



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Tom Kitsos, Deputy Treasurer & Tax Collector

Date to Council: September 11, 2018

Report Number: FS-2018-12

Subject: Taxes Receivable – June 2018

Recommendations

It is recommended:

THAT Financial Services Report FS-2018-12 Taxes Receivable – June 2018 **be received** for information.

Background

A regular report is to be provided to Council regarding the status of tax arrears.

Tax billings and due dates:

- 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 of June and September
- Final Commercial/Industrial notices are mailed when capping calculations are completed with due dates of September and November

Procedures used for collecting tax arrears are as follows:

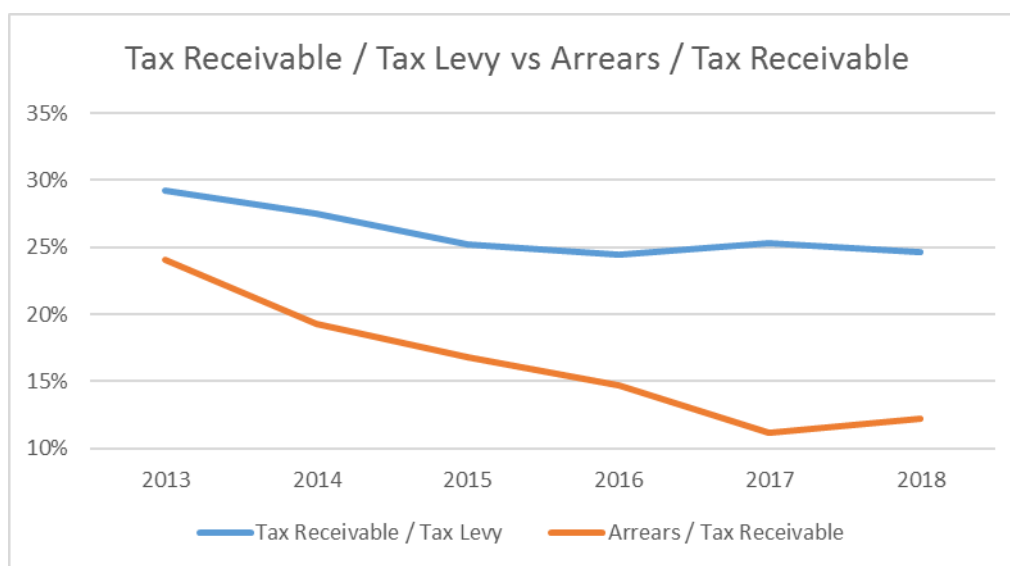
- Penalty and interest is charged on the first of the month for all accounts in arrears
- Arrears notices are sent out as reminders of past due taxes five times during the year (March, May, July, October and December)
- In the third year of arrears, letters are mailed asking ratepayers to make payment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

- A final letter is sent in April 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; 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 taxes as a percentage of total tax levies 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.

The chart below illustrates tax receivable as a percentage of tax levy and tax arrears as a percentage of tax receivable at the mid-point of the year.



Tax receivable as a percentage of tax levy peaked in 2013 and has descended to lower levels over the course of the last few years. Tax receivable includes amounts billed in the current year, some of which may not yet be due, so this figure generally appears quite high at the mid-point of the year as compared to end of year figures.

Tax arrears as a percentage of tax receivable is a gauge to measure the age of tax receivable, where a higher percentage indicates that there are older receivables and therefore potentially greater risks for collection. Tax arrears are defined as tax receivable owing from prior years, i.e. does not include current year receivables.

Both measures have improved significantly during the course of the last several years.

Tax receivable at June 2018 totals \$11.9 million of which \$1.5 million is due from prior years, compared to \$11.8 million and \$1.3 million respectively at June 2017. Prior year receivables have been trending downward at an accelerated pace due to the redemption of several large

accounts over the course of the past several years, thus increasing the spread between the two chart lines, i.e. reducing the age of tax receivables.

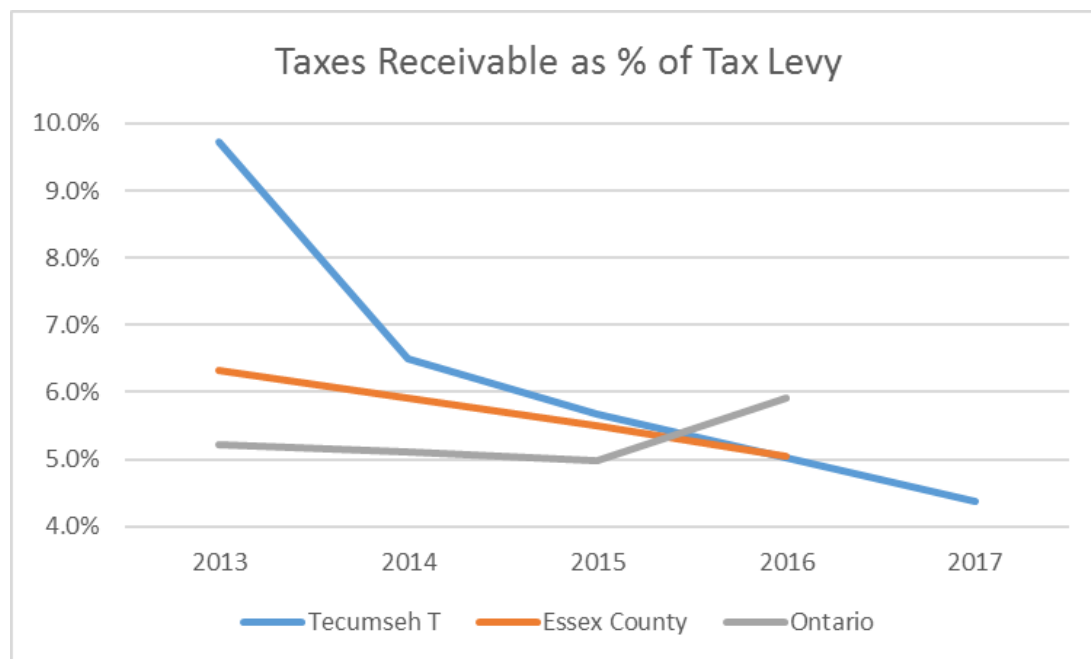
Tax arrears by property class are relatively proportionate to tax revenue generated by property class, i.e. the residential class accounts for 68% of total tax revenues and 74% of tax arrears. Commercial class properties account for 17% of total tax revenues and 13% of tax arrears and industrial properties account for 15% of tax revenues and 13% of arrears.

Tax arrears per residential property have increased from last year at \$5,231 in 2018 compared to \$4,334 in 2017.

Property Class	2018 Count	2018 Arrears	2017 Count	2017 Arrears
Commercial	17	\$194,917	18	\$163,547
Industrial	10	\$184,320	9	\$250,839
Residential	206	\$1,077,666	209	\$905,857
Total	234	\$1,456,903	236	\$1,320,243

Comparable data for other jurisdictions within Ontario based on Financial Information Returns (FIR) is currently available up to 2016. It should be noted that the comparable data is based on year-end figures, as opposed to mid-year figures, which eliminates the effect of taxes issued but not yet due and thus results in lower, more accurate percentages.

Tax receivable as a percentage of tax levy for years 2013 to 2016 for Tecumseh, Essex County (average of lower tier municipalities in Essex) and Ontario are illustrated in the following chart.



At 2016 year-end figures, the Town's Tax Receivable as a percentage of Tax Levy ratio of 5.0% was essentially equal to the 2016 Essex County average and lower than the Ontario average of 5.9%. Tecumseh's ratio has further reduced during 2017 to 4.4%.

The number of properties registered for tax arrears has fluctuated year-to-year during the 2013-2018 year-to-date period within the range of two to six properties. The number of registrations (tax arrears certificates) per year is down considerably compared to years past as many property owners have stayed the registration process by committing to payment plans designed to eliminate tax arrears. Default of a payment plan would result in tax registration.

Once a property is registered, failure to redeem the property by the tax arrears registration due date would put the Town in position for a Tax Sale. Historically, all property owners have been able to redeem their properties thus avoiding tax sale.

Currently, there is one property that is at risk of tax sale within the next six-month period. The redemption date for this particular property is late September 2018. Should the tax arrears not be redeemed by the redemption date, the property will become eligible for tax sale.

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	2017-18 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 the Town of 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 the Town 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:

Tom Kitsos, CPA, CMA, BComm
Deputy Treasurer & Tax Collector

Reviewed by:

Luc Gagnon, CPA, CA, BMath
Director Financial Services & Treasurer

Recommended by:

Tony Haddad, MSA, CMO, CPFA
Chief Administrative Officer

Attachment Number	Attachment Name
None	None