can no longer be added to the tax account. While the process of adding to taxes is beneficial in reducing the utilities when there is no change in ownership, this however works against the City when the property is sold and the City is no long able to transfer balances to the property tax account. Some large balances have remained.



Administration will review the \$50 water deposit amount to determine if this would be adequate for the average utility bill and look into what additional initiatives there may be for accounts that are regularly being transferred to taxes.

The total write-off amount includes all accounts that have arrears dating back to January 1, 2020 and property arrears to January 1, 2021 that do not have a payment arrangement or have not been brought to Council under separate cover.

As of July 5, 2023, Accounts Receivable more than 90 days in arrears totals \$13,905.74 and utility accounts more than 90 days in arrears total \$6,570.49. An allowance is set up at year end for any accounts 180 days or more in arrears unless a payment arrangement has been made.

In accordance with the *Freedom of Information and Protection of Privacy Act (FOIP)*, the detailed attached list contains the names of businesses but the names of individuals have been redacted in accordance with *FOIP*. 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 of \$19,580.30 as presented.
2. Council may pass a resolution to write off the outstanding receivables for another amount as determined by Council.
3. 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 uncollectible accounts totaling \$19,580.30, as presented.

Budget Implications (Yes or No):

Yes

Submitted by:

Kevin Nagoya, Chief Administrative Officer