



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**Accounts Receivables – Largest Debtors with Tax Arrears Greater than \$500,000 as at December 31, 2006**

<b>Date:</b>	March 21, 2007
<b>To:</b>	Government Management Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reason for Confidential Information:</b>	A portion of this report deals with personal and financial information that relates to identifiable person(s). Limitations on the release of personal information under the <i>Municipal Freedom of Information and Protection of Privacy Act</i> prevent the public disclosure of this information.
<b>Reference Number:</b>	P:\2007\Internal Services\Rev\gm07010Rev (AFS#2711)

**SUMMARY**

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To provide information on property tax accounts with outstanding receivables of \$500,000 or more as at December 31, 2006, and to provide information on the total taxes outstanding as at December 31, 2006. This report also recommends that the practice of reporting twice annually to Council on property tax accounts with outstanding receivables of \$500,000 or more be discontinued, but that the information continue to be provided twice annually to the Mayor and members of Council in the form of a briefing note.

This report contains two attachments. Attachment 1 is public information, and lists properties with tax arrears totalling more than \$500,000 that are owned by a corporation. Attachment 2 is confidential, and lists properties with total tax arrears of \$500,000 or more where the property is owned by an individual. The *Municipal Freedom of Information and Protection of Privacy Act* prevents the public disclosure of the information contained in Attachment 2.

## RECOMMENDATIONS

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### The Treasurer recommends that:

1. this report, together with the information contained in Attachment 1, and the confidential information contained in Attachment 2, be received for information;
2. the confidential information contained in Attachment 2 remain confidential, as it relates to personal information about identifiable individual(s), and as such may not be disclosed under the provisions of the *Municipal Freedom of Information and Protection of Privacy Act*;
3. the practice of reporting semi-annually to Committee and Council on tax accounts with receivables of \$500,000 or more be discontinued;
4. in future, the semi-annual reporting of tax accounts with receivables of greater than \$500,000 be provided to the Mayor and members of Council in the form of a briefing note; and,
5. the appropriate City staff be authorized and directed to take the necessary action to give effect thereto.

### Financial Impact

There are no financial implications arising from the adoption of recommendations contained in this report.

### DECISION HISTORY

In accordance with previous Council directives, the Treasurer reports to Administration Committee (now Government Management Committee) twice a year identifying properties with tax arrears of \$500,000 or more, the assessed property owner, what efforts have been made to collect the tax arrears, and if a bailiff has been used in the collection efforts. For those properties that are owned by an individual (as opposed to a corporation) the listing is submitted *in camera* in accordance with privacy legislation. (Re: Clause 2 of Administration Committee Report No. 19 as adopted by Council at its meeting held October 3, 4, 5, 6, 10, 11 and 12, 2000; and, Clause 34 of Administration Committee Report No. 9 as adopted by Council at its meeting held November 30, December 1 and 2, 2004).

To view these reports online please follow the links below:

<http://www.toronto.ca/legdocs/2000/agendas/council/cc/cc001003/adm19rpt/c1002.pdf>

<http://www.toronto.ca/taxes/pdf/debtorsreport.pdf>

In addition, Council has previously approved procedures to be followed in cases where properties with tax arrears are known or suspected to be affected by environmental contamination, including the registration of a Tax Arrears Certificate against title to the property (re: Clause No. 18 (d) of Administration Committee Report No. 1 entitled “Revisions to Tax Sales Process Resulting from Brownfields Legislation,” approved by Council on January 31, February 1 and 2, 2006). To view this report online, please follow the link:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060131/adm1rpt/cl018.pdf>

## **ISSUE BACKGROUND**

Outstanding taxes receivable continue to be monitored and acted upon in a timely manner. The largest debtor accounts continue to be a priority for collection action.

Given that realty taxes form a first priority lien on the property, the City’s tax receivables are secure with little or no risk of loss. The Revenue Services Division uses both internal collection procedures (e.g. the mailing of overdue notices, telephone contact and ultimately the municipal tax sale process) and bailiffs to collect on property taxes owing. In addition, the City charges 15% interest per year on overdue taxes.

The use of the municipal tax sale proceedings, as prescribed in the *City of Toronto Act, 2006*, is a very effective and proven tool in the collection of outstanding property taxes, including all accumulated penalty/interest and costs. Once property taxes are three years or more in arrears, a municipality may register a tax arrears certificate on title to the property. The debtor has one year from the date of registration of a tax arrears certificate to pay the cancellation price (the total of all unpaid taxes, all accrued penalties/interest and any costs incurred by the municipality related to the property). Failing payment within that one-year period, or the entering into of an extension agreement, the Treasurer is required to proceed to a sale of the property through a public auction or public tender.

## **COMMENTS**

Attachment 1 to this report provides a list of properties owned by corporations with outstanding taxes of \$500,000 or more as at December 31, 2006. Attachment 2 (confidential information) provides a similar listing of properties owned by individuals with outstanding taxes of \$500,000 or more as at December 31, 2006.

In total, there are 21 properties with a tax receivable balance of \$500,000 or more, representing total receivables of approximately \$24.4 million:

- 18 properties owned by corporations, with a total receivable balance of approximately \$22.2 million; and,
- 3 properties owned by individuals, with total accounts receivable of approximately \$2.2 million.

The 21 properties include:

- Five (5) contaminated properties with tax receivables totalling approximately \$8.0 million (not including one City-owned property, and including one property owned by an individual). Of these five, one property has arrangements approved by Council that include environmental clean-up and payment arrangements. Of the remaining four contaminated properties, staff have already initiated the tax sale process on three of the four properties, with the registration of a Tax Arrears Certificate against the title to the property, in accordance with procedures previously approved by Council. A Tax Arrears Certificate is expected to be registered on the remaining property in this group before March 31, 2007.
- Four (4) properties (approximately \$4.4 million) are owned by the City, City agencies or affiliated corporations. Revenue Services staff are working with other City divisional staff representatives to resolve the outstanding taxes.

Chart 1, below, compares the outstanding receivables associated with the largest debtors from December 31, 2000 to December 31, 2006.

**Chart 1: Tax Debtors Greater than \$500,000**

<b>As at December 31:</b>	<b>Outstanding Tax Account Receivables</b>	<b>Number of Accounts</b>
2000	\$69.8 million	45
2001	\$43.3 million	36
2002	\$42.1 million	31
2003	\$26.8 million	22
2004	\$25.5 million	22
2005	\$24.5 million	23
2006	\$24.4 million	21

In summary, the December 31, 2006 tax receivable for the City's largest tax debtors has decreased by \$45.4 million when compared to the first report presented to Council for December 31, 2000. The amount outstanding at the end of 2006 is roughly equivalent to the amount that was reported as being outstanding from the list of largest debtors at year-end 2005.

This report also recommends that the current practice of formally reporting to Council twice annually on the status of the largest debtors be discontinued, and replaced instead by a practice that would provide this same information in the form of briefing note to the Mayor and members of Council, also to be provided twice annually. As the number of properties on the list of largest debtors has dropped from 45 in December 2000 to 21 properties in December 2006, and the total outstanding receivables have dropped from \$69.8 million to \$24.4 million over this same period, the magnitude of the outstanding receivables has been reduced considerably since Council first requested quarterly, and later twice annual updates on the progress of collections for these properties.

The recommendation to provide this information in the form of a briefing note will ensure that Council is still provided with regular updates on these files, but in a more direct manner, such that a staff report providing this information does not have to be first heard by Committee, and subsequently reported to Council for information. A less formal process is also consistent with the City's direction to streamline the Committee/Council approval process.

With respect to confidential Attachment 2, Corporate Access & Privacy has advised that the name of an individual property owner, together with their mailing address and the amount of tax arrears, constitutes personal and financial information of the affected individual, as defined under the *Municipal Freedom of Information & Protection of Privacy Act*. Personal information is subject to the privacy provisions of that *Act* and, accordingly, the name of individual property owners and their mailing addresses may not be disclosed. Attachment 2 provides the assessed addresses of individual property owners, together with the amount of the tax arrears.

### **Taxes Receivable as at December 31, 2006**

The City bills approximately \$5.0 billion in property taxes for municipal and school purposes each year, of which approximately \$3.1 billion is for municipal purposes. Most property owners pay their taxes on time, with approximately 96% of the total taxes levied each year being paid within the year the taxes are billed.

Attachment 3 identifies \$212.3 million in outstanding tax receivables as at December 31, 2006 with comparable outstanding tax receivables of \$224.7 million as at December 31, 2005, \$216.9 million as at December 31, 2004, and \$230.3 million as at December 31, 2003. Outstanding tax receivables decreased by \$18.0 million (or 6.7 %) from 2003 to 2006, with more than half of the total reductions in receivables (or \$12.4 million) realized between 2005 and 2006. Since December 31, 2003, the only increase to the outstanding receivables occurred between December 31, 2004 and December 31, 2005.

The \$7.8 million increase in outstanding receivable during 2005 is attributable to outstanding water receivables being added to the appropriate property tax accounts for collection purposes. In July 2003, Council approved procedures to transfer overdue water account balances to the property tax account beginning January 2004, as a means of securing the water receivable (re: Clause 6 of Administration Committee Report No. 7, entitled "Administration and Collection of Water Accounts," adopted by Council on July 22, 23 and 24, 2003). During 2004, Revenue Services Division focused on educating and notifying water customers of the City's new water collection policies. Commencing in 2005, the City began to more aggressively transfer unpaid water charges to the tax rolls for collection - approximately \$19 million was added during the 2006 calendar year, \$13.4 million was added during the 2005 calendar year as compared to \$1.2 million in 2004.

The December 31, 2006 outstanding tax receivable of \$212.3 million includes approximately \$10.8 million in outstanding water charges added to the tax rolls. The outstanding tax receivables of \$224.7 million and \$216.9 million include \$14.0 million and \$1.2 million in outstanding water charges as at December 31, 2005 and December 31, 2004 respectively.

Excluding the outstanding water charges added to the tax rolls, the outstanding taxes receivable as at December 31, 2006 were \$201.5 million, as compared to \$210.7 in 2005, \$215.8 million in 2004 and \$229.8 million in 2003. This represents a decrease of \$9.2 million (or 4.4%) as compared to 2005; and, a decrease of \$28.2 million (or 12.3%) as compared to 2003.

## **CONTACTS**

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## **SIGNATURE**

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Cam Weldon  
Treasurer

## **ATTACHMENTS**

Attachment 1:  
Properties with Tax Arrears Greater than \$500,000 - Owned by a Corporation

Confidential Attachment 2:  
Properties with Tax Arrears Greater than \$500,000 - Owned by an Individual

Attachment 3:  
City of Toronto, Summary of Tax Receivables as at December 31, 2006