



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: February 12, 2019

Report Number: FS-2019-01

Subject: Taxes Receivable December 2018

Recommendations

It is recommended:

1. **That** Financial Services Report No. 2019-01, Taxes Receivable December 2018 **be received.**

Background

An annual report is provided to Council regarding the status of year-end 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 in June and September.
- Final Commercial/Industrial notices are mailed when capping calculations are completed 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; 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.

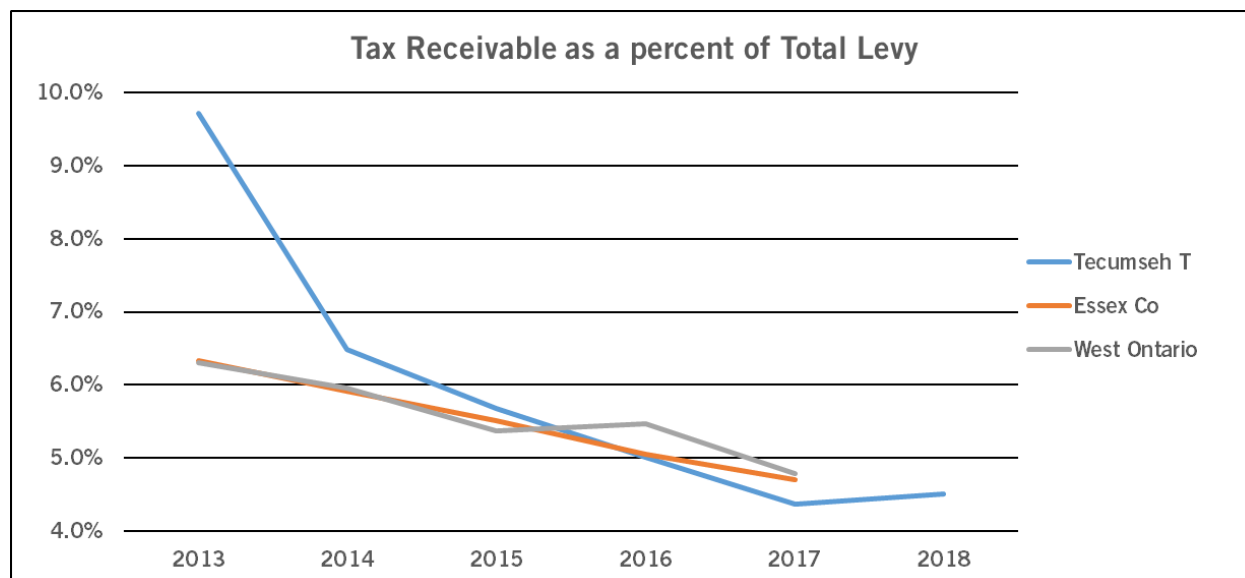
Comments

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 increased slightly to 4.5% at December 2018 (from 4.4% in 2017). 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 factor¹.

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 2018 data is only currently available for Tecumseh.

¹ BMA Municipal Study 2017



Source: Ministry of Municipal Affairs and Housing – Financial Information Report (FIR) data as submitted by municipalities

The following table illustrates tax receivable outstanding at year-end and number of properties in arrears by major property class groups.

Residential properties	2018	2017	2016	2015	2014
No. of properties in arrears	517	538	492	466	489
Total \$ arrears	\$1,424,000	\$1,433,000	\$1,589,000	\$1,644,000	\$1,591,000
Arrears per property	\$2,754	\$2,664	\$3,230	\$3,528	\$3,254
Commercial properties	2018	2017	2016	2015	2014
No. of properties in arrears	55	45	62	47	60
Total \$ arrears	\$388,000	\$295,000	\$260,000	\$316,000	\$641,000
Arrears per property	\$7,055	\$6,556	\$4,194	\$6,723	\$10,683
Industrial properties	2018	2017	2016	2015	2014
No. of properties in arrears	28	30	31	24	24
Total \$ arrears	\$391,000	\$316,000	\$411,000	\$564,000	\$639,000
Arrears per property	\$13,964	\$10,533	\$13,258	\$23,500	\$26,625
Total properties	600	613	585	537	573
Total tax arrears	\$2,203,000	\$2,044,000	\$2,260,000	\$2,524,000	\$2,871,000
Total tax levy	\$48,844,000	\$46,731,000	\$45,099,000	\$44,418,000	\$44,256,000
Tax registrations	6	2	4	5	4
Tax sales	-	-	-	-	-

Overall, Residential tax arrears account for 65% of total tax arrears in 2018 compared to 55% in 2014, which is primarily a result of the large reductions to Commercial and Industrial arrears. Residential properties accounted for 67% of the total tax levy in 2018 (66% in 2014).

The total number of properties in arrears has been increasing slightly over the course of the past five years despite a reduction in total dollar amount owing. This is predominantly due to the large number of Residential properties with arrears of less than \$2,000, which totals 322 properties in 2018 (351 in 2017).

The average amount of arrears per property varies significantly by property class, ranging from \$2,754 for residential properties to \$13,964 for industrial properties. Average arrears per property in 2018 are relatively low when compared to averages over the course of the past five years.

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, particularly with respect to Commercial and Industrial properties, 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 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 is one property at risk of tax sale for the first half of 2019. A tax sale date has been set for March 26, 2019. Advertisements will commence mid-February unless the property is redeemed prior to that time.

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