



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: February 14, 2023

Report Number: FS-2023-01

Subject: Taxes Receivable December 2022

Recommendations

It is recommended:

That Financial Services Report No. 2023-01, Taxes Receivable December 2022 **be received.**

Executive Summary

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

Background

This report describes the status of the Town of Tecumseh's property taxes outstanding as of December 31, 2022.

Collection Procedures

Interim tax notices are mailed to all ratepayers in January with due dates in February and April. Final residential notices are mailed in May with due dates in June and September, while final commercial/industrial notices are mailed in late August with due dates in September and November.

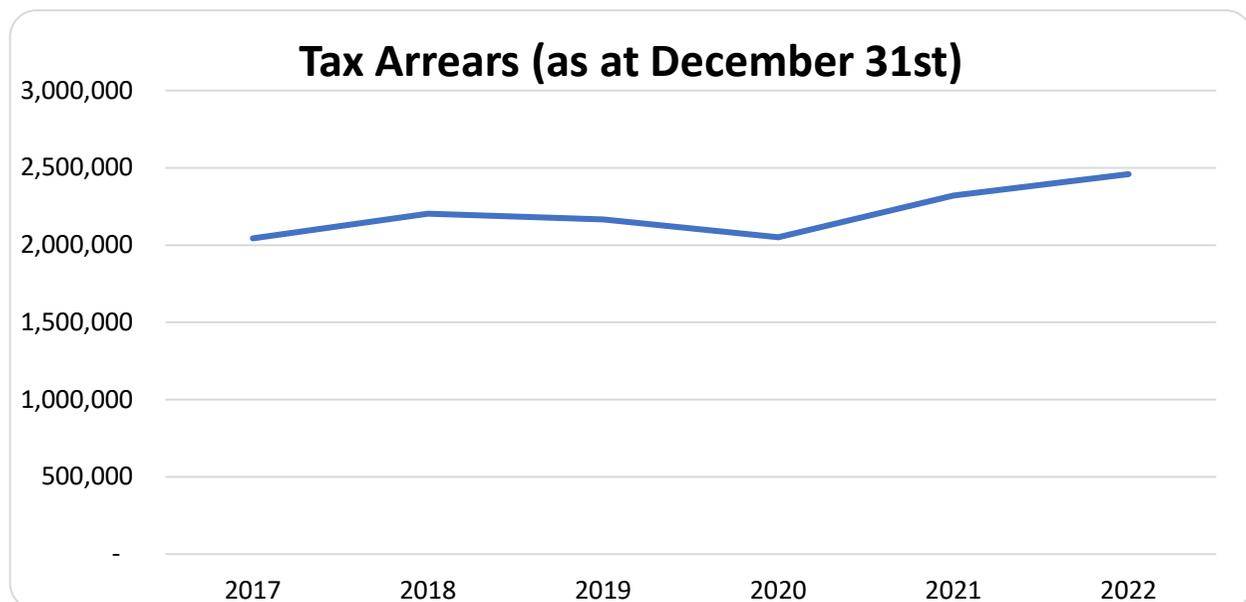
If an account is in arrears, interest and penalties are charged on the first day of the month. Arrears notices are sent out five times during the year (March, May, July, October, and December).

On an annual basis, if an account is three years in arrears, letters are mailed asking ratepayers to make payment arrangements to avoid tax registration. If payment is not received or a payment arrangement is not entered, a final letter is sent in April informing the ratepayer that the Town 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 year from the date a tax arrears certificate is registered to redeem the property (i.e., the "cancellation date"). To do so, the ratepayer must pay all tax arrears, current taxes, interest, and penalties at the time of payment, and all reasonable costs incurred by the Town to register a tax arrears certificate. If a ratepayer fails to redeem their property by the cancellation date, it becomes eligible for tax sale.

Comments

Taxes Receivable/Arrears

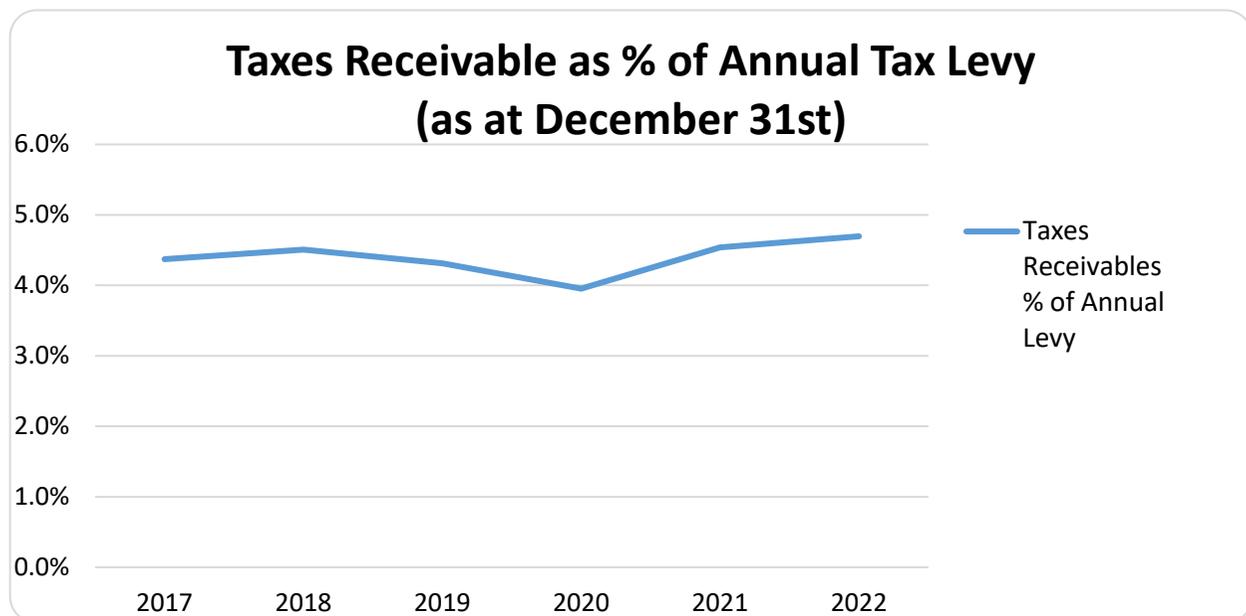
For 2017 through 2022, taxes receivable as of Dec 31st have fluctuated as illustrated in the chart below.



Taxes receivable is the amount of outstanding taxes owed to the municipality. High outstanding taxes may reflect the inability of residents to pay their taxes, or it could indicate problems with the municipality's tax collection procedures. High outstanding taxes could also create cash flow problems for the municipality or result in higher tax rates to fund uncollectable taxes or tax write-offs.

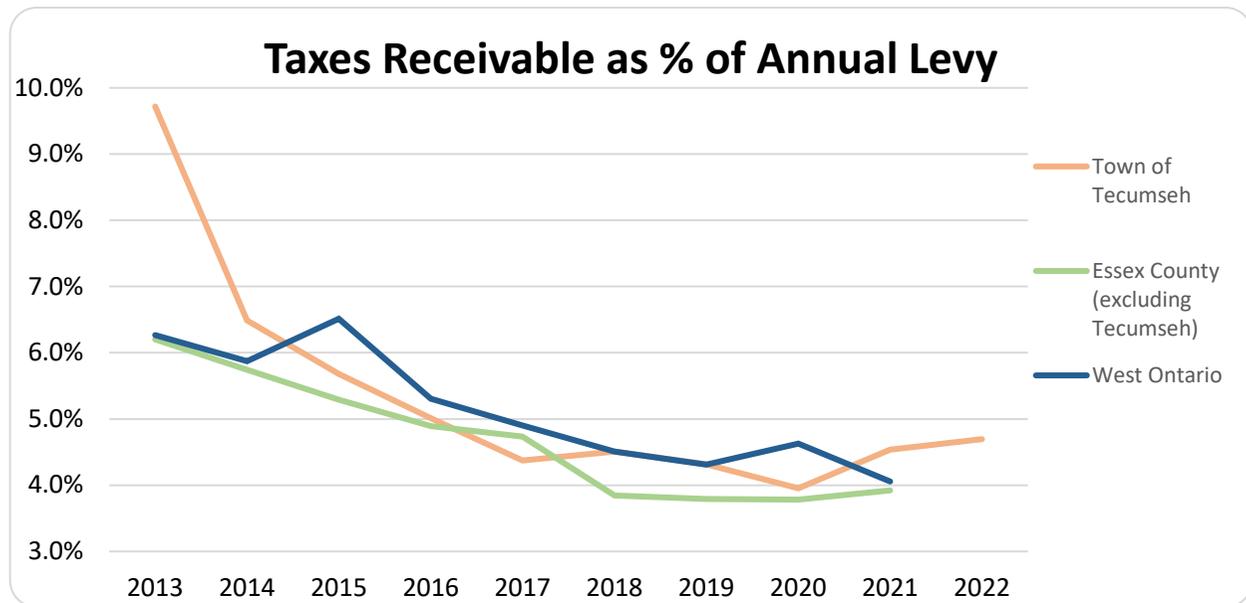
As at Dec. 31 st	Tax Receivables	# in Arrears
2022	\$ 2,459,012	682
2021	\$ 2,320,090	657
2020	\$ 2,049,864	587

A key financial indicator of the health of property taxes receivable is the ratio of taxes outstanding as of December 31st to the annual taxes levied. This reveals the degree of aging within our taxes receivable balance. A higher percentage suggests that there is a larger proportion of older receivables, which can signal a collection risk.



The Town's taxes receivable as a percentage of annual taxes levied increased slightly to 4.7% as of December 31, 2022 (from 4.5% in 2021). Overall, property tax collection continues to remain strong despite the uncertainty posed by COVID-19.

The following chart represents taxes receivables as a percentage of annual tax levies for fiscal years ending December 31st for the Town of Tecumseh, Essex County (average of lower-tier municipalities in Essex, excluding Tecumseh) and West Ontario. Comparable data is based on Financial Information Returns (FIR), which are currently available up to 2021.



Data source: MIDAS - SLC 72 0290 09, SLC 26 9199 03

Taxes receivable as a percentage of tax levy increased slightly to 4.7% as of December 2021 (from 4.5% in 2021). This percentage is below the historical normal range and has come down significantly over the few years of relatively high percentages during 2009-2013. Since 2017, the Town has been in the 4.0% - 4.7% range, whereas West Ontario has been between 4.1% - 4.9%. Credit rating agencies consider a measure greater than 8% a negative factor (BMA Municipal Study, 2017).

Pre-Authorized Payment Plans

To date, there were 2,362 properties enrolled in the monthly pre-authorized payment (PAP) plan and 883 properties enrolled in the due date PAP plan. Total enrollment in the PAP programs represents approximately 33% of all properties in the Town of Tecumseh.

We continue to encourage ratepayers to enroll in our PAP plans as part of an efficiency initiative. It enables the Town to process a large number of tax payments without manual entry, provides a stable cash flow through the calendar year, and allows ratepayers the opportunity to spread their payments out on a monthly basis.

Tax Arrears Certificate

Tax arrears certificates are registered after an account is three years in arrears and all collection avenues have been exhausted. The chart below shows the number of tax arrears certificates initiated in a calendar year. A ratepayer has one year after registration to redeem the property, at which point the Town will continue with the tax sale process as a means of recovering unpaid property taxes. Fiscal 2022 was the first year in which a property was sold through the tax sale process since amalgamation.

Historically, property owners have been able to redeem their properties, thus avoiding a tax sale.



During 2022, we have begun the tax arrears certificate registration process for three new properties (2021 – two). We also have three outstanding registrations for which collection has yet to occur. If payments are not received, these properties may be advertised for tax sale in 2024.

Consultations

None

Financial Implications

All costs incurred by the Town concerning property registration and tax sale are recoverable except if a property is not sold at tax sale. In that situation, a notice of vesting in the name of the Town may be registered.

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:

Vanessa DaDalt, CPA, CA
Deputy Treasurer & Manager Revenue Services

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	None