



STAFF REPORT ACTION REQUIRED

2009 Accounts Receivable Write-off Report

Date:	May 6, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2010\Internal Services\acc\gm10009acc (AFS11664)

SUMMARY

This report recommends the write-off of one (1) uncollectible water account in relation to water consumed prior to January 1, 2004 in the amount of \$86,955.05 as all collection efforts have been exhausted.

RECOMMENDATIONS

It is recommended by the Treasurer that:

1. City Council approve the write-off of Water Account Number 352338-422493 in the amount of \$ 86,955.05; and
2. The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

The recommended water write-off of \$86,955.05 has been provided for in the water account titled "Allowance for Doubtful Water Accounts". As such, there are no financial impacts on current year expenditures.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On an annual basis, the Treasurer presents a report to Council to seek approval for the write-off of uncollectible amounts in accordance with the provision of the Financial Control By-law. The Financial Control By-law, as amended by Council on December 13, 2007, states that: “Write-offs of amounts owing to the City in excess of \$50,000 must be approved by Council except for tax reductions as a result of a successful appeal of assessment or taxes by a taxpayer”.

The Treasurer has the authority “to write off outstanding amounts owing to the City as uncollectible, if the amount is not more than \$50,000 and is not an amount raised as taxation or deemed to be taxes, except for items added to the tax bills for collection purposes only and not as a result of a tax or assessment appeal”.

Following are the links to the Chapter 71 of the Toronto Municipal Code, Financial Control and the 2008 Accounts Receivable Write-off Report:

http://www.toronto.ca/legdocs/municode/1184_071.pdf

<http://www.toronto.ca/legdocs/mmis/2009/gm/reports/2009-09-17-gm24-cr.htm#GM24.3>

ISSUE BACKGROUND

Water Account Receivables

For water consumed prior to January 1, 2004, only the principal consumer of the water can be made to pay for the utility’s use. As such, payment of water charges associated with tenanted properties effectively becomes the sole responsibility of the tenant. In situations where internal collectors are unsuccessful at recovering tenant-incurred water arrears (for water consumed prior to January 1, 2004), the account is issued to an external collection agency for “skip trace” investigation, the goal of which is to locate the consumer and to secure payment of the outstanding amount. Furthermore, “Demand Letters” may be mailed by Legal Services and in the case of a bankruptcy, a “Proof of Claim” form is mailed to the Trustee in Bankruptcy. Only after all collection efforts have been exhausted is an account recommended for write-off.

The enactment of the *Municipal Act, 2001* in January 2003 (now continued under the *City of Toronto Act*) restored a municipality’s ability to hold the property owner ultimately responsible for water charges provided that the Council of a municipality enacts a by-law establishing that property owners are responsible for all water-related charges and/or fees. At its meeting held on July 22, 23 and 24, 2003, Council approved a harmonized water collection policy/strategy holding property owners financially responsible for all water related charges incurred on their property regardless of the consumer, effective January 1, 2004, and authorizing the adding of unpaid water balances to the corresponding property tax account (re: Administration Committee Report No. 7, Clause 6 “Administration and Collection of Water Accounts”). To view the Council decision follow the link:

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030722/adm7rpt/cl006.pdf>

Ontario Regulation No. 440/02 identifies fees or charges associated with the supply of water as having “priority lien status”, such that when added to a property tax account because of payment default, these fees/charges form a special lien on the property in the same manner as taxes.

By holding property owners financially responsible for all water-related charges effective January 1, 2004, it is expected that once the older outstanding water arrears (i.e. arrears related to water consumed prior to January 1, 2004) have been dealt with, the new collection policy will reduce the need for water write-offs and will reduce collection costs incurred by the City.

Corporate Accounts Receivable

All City divisions are required to review their outstanding receivables on a regular basis and establish appropriate allowances for non-collection on all accounts where collection is considered doubtful. The Accounting Services Division reviews these provisions annually for adequacy and recommends adjustments where appropriate.

All amounts over \$1,000 are forwarded to Legal Services for collection action which may include litigation or small claims court action. Legal may recommend settlement based on the information available. Amounts under \$1,000 are sent to the two collection agencies. Once all collection efforts have been exhausted, and senior management staff, Legal Services and/or City contracted Collection Agencies have deemed the amounts to be uncollectible, a write off request is initiated and the required approvals are obtained.

COMMENTS

One (1) water account identified in Table 1 (below) in the amount of \$86,955.05 is recommended for write-off as uncollectible and represents water consumed prior to January 1, 2004.

Table 1: Water Account Recommended For Write-off

Ward	Water Account #	Water Customer	Water Service Address	Account Balance
30	422493-352338	Queens Retirement Centre	1238 Queen Street East	\$86,955.05

The outstanding water arrears in the amount of \$86,955.05 for the premises located at 1238 Queen Street East were billed and consumed by the Queens Retirement Centre between December 1999 and February 2004. Revenue Services attempted to collect the outstanding receivable by mailing numerous notices, telephone calls and assigning the account to an external collection agency. All attempts were unsuccessful.

On November 14, 2002, Queens Retirement Centre filed for bankruptcy in accordance with the *Bankruptcies & Insolvencies Act*. The court appointed Trustee made four (4) payments towards a portion of water charges for a total of approximately \$25,000.00. However the remaining balance cannot be secured against the title of the property given the bankruptcy filing, and as such, is deemed to be uncollectible.

Treasurer's Write-offs

In 2009, the Treasurer approved the write off of individual non-water accounts receivable balances of \$50,000 or less that totalled \$684,038.96 (2008 - \$823,439.06). The Treasurer did not approve the write off of any water accounts under \$50,000 in 2009.

The 2009 amount of \$684,038.96 is made up primarily of Parks, Forestry and Recreation (PFR), Transportation Services and Toronto Water.

PFR initiated a project in October 2007 to review and clean up all outstanding receivable balances since amalgamation. As part of that review, PFR recommended to the Treasurer that \$270,792.53 of outstanding receivable balances pertaining to 1,001 accounts for 2002 to 2007. These accounts are largely comprised of balances greater than \$100 but less than \$1,000. All of the accounts being recommended for write-off are over the two year statute of limitation period with respect to collection. PFR Customer Service representatives made several attempts to contact the customers and pursue collection. Accounts were frozen in the CLASS System with an alert text instructing staff to collect the outstanding amount if any customer contacted the City. On a go forward basis, PFR has introduced measures to reduce the accounts receivables, which include installing point-of-sale machines enabling customers to pay at once, follow up of declined credit cards immediately after peak registration, regular review of outstanding balances and collection efforts through collection agencies.

Transportation Services had recommended that the Treasurer write off approximately \$88,092.64. The Division invoices third parties for repairs made to the Transportation infrastructure - poles, guide rails, traffic signals etc. - in the range of \$1.1 - \$1.4 million annually. This is as a result of motor vehicle accidents for which reports are obtained from Toronto Police Services to support the invoicing for the damages. Motor vehicle accident files over \$1,000 are forwarded to Legal Services for collection action which may include litigation or small claims court action. Legal may recommend settlement based on the information available. Amounts under \$1,000 are sent to the two collection agencies. These amounts were deemed uncollectible by the collection agency and Legal Services. A write-off request was initiated and the required approvals were obtained.

Toronto Water had recommended write-offs in the amount of \$205,975.26 for invoices relating to water sewer lines, damage to water mains and industrial waste agreements surcharges. Staff attempted to collect these unpaid invoices through various means (personal phone calls to customers, sending reminder notices, etc.). When these collection attempts failed, the accounts were forwarded to Accounting Services to be included with the list of accounts to be forwarded to the collection agency or to Legal

Services for further collection efforts. The collection agency and Legal Services were not successful in their attempts to collect these unpaid invoices and advised Accounting Services with a status report that they were unable to collect. A write off request was initiated and the required approvals were obtained.

The City continues to enhance its credit practices and accounts receivable collection procedures to reduce bad debts incurred.

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SIGNATURE

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