



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Tom Kitsos, Director Financial Services & Chief Financial Officer

Date to Council: January 26, 2021

Report Number: FS-2021-01

Subject: Taxes Receivable December 2020

Recommendations

It is recommended:

That Financial Services Report No. 2021-01, Taxes Receivable 2020 **be received**.

Executive Summary

An annual report is provided to Council regarding the status of year-end tax arrears.

Background

Tax billings and due dates are as follows:

- Interim tax notices are mailed in January for all ratepayers with due dates in February and April.
- Final Residential notices are mailed in May with due dates in June and September.
- Final Commercial/Industrial notices are mailed in August with due dates in September and November.

Procedures used for collecting tax arrears are as follows:

- Penalty and interest is charged on the first of the month for all accounts in arrears.
- Arrears notices are sent out as reminders of past due taxes five times during the year (March, May, July, October, and year-end).
- In the third year of arrears, letters are mailed in January asking ratepayers to make payment arrangements to avoid tax registration. Payment arrangements include full payment of third year arrears or the establishment of a payment plan.

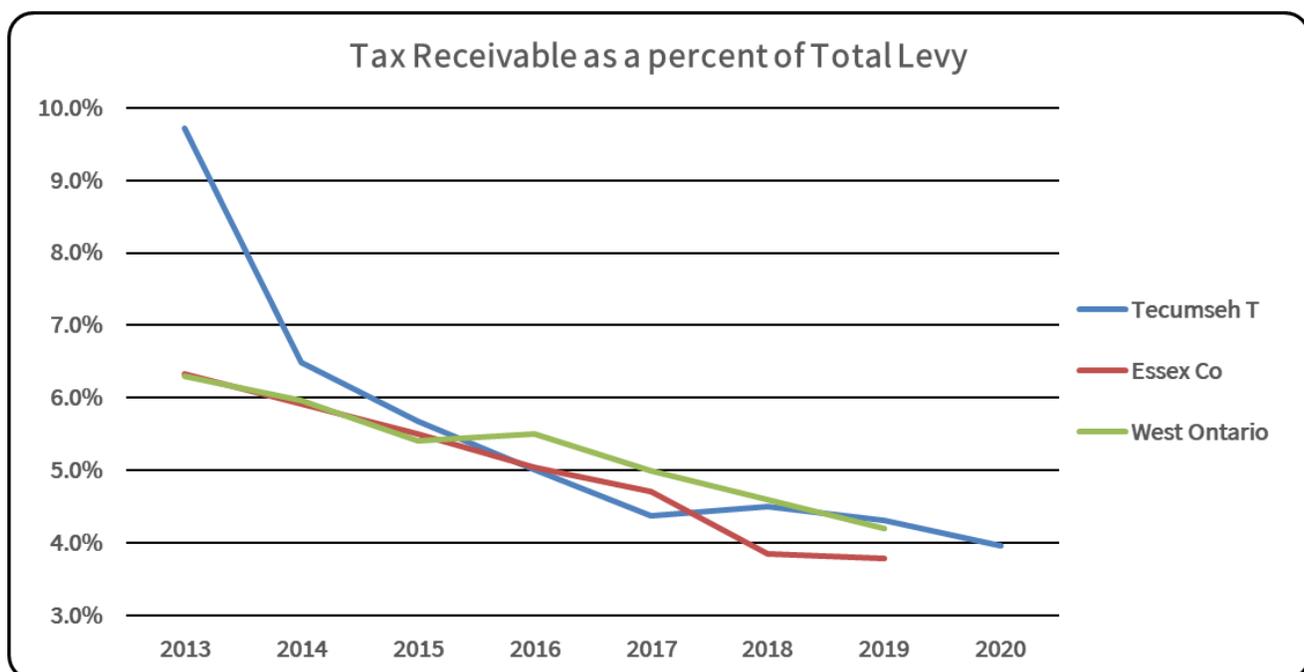
- A final letter is sent in March informing the ratepayer that we will proceed with tax registration.
- After all collection attempts on outstanding arrears have been exhausted, a tax arrears certificate is registered under the Municipal Act, Section 373 (1).
- The ratepayer has one full year after registration to redeem the property, i.e. taxes, penalties and interest for all years including current year must be paid in full.
- Should a ratepayer fail to redeem their property by the cancellation date, the property becomes eligible for tax sale.

Comments

Total uncollected property tax as a percentage of total taxes levied (tax receivable as a percentage of tax levy) is one of several measures used to evaluate the economic health of a municipality. An increasing percentage over time may indicate an overall decline in the municipality's economic health.

Tax receivable as a percentage of tax levy decreased slightly to 4.0% at December 2020 (from 4.3% in 2019). This percentage is below the historical normal range and has come down significantly over the course of the past few years after a period of relatively high percentages during 2009-2013. The Town has historically been in the 6% - 8% range, whereas the historical average for West Ontario has been between 4% - 6%. Credit rating agencies consider a measure greater than 8% a negative factor (BMA Municipal Study, 2017).

The following chart displays year-end tax receivable as a percentage of tax levy with comparative data for Essex County Lower Tier municipalities and West Ontario municipalities. Estimated 2020 data is currently only available for Tecumseh.



The following table illustrates taxes receivable outstanding at year-end and total number of properties in arrears.

Year	2020	2019	2018	2017	2016	2015
Total tax arrears	\$2,050,000	\$2,167,000	\$2,203,000	\$2,044,000	\$2,260,000	\$2,524,000
Number of properties in arrears	587	569	600	613	585	537
Tax registrations	5	6	6	2	4	5
Tax sales	-	-	-	-	-	-

The dollar amount of arrears outstanding tends to fluctuate irrespective of the number of properties in arrears due to periodic redemptions of large balances. Average arrears by property can be skewed significantly year-to-year due to a few large individual balances.

The number of tax registrations (tax arrears certificates) compared to the number of properties in arrears is relatively low, as many property owners have stayed the registration process by committing to payment plans designed to reduce/eliminate tax arrears. There are approximately 40 active payment plans with the Town. Default of a payment plan would result in tax registration.

Selling properties for arrears is a procedure available to the municipality to collect amounts owing. The Town has not had to resort to this measure for a number of years. The last recorded sale of property for tax arrears was prior to amalgamation.

There was one tax sale scheduled for April 2020; this was cancelled due to the COVID-19 pandemic and resultant provincial and local states of emergency. Another property is eligible for tax sale mid-2021; this may be postponed depending on the pandemic/states of emergency at that time. Nonetheless, Administration continues to monitor both these and all properties in arrears and will take appropriate action as warranted.

Consultations

None

Financial Implications

All costs incurred by the Town with respect to property registration and tax sale are recoverable except in the event a property is not sold at tax sale.

Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input checked="" type="checkbox"/>	Ensure that Tecumseh’s current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of Tecumseh’s plans and priorities.
<input type="checkbox"/>	Steward the Town’s “continuous improvement” approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town’s leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Zora Visekruna, MBA
Deputy Treasurer & Tax Collector

Reviewed by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
None	