



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 13, 2024

Report Number: FS-2024-01

Subject: Taxes Receivable December 2023

Recommendations

It is recommended:

That Financial Services Report No. 2024-01, Taxes Receivable December 2023 **be received.**

Executive Summary

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

Background

This report describes the status of property taxes outstanding as of December 31, 2023 for the Town of Tecumseh.

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.

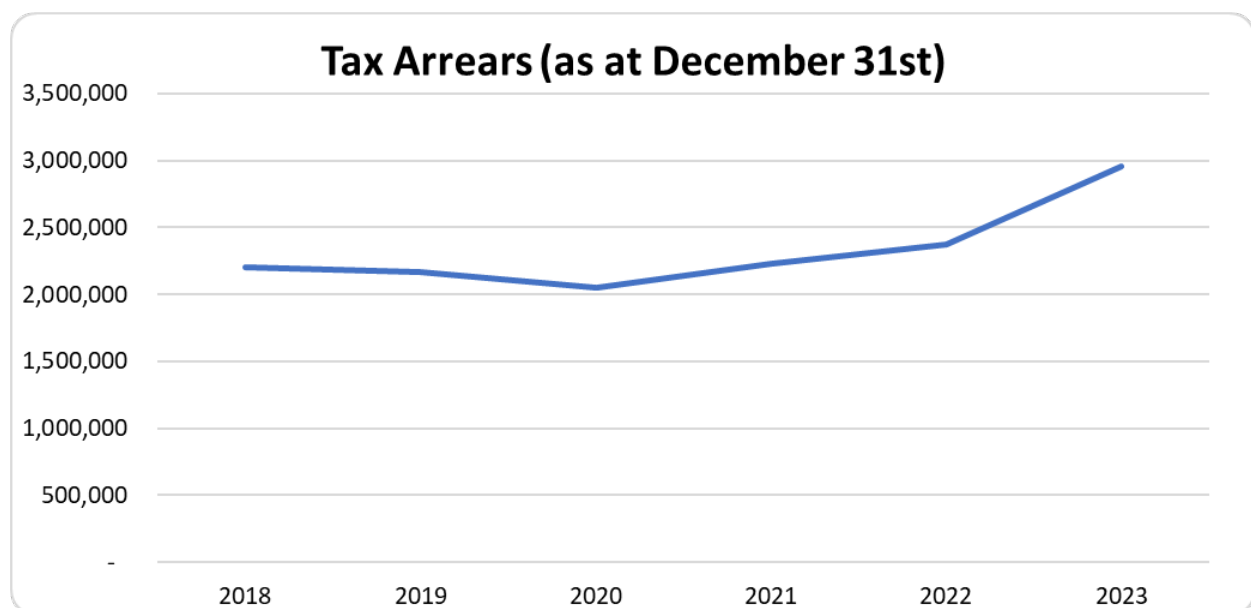
If an account is in arrears, interest and penalties are charged on the first day of the month. Arrears notices are sent out five times during the year (March, May, July, October, and December).

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 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 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 2018 through 2023, tax receivable as at Dec 31st have fluctuated as illustrated in the chart below, ranging between \$2,000,000 to \$3,000,000.



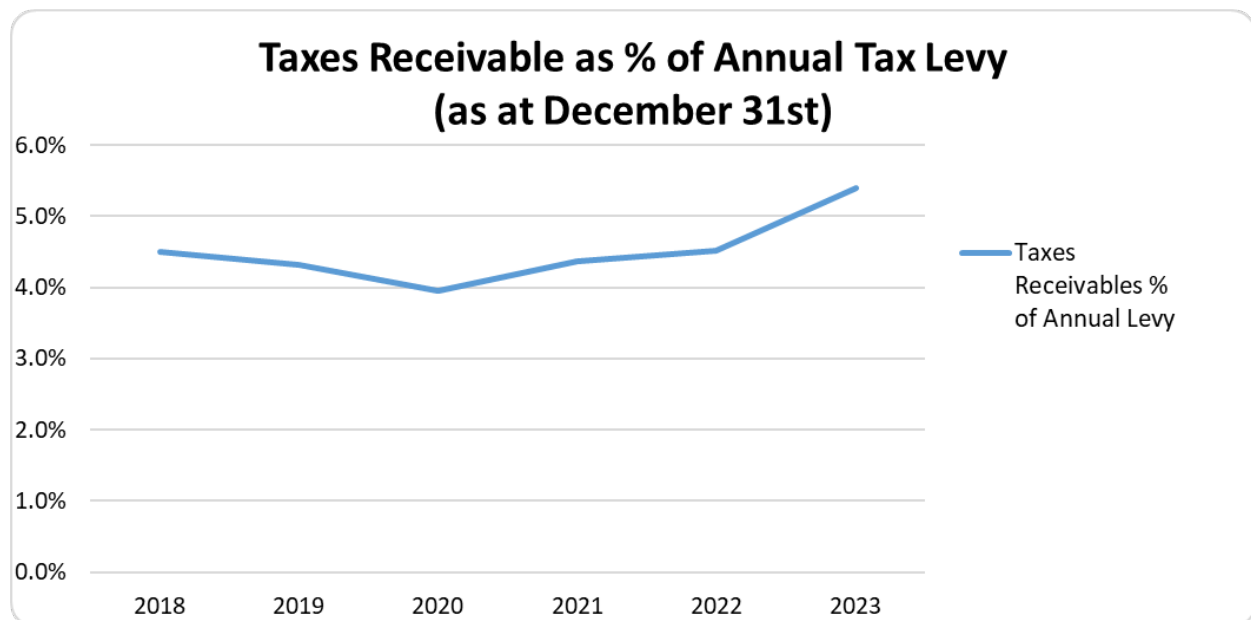
Taxes receivable is the amount of outstanding taxes owed to the municipality. High outstanding taxes may reflect the inability of residents to pay their taxes, or it could indicate problems with the municipality's tax collection procedures. High outstanding taxes could also create cash flow problems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

	2023	2022	2021
Residential			
# of Properties in Arrears	671	603	585
Total \$ Arrears	\$ 2,187,583	\$ 1,613,382	\$ 1,482,508
Commercial			
# of Properties in Arrears	76	70	59
Total \$ Arrears	\$ 367,371	\$ 447,877	\$ 599,515
Industrial			
# of Properties in Arrears	29	29	29
Total \$ Arrears	\$ 403,829	\$ 397,753	\$ 238,067
Total			
# of Properties in Arrears	761	682	657
Total \$ Arrears	\$ 2,958,783	\$ 2,459,012	\$ 2,320,090

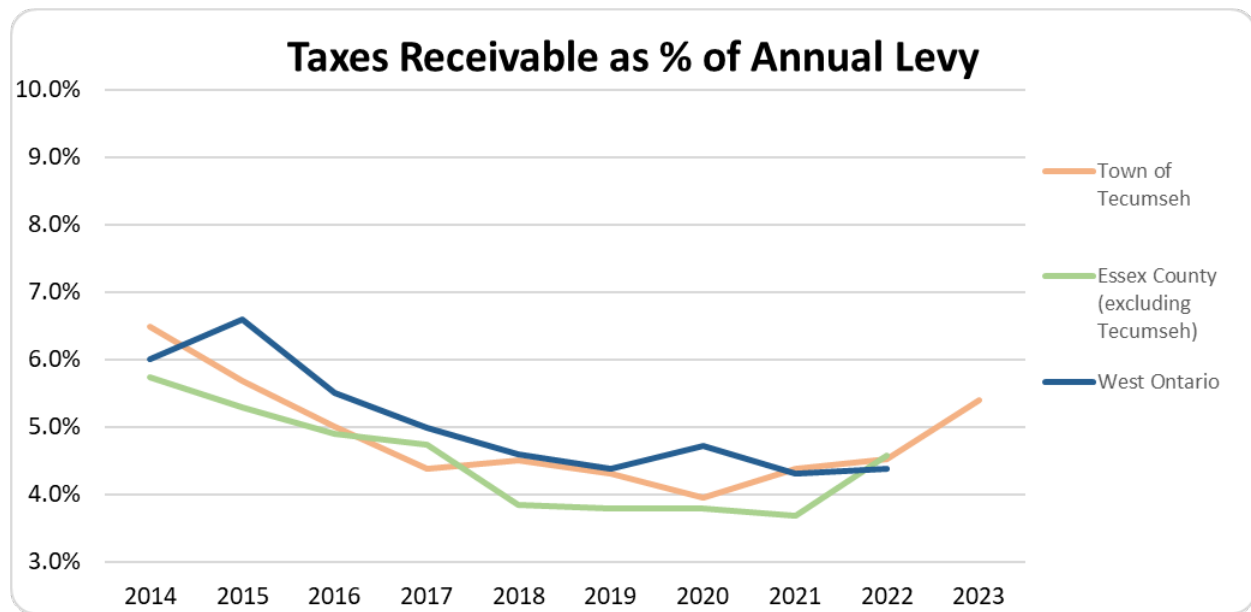
The following table shows the percentage of arrears by property type.

	2023	2022	2021
Residential	86%	86%	87%
Commercial	10%	10%	9%
Industrial	4%	4%	4%

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.



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 2022.



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

Taxes receivable as a percentage of tax levy increased to 5.4% as at December 2023 (from 4.5% in 2022). Since 2017, the Town has been in the 4.0% - 5.4% range, whereas West Ontario has been between 4.3% - 5.0%. Credit rating agencies consider a measure greater than 8% a negative factor (BMA Municipal Study, 2017).

Pre-Authorized Payment Plans

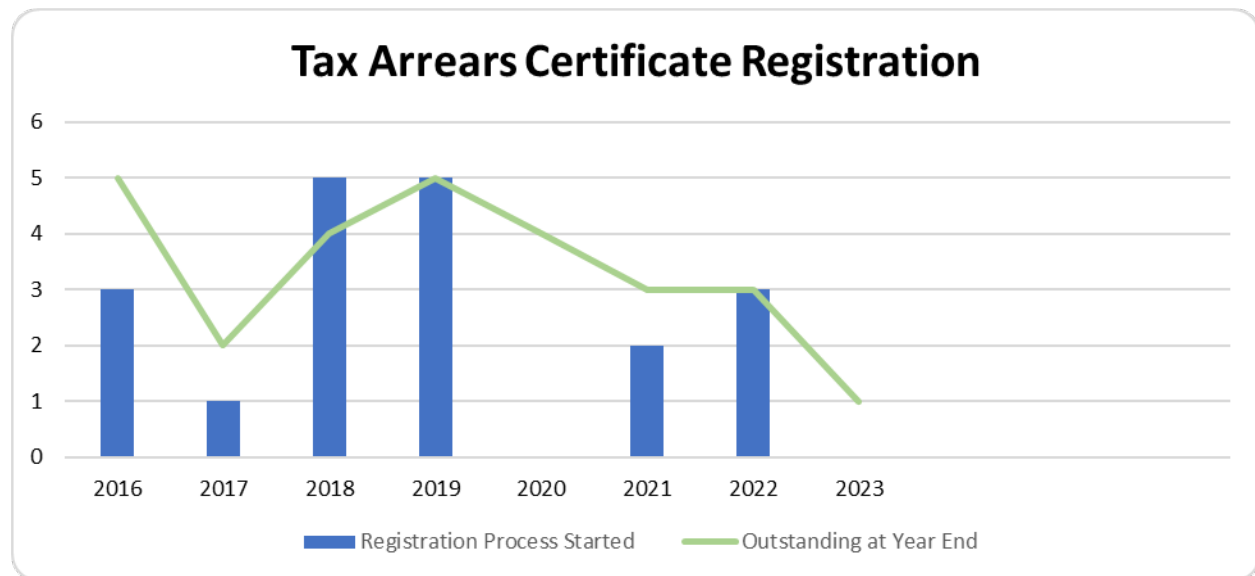
To date, there were 2,468 properties enrolled in the monthly pre-authorized debit (PAD) payment plans and 902 properties enrolled in the due date PAD plan. Total enrollment in the PAD programs represents approximately 34% of all properties in the Town of Tecumseh.

We continue to encourage ratepayers to enroll in our PAD 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. Historically, the vast majority of property owners have been able to redeem their properties, thus avoiding a

tax sale. Since amalgamation, the Town has sold two properties through the tax sale process.



During 2023, there were no tax arrears certificate registrations processed (2022 – three). We have one outstanding registration for which the redemption period has lapsed. This property is scheduled to be advertised for tax sale later this year.

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	2023-2026 Strategic Priorities
<input checked="" type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

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, CTP
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