

**Agenda Item: D.4**

Request for Decision

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| **Title**  | **2020 Property Tax Write-Off** |
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| **Proposed Motion** | That Council authorize the write-off of taxes owing in the amount of $555,665.65 as per the presented tax roll list, as these accounts are no longer collectible. |
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| **Administrative****Recommendation** | That Council ensure that Sturgeon County Financial Statements reflect the actual amount of property taxes expected to be collected by writing off taxes owing in accordance with the proposed motion. |
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| **Previous Council Direction** | None. |
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| **Report** | Background Information* The write-off of tax arrears in the amount of $555,665.65 is related to:
	+ 3 Linear accounts;
	+ 28 Oilfield accounts; and
	+ 4 Designated Industrial Properties.
* All rolls are owned by 10 companies that have filed for protection under the *Bankruptcy and Insolvency Act* in current and past years.
* Sturgeon County adjusts taxes receivable to allow for uncollectible accounts each year as part of the audit process to ensure receivables and revenues are not overstated.
* Administration has attempted collection, as per our administrative process, with correspondence, phone calls, emails, and the bailiff when applicable.
* Sturgeon County wrote off taxes owing in the amount of $956,215.08 in 2019 and $39,719.87 in 2018.
* All the accounts have until the last business day of August (31st) to settle taxes owed. If any non-titled properties remain unpaid, Sturgeon County attempts to contact them via email or phone call if possible.
* Additional correspondence is sent notifying the owners that Sturgeon County will engage the services of a bailiff. The bailiff makes considerable attempts to seize property owned by the company responsible for the tax accounts to recoup the taxes owed.
* If the company is in receivership due to bankruptcy, Sturgeon County is listed as a creditor with the receiver to be eligible for payments from the proceeds of the sale of the company’s assets.
* In most cases, the proceeds of the salvageable assets are insufficient to pay the fees associated with receivership, reclamation/environmental costs, and secure creditors, who are first in line before unsecured creditors.
* Municipalities are classified as unsecured creditors. Many of the bankrupt companies have significant secured debt or environmental obligations, and it has been determined that Sturgeon County will likely not be able to collect on these accounts.
* The Government of Alberta has extended the Provincial Education Requisition Credit (PERC) for two more years to the 2021 tax year that allows municipalities to receive a credit for uncollectible education property taxes on oilfield, linear, and designated industrial properties. This credit can be applied retroactively to the 2015 tax year and the application deadline is February 1st of each year.
* The potential PERC credit for the 2020 write-off is $129,301.36, which is 23.27% of the total written off balance.
* The 2020 bad debt budget for taxes was $225,000, which was increased from $48,000 in the 2019 year. Bad debts expense in the proposed 2021 budget has been increased to $415,600 based on the current economic conditions and current year trends.

External Communication* None.

Relevant Policy/Legislation/Practices:* *Municipal Government Act*, R.S.A 2000, c. M-26

Section 347(1) states that Council may, if it considers it equitable to do so, cancel or refund all or part of a tax.  |
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| **Implication of Administrative Recommendation** | **Strong Local and Regional Governance** – Goal 3.1: Sturgeon County provides effective leadership and management as guided by the significant accounting policies.Organizational:The County’s property tax receivables will not carry these tax accounts which will not likely be collectible. This will help to keep our property tax receivables accurate for what we will be receiving. Financial:* The County’s taxes receivable will be reduced by $555,665.65 to reflect the changes from these uncollectible accounts. The current year impacted to expenditures is $330,665.65, which has not been budgeted for.
* The potential PERC credit is estimated at $129,301.36, which will be received in the 2021 taxation year through the Government of Alberta’s Provincial Education Requisition Credit Program.
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| **Alternatives Considered** | Council could receive this report for information and take no action. |
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| **Implications of Alternatives**  | Strategic Alignment: * None.

Organizational:* Should this amount remain in our Financial Statements as collectible, Sturgeon County may be challenged by our auditors during the 2020 Audit.

Financial:* Receivables would likely be overstated.
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| **Follow up Action** | 1. Administration will remove receivables from the property tax ledger (Financial Services, November 2020). 2. Administration will apply for the Provincial Education Requisition Credit (Financial Services, November 2020). |
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| **Attachment(s)** | 1. 2020 Tax Arrears Write-off List |
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| **Report Reviewed by:** | Sabrina Duquette, Acting Manager, Financial ServicesDawn Sauvé, Director, Financial, Assessment and Procurement ServicesReegan McCullough, County Commissioner – CAO |

**Strategic Alignment Checklist**

**Vision:** *Sturgeon County: a diverse, active community that pioneers opportunities and promotes initiative while embracing rural lifestyles.*

**Mission:** *Provide quality, cost effective services and infrastructure to meet the diverse needs of the Sturgeon County community, while improving competitiveness and sustainability.*

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| **Focus Areas** | **Not consistent** | **N/A** | **Consistent** |
| **Planned Growth and Prosperity** |  |  |  |
| *We encourage varied and integrated enterprises that enhance our strong economic* *base, while balancing the needs of the community and natural environment.**(Strategic Plan and MDP pg. 36)* |[ ] [x] [ ]
| * *Supports a strong thriving business environment to strengthen our economic foundation*
 |[ ] [x] [ ]
| * *Plans for responsible growth through the MDP and regional growth plan.*
 |[ ] [x] [ ]
| * *Manages growth for current and future developments through:*
	+ *transparent bylaws, policies and processes to enable responsible land development*
 |[ ] [x] [ ]
| * + *targeting growth around existing and identified future growth areas*
 |[ ] [x] [ ]
| **Maintain and Enhance Strong Communities** |  |  |  |
| *We are committed to a safe and viable community, where our residents are* *provided with access to opportunities and quality of life.* *(Strategic Plan and pg. 27 MDP)* |[ ] [x] [ ]
| * *Provides access to programs and services that have a positive impact on residents’ quality of life*
 |[ ] [x] [ ]
| * *Provides access to safe and reliable infrastructure assets*
 |[ ] [x] [ ]
| * *Supports the safety of people and property*
 |[ ] [x] [ ]
| **Strong Local and Regional Governance** |  |  |  |
| *We promote consistent and accountable leadership through collaborative and* *transparent processes (Strategic Plan and pg. 27 MDP)* |[ ] [x] [ ]
| * *Provides effective leadership and management consistent with Strategic Plan, MDP, master plans, bylaws, policies, community engagement*
 |[ ] [ ] [x]
| * *Considers fiscal stability and sustainability*
 |[ ] [ ] [x]
| * *Fosters collaborative intergovernmental partnerships*
 |[ ] [x] [ ]
| **Community Identity & Spirit** |  |  |  |
| *We will build upon our strengths, where together we will create an inclusive, caring community (Strategic Plan and MDP pg. 27)* |[ ] [x] [ ]
| * *Promotes and/or enhances residents’ identification with Sturgeon County*
 |[ ] [x] [ ]
| * *Support and/or collaborate with voluntary organizations in the region*
 |[ ] [x] [ ]
| **Environmental Stewardship** |  |  |  |
| *We foster a healthy environment and minimize our impact on ecosystems. (Strategic Plan and MDP pg. 27)* |[ ] [x] [ ]
| * *Plans and partnerships that minimize environmental impact on natural areas*
 |[ ] [x] [ ]
| * *Provides awareness of environmental issues impacting the County*
 |[ ] [x] [ ]