GL14.7

REPORT FOR ACTION

2019 Accounts Receivable Write-off Report

Date: June 22, 2020
To: General Government and Licensing Committee
From: Controller
Wards: All

SUMMARY

This report provides information on account receivable amounts written off as uncollectible in 2019 under delegated authority provided to the Controller.

RECOMMENDATIONS

The Controller recommends that:

1. The General Government and Licensing Committee receive this report for information.

FINANCIAL IMPACT

Amounts totalling $964,194 (0.1% of $933M total billable revenues for 2019, excluding grants and billable revenues for Court Services, Parking Tags, Tax and Utilities) were written off by the Controller in 2019 in accordance with delegated authority provided in the City's Financial Control By-law, after completion of appropriate collection efforts. These amounts (detailed in the Comments section of this report) have been provided for in the City's Allowance for Doubtful Accounts and expensed in previous years; as such, there was no impact to 2019 operating expenditures.

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

DECISION HISTORY

The Controller 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”.

Furthermore, the City's Financial Control By-law, Chapter 71, Toronto Municipal Code, as amended by Council on December 13, 2007, states, "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 taxpayer".

A further amendment to the Financial Control By-Law of June 24, 2008 authorizes the Controller to write-off amounts up to $500,000 where the City Solicitor has attempted to recover the amount owing and concluded that the amount is uncollectible.

Following is the link to Chapter 71, Toronto Municipal Code, Financial Control:
http://www.toronto.ca/legdocs/municode/1184_071.pdf

On an annual basis, the Controller reports to Committee and Council on accounts receivable amounts written off as uncollectible under delegated authority, and if required, to seek approval for the write-off of uncollectible amounts in accordance with the provisions of the Financial Control By-law (Toronto Municipal Code, Chapter 71).

Following is the link to the 2018 Accounts Receivable Write-off Report received by General Government and Licensing Committee at its meeting held on April 5, 2019 (re: GL4.04
https://www.toronto.ca/legdocs/mmis/2019/gl/bgrd/backgroundfile-131726.pdf

ISSUE BACKGROUND

Accounts receivable invoicing, revenue recognition and collections are decentralized within the City. As part of their collection efforts, City Divisions that invoice for services are required to review their outstanding receivables on a regular basis and establish appropriate allowances for all accounts where collection is considered doubtful. In collaboration with the Accounting Services Division (ASD), these provisions are reviewed annually for adequacy and adjustments made where appropriate.

Divisions are required to send invoices under $1,000 to two collection agencies. If the first collection agency is unsuccessful within six (6) months, the amount is sent to the second collection agency for another six (6) months. As a general practice, amounts over $1,000 are forwarded to Legal Services for collection action which may include litigation or small claims court action. Legal Services may recommend settlement based on the information available. Once all collection efforts have been exhausted and senior management staff, Legal Services and/or the City's contracted collection agencies have deemed the amount(s) to be uncollectible, a write-off request is initiated and the required approvals are obtained from the appropriate Division, Director of Accounting Services and the Controller.

All write offs are added to the Debtor Watch list for review by Purchasing and Materials Management Division (PMMD), who use the Debtors Watch List as a tool necessary to adhere to the City's *Right to Reject Debtors and Set Off Policy* (FS-PMMD-26).

This report does not include Council authorized settlements delegated to the City Solicitor on specific matters.

COMMENTS

Table 1 outlines the total write-offs by Division generating the initial accounts receivable.

Table 1

Amounts Approved for Write-off by the Controller in 2019 with reference to Chapter 71, Toronto Municipal Code, Financial Control.

Division	Note 1	Note 2	Total
Corporate Real Estate Management	$43,235	$499,416	$542,651
Toronto Building	$33,154	$138,410	$171,564
Toronto Water	$64,415		$64,415
Seniors Services and Long-Term Care	$60,649		$60,649
Transportation Services	$50,708		$50,708
Solid Waste Management Services	$33,257		$33,257
Municipal Licensing & Standards	$23,361		$23,361
Other Divisions	$17,589		$17,589
TOTAL written off			$964,194

Write-offs under the column titled Note 1 include individual amounts less than $50,000 written off by the Controller under delegated authority and amounts under Note 2 include amounts between $50,000 and $500,000 written off by the Controller as recommended by the City Solicitor.

Corporate Real Estate Management

Corporate Real Estate Management recommended that the Controller approve write-offs in the amount of $542,651 as follows:

The City paid property taxes to a landlord as part of a lease agreement. The property was exempted from property taxes as part of the Municipal Capital Facility process, which allowed the City to claim a refund of $558,774 in previously paid taxes from the current and previous property owners of 1117 Finch Avenue West. $193,909 was collected from the current property owner. A balance of $364,865 was owing from the previous property owner and a legal settlement between the City and the previous property owner of $100,000 was accepted by the City. Legal Services has recommended the outstanding amount be written off.	$264,865
The City paid property taxes to a landlord as part of a lease agreement. The property was exempted from property taxes as part of the Municipal Capital Facility process, which allowed the City to claim a refund of $178,917 in previously paid taxes from the previous property owners of 1243 Islington Avenue. A $53,675 adjustment was made once determined that the property owner can bill the City for non–exclusive use of common areas. Legal Services has recommended write off of the adjusted balance.	$125,242
In May 2014, a small not-for-profit corporation leasing a City property was sent a notice of default letter. In February 2018, Legal Services served the tenant the City's claim and in June 2018, the City terminated the lease. Legal Services did searches on the corporation and found no indication that the corporation is operating or has any assets. Legal Services has recommended the outstanding amount be written off.	$55,640
The City paid property taxes to a landlord as part of a lease agreement. The property was exempted from property taxes as part of the Municipal Capital Facility process, which allowed the City to claim a refund of $397,447 in previously paid taxes from the property owners of 225 Duncan Mills. Property tax credits in the amount of $192,135, being held in the property's tax account, were set off against the City's overpayment. An adjustment to the receivable balance of $151,643 was made after further analysis was done and determined the property owner can bill the City for non–exclusive use of common areas for tax purposes. Legal Services has recommended write off of the adjusted balance.	$53,669
A small not-for-profit organization defaulted on their Small Claims Court settlement. Legal Services has recommended no further action and that the amount be written off.	$21,461
A tenant named in Landlord and Tenant Board proceedings was evicted following refusal to pay a rental arrears order. The orders were converted into a judgement of the Small Claims Court. The City obtained a Writ of Seizure of Land which expires October 2021. The City has no current information of the tenant. Legal Services has recommended the outstanding amount be written off.	$16,346

The tenant vacated the property at Highway 7. Legal Services did searches on the corporation that was leasing the City property and was unable to find any activities under the legal name or that it owns any assets. Legal Services has recommended the outstanding amount be written off.	$5,428

Amounts written off for Corporate Real Estate Management represent 0.8% of billable revenues of $68M.

Toronto Building

Toronto Building recommended that the Controller approve write-offs in the amount of $171,564 as follows:

In 2016, Legal Services commenced action against a third party sign tax company to recover 2010 to 2019 outstanding third party taxes assessed in respect of two ground signs. The total principal outstanding was $138,777; with penalty and interest, the total amount outstanding as of December 2019 was $238,410. In an effort to recover the outstanding Third Party Sign Tax receivable, a proposed settlement, a repayment plan of $100,000 over a term of 20 months, was reached due to the client's limited financial resources. The remaining balance of $138,410 be written off.	$138,410
The Third Party Sign Tax section did an analysis reconciliation resulting in reversals of late payment charges for various corporations and periods.	$23,112
The original third party sign invoice was for $24,042. A Small Claims Court arrears settlement for the third party sign tax of $14,000 was accepted by Legal Services. Legal Services recommended the balance be written off as further efforts would not be cost effective.	$10,042

Amounts written off for Toronto Building represent 1.7% of billable revenues of $10M.

Toronto Water

Toronto Water recommended that the Controller approve write-offs of $64,415, for various disputed and statue barred invoices, including late payment charges, to recover the cost incurred to repair damages to sanitary sewer lines. Legal Services negotiated settlements for the various files and recommended the residual balances be written off.

Amounts written off for Toronto Water represent 0.1% of billable revenues of $46M.

Seniors Services and Long-Term Care

Seniors Services and Long-Term Care (SSLTC) recommended that the Controller approve write-offs in the amount of $60,649 in accommodation fees which could not be collected under Ontario Regulation 79/10 and prior legislation that prohibits SSLTC from discharging a resident based on the resident's financial situation, including the non-payment of accommodation fees.

All accounts referred for write-off by SSLTC are accounts of deceased or discharged residents, with the majority outstanding from deceased residents. When a debtor resident passes away, City Legal Services conducts estate searches in order to collect amounts outstanding, and may conclude that the estate is insolvent, recommending write-off of the balance. Amounts that are written off by SSLTC are also submitted to the Ministry of Health and Long Term Care which provides a 50% subsidy for basic accommodation fees.

Amounts written off for Seniors Services and Long-Term Care represent 0.1% of billable revenues of $58M.

Transportation Services

Transportation Services recommended that the Controller approve write-offs of $50,708, as follows:

This amount represents invoices for Utility Cuts balances and late payment fees deemed uncollectible by Legal Services or the collection agencies.	$27,856
This amount represents invoices for Motor Vehicle Accidents balances and late payment fees deemed uncollectible by Legal Services or the collection agencies.	$20,542
This amount represents invoices for Street Allowance Rental balances and late payment fees deemed uncollectible by Legal Services or the collection agencies.	$2,310

Amounts written off for Toronto Water represent 0.1% of billable revenues of $47M.

Solid Waste Management Services

Solid Waste Management Services recommended that the Controller approve write-offs of $33,257, as follows:

The outstanding accounts receivable balance is for the sale of mixed plastics. The contractor was placed in receivership by creditors and ultimately deemed bankrupt. Legal Services has recommended the outstanding amount be written off.	$32,277
This amount represents various customers relating to the sale of bins. The accounts were referred to collection agencies; no collection success occurred.	$980

Amounts written off for Solid Waste represent 0.1% of billable revenues of $25M.

Municipal Licensing & Standards

Municipal Licensing & Standards recommended that the Controller approve write-offs of $23,361, as follows:

This amount represents various invoices for annual encroachments, signs, fire escapes and canopies from the Street Allowance Rental Application System (SARA) and Road Allowance Control System (RACS). Further analysis determined that a majority of the outstanding accounts were businesses that are closed, changed owners or the owners could not be traced.	$17,819
This amount represents various invoices for business licences, election sign removals, pet licences, noise exemption fees and fence exemption fees. The invoices were sent to two collection agencies; no collection success occurred.	$5,542

Amounts written off for Municipal Licensing & Standards 0.2% of billable revenues of $12M.

Other Divisions

Children's Services ($11,034), Toronto Paramedic Services ($6,170) and Economic Development & Culture ($385) recommended that the Controller approve write-offs totaling $17,589 for various amounts deemed uncollectible by the respective Divisions and either Legal Services and/or collection agencies.

CONTACT

Sandra Califaretti, Director, Accounting Services,
Phone: (416) 397-4438, Email: Sandra.Califaretti@toronto.ca

SIGNATURE

Andrew Flynn
Controller