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**STAFF REPORT: Finance and IT Services**



**REPORT TO:** Committee of the Whole  
**MEETING DATE:** April 7, 2014  
**REPORT NO.:** FIT.14.21  
**SUBJECT:** Property Taxes Receivable Update  
**PREPARED BY:** Kris Couture, Tax Collector  
 Ruth Prince, Manager of Revenue

**A. Recommendations**

THAT Council receive Staff Report FIT.14.21 “Property Tax Receivable Update” for information purposes.

**B. Background**

The Town of The Blue Mountains bills and collects taxes for Town purposes, on behalf of the County of Grey and the four local school boards. In addition, Town Utility arrears (water and sewer) are transferred to tax roll accounts after four billing periods (8 months) as well as uncollectable department fees and charges that, by legislation, may be added to the tax roll.

The Town must pay the County of Grey and the local school boards their portion of the taxes levied, regardless of whether the Town receives payment from the taxpayer. To encourage prompt payment and to offset cash advances from The Blue Mountains to the County of Grey and local school boards, the Town charges a late payment fee of 1.25% per month (the maximum allowable under the *Municipal Act*) on tax accounts not paid by the due date and that are in arrears.

To calculate the property tax receivables financial indicator, the amount of taxes outstanding at year end is taken as a percentage of the year’s total taxes levied (including the county and school boards). Property tax receivable is an indicator of a municipality’s financial health. A municipality can increase its cash flow by reducing the amount of property taxes outstanding.

Property taxes receivable are reported annually to the Province through the Financial Information Return (FIR). Based on the Province’s standards, outstanding taxes between 10 - 15% of the annual tax levy are seen as a moderate risk indicator of financial health. Below 10% is seen as a low risk indicator. As of December 31, 2013, the Town has property taxes receivable of 16.2%. Although this percentage is above the desired limit, collection activities in the first quarter of 2014 have brought it down to 12.1%. A comparison with other municipalities will be available later this year, once the 2013 Financial Information Returns are filed.

Staff continues with collection efforts to bring this percentage down to 10% or lower for 2014.

## Historical Taxes Receivable

The table below provides Taxes Receivable from 2009-2013. The amount to March 31, 2014 was also included to demonstrate the collections to date in 2014. The March 31 arrears include transfers to taxes for utility arrears and uncollectable department fees in the amount of \$153,958.

	2009	2010	2011	2012	2013	2014-03-31
<b>Current</b>	\$ 2,867,863	\$ 1,972,791	\$ 2,007,234	\$ 2,394,694	\$ 2,364,437	\$ 1,806,326
<b>Year 1</b>	\$ 1,038,202	\$ 1,048,034	\$ 987,678	\$ 1,182,512	\$ 1,461,734	\$ 1,165,667
<b>Year 2</b>	\$ 410,317	\$ 546,659	\$ 574,882	\$ 617,640	\$ 903,648	\$ 681,373
<b>Year 3</b>	\$ 271,266	\$ 292,299	\$ 345,162	\$ 410,193	\$ 680,046	\$ 386,156
<b>Total</b>	<b>\$ 4,587,648</b>	<b>\$ 3,859,783</b>	<b>\$ 3,914,956</b>	<b>\$ 4,605,039</b>	<b>\$ 5,409,865</b>	<b>\$ 4,039,522</b>
<b>Levied</b>	\$30,293,187	\$31,425,287	\$32,529,424	\$33,586,610	\$33,433,818	
<b>% Levied</b>	15.1%	12.3%	12.0%	13.7%	16.2%	12.1%

## Request for Reconsideration (RfR)

2013 was a reassessment year and as such, The Blue Mountains experienced a large volume of request for reconsiderations in 2013. Over 700 RfRs were submitted to the Municipal Property Assessment Corporation (MPAC), with over 500 assessment adjustments authorized by MPAC and processed by revenue staff.

## Supplementary Taxes

For 2013, supplementary assessment for Town purpose taxation raised \$131,926. Assessment reductions, including the high number of RfR applications noted above, Assessment Review Board decisions and Section 357 application adjustments, resulted in tax reductions of \$127,030. The net supplementary taxation was therefore \$4,896, which is considerably lower than the budgeted amount of \$115,000.

## Collection Activities

The Tax Billing and Collecting Policy provides the framework for the administration of the Town's property tax receivables, including the processes to be followed when those accounts fall into arrears.

The Tax Registration from 2012 was paid in full by the mortgage holder for the property in 2013 and therefore did not proceed to tax sale.

In 2013, Tax Registrations were commenced on 3 properties. A further property has been submitted for processing in 2014.

In the first week of February 2014, demand letters and arrears notices were sent to 45 taxpayers whose properties were over 3 years in arrears, notifying them that tax registration and sale procedures would be initiated if suitable payment arrangements were not made. Demand letters were copied to mortgage holders for 9 of the properties.

Of the total 45, 10 tax accounts have been paid in full and 18 have made partial payments with arrangements to pay the balance by year end. 6 of these properties are now liable for Tax Registration in April with a further 11 potential tax registrations in June.

Also in February, arrears notices were sent to 142 taxpayers whose properties were over 2 years in arrears. Of these, 56 have made partial payment or arrangements to pay. Demand letters will go out in August of this year to taxpayers with outstanding 2 years of arrears indicating that Tax Registration will commence in January 2015 if suitable payment arrangements are not made.

### **C. The Blue Mountains' Strategic Plan**

Providing a strong, well managed municipal government.

### **D. Financial Impact**

The 2014 budget includes an amount of \$545,000 for penalty and interest revenue on taxation. The actual amount to March 31 is \$161,000.

### **E. In Consultation With**

Robert Cummings, Director of Finance & IT Services

### **F Attached**

None.

Respectfully submitted,

**Kris Couture**

Kris Couture, Tax Collector

**Ruth Prince**

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**Robert Cummings**

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