



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: July 23, 2019

Report Number: FS-2019-08

Subject: Taxes Receivable – June 2019

Recommendations

It is recommended:

That Financial Services Report FS-2019-08 Taxes Receivable – June 2019 **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:

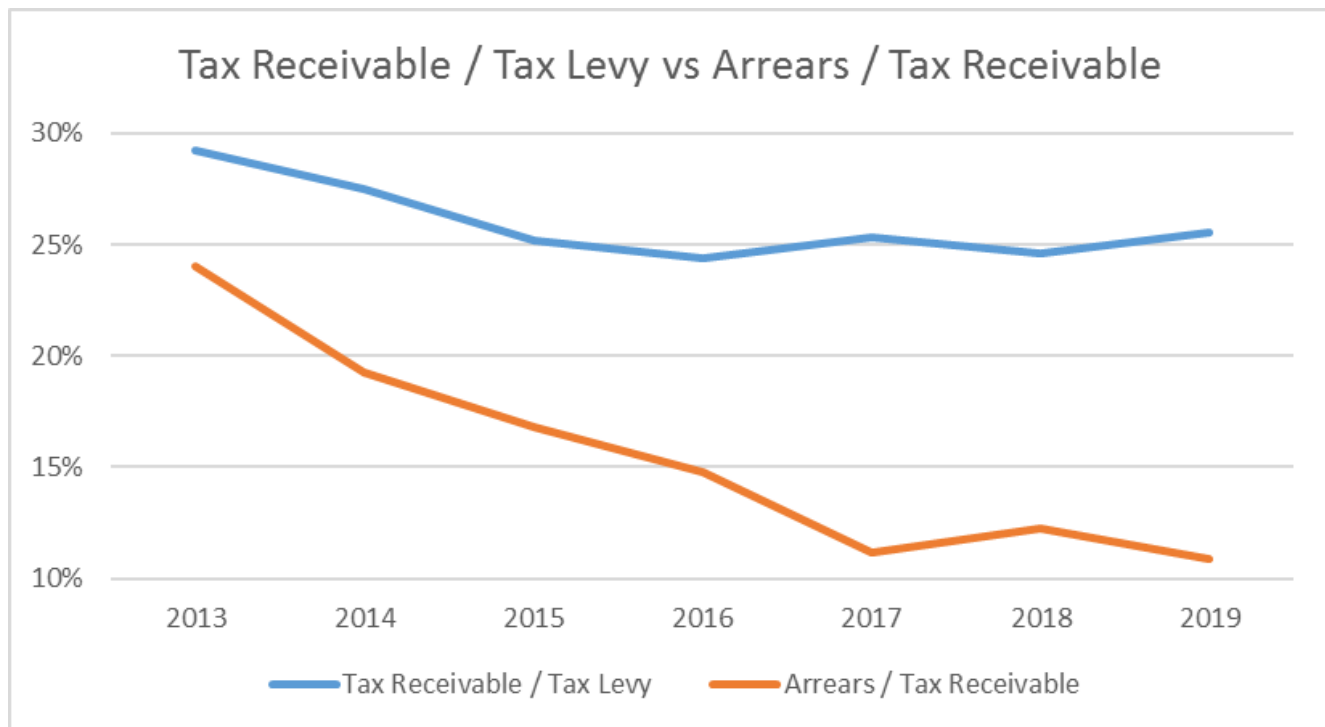
- Penalty and interest is charged on the first of the month for all accounts in arrears
- Arrears notices are sent out as reminders of past due taxes five times during the year (March, May, July, October and December)
- In the third year of arrears, letters are mailed asking ratepayers to make payment 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 at 29% in 2013 and has dropped to levels of 24-26% 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 midpoint of the year as compared to end of year figures.

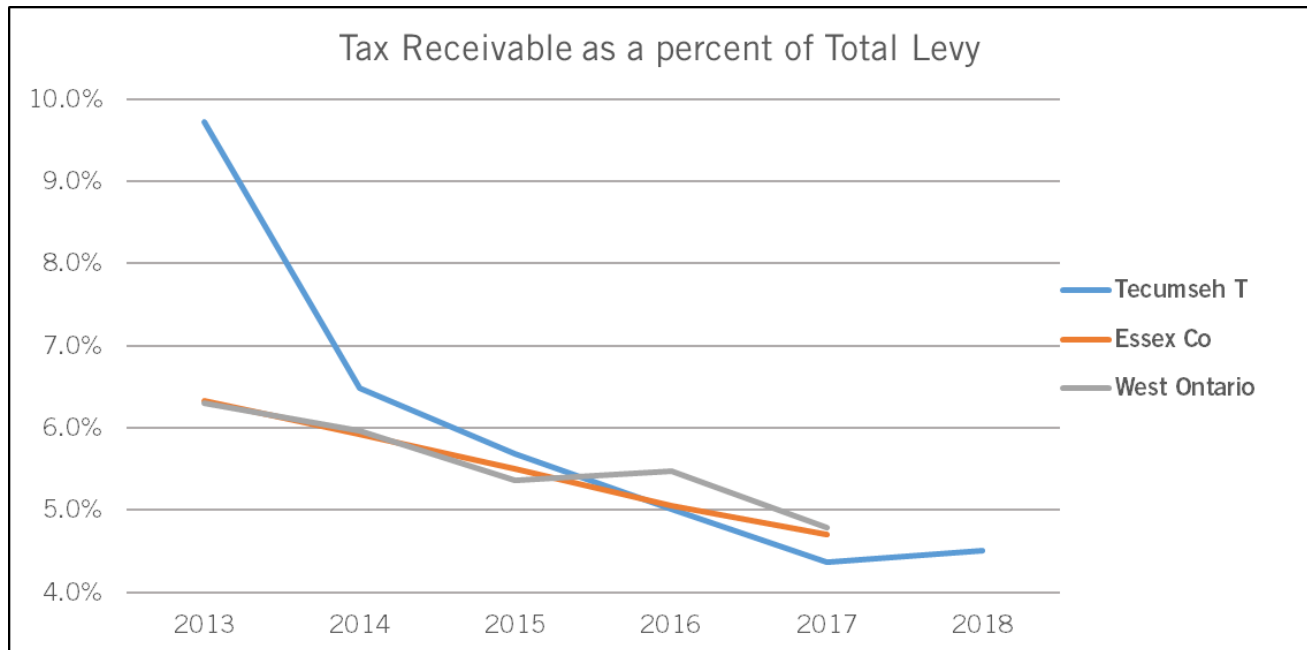
Tax arrears as a percentage of tax receivable is a gauge to measure the age of the tax receivables, where a higher percentage indicates that there are older receivables and therefore potentially greater risks for collection. Note that tax arrears are defined as tax receivable owing from prior years,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

Mid-Year	Tax Receivable	Arrears	# Properties in Arrears
2018	\$11,927,312	\$1,457,503	234
2019	\$12,631,141	\$1,371,099	220

As shown in the table above, tax receivable at June 2019 totals \$12.6 million of which \$1.4 million is due from prior years, compared to \$11.9 million and \$1.5 million respectively at June 2018. The tax arrears as a percentage of tax receivable measure has decreased from 24% in 2013 to values hovering around 11-12% since 2017.

Both measures have improved significantly during the course of the last several years. 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 receivable as a percentage of tax levy for years 2013 to 2017 for Tecumseh, Essex County (average of lower tier municipalities in Essex) and West Ontario is illustrated in the following chart. Estimated 2018 data is only currently available for Tecumseh.



Source: Ministry of Municipal Affairs – Financial Information Return data

Comparable data is based on Financial Information Returns (FIR), which are currently available up to 2017. 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 meaningful percentages.

Tax receivable as a percentage of tax levy increased slightly to 4.5% in 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%.

The number of properties registered for tax arrears has fluctuated year-to-year during the 2013-2019 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.

There were two properties scheduled for tax sale this year. In each case, property owners have come forward to pay the redemption price resulting in cancellation of both tax sales.

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:

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Financial Analyst

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