



Subject: Property Tax Collection History for the Year Ending 2022 and Next Steps

To: Council

From: Corporate Services Department

Report Number: 2023-19

Meeting Date: February 28, 2023

Recommendation:

That Corporate Services Department – Financial Services Report 2023-19 be received;
and

That the Director of Corporate Services/Treasurer be directed to proceed with normal tax collection processes, including moving forward and beginning the process that could lead to a tax sale for properties that have not paid for three years, in accordance with the steps outlined in page 4 of this report.

Purpose:

This report seeks approval to move forward with a collection plan, including property tax sale, on properties with long-standing outstanding receivable balances.

Background:

The City of Port Colborne (the “City”) levies property taxes annually through a four-installment model. Property taxes are based on approved budgetary requirements that are identified in the budget process as the annual levy. The property tax bill may also include penalty and interest and other charges related to a property that have otherwise not been collected. Examples might include water, wastewater, storm sewer, Business Improvement Area, and/or items such as unpaid City invoices.

The City operates in a multi-tier municipal system with the City being the “lower-tier” and the Niagara Region being the “upper-tier”. In this model the City also bills property owners the Niagara Region levy and any levy set by the Province of Ontario for Education purposes. The model includes the City paying the Niagara Region and the

Province of Ontario their full levy in quarterly installments regardless of actual collection experience. Recognizing the City pays the Niagara Region and the Province of Ontario their portion upfront, the City keeps all penalty and interest charged on outstanding property tax balances.

Collection risk is generally considered low on property tax balances as the Municipal Act, under Part XI, provides for a municipality to implement a tax sale on a property in conjunction with Ontario Regulation 181/03. A standing practice of municipalities is to begin the process to move toward a potential tax sale after three years of outstanding taxes.

The City has historically maintained the following collection procedures:

- Regular billings are sent that also outline any arrears balance outstanding;
- Notices are sent after missed due dates;
- Special notice to Property Owners in October/November letting them know if the account is approaching three years in arrears and providing a final timeline for repayment;
- In addition to the above, the City's Supervisor, Revenue and Tax Clerk makes phone calls and sends emails to maintain contact with Property Owners and to develop payment plans;
- In mid/late January the City's Supervisor, Revenue and Tax Clerk makes final calls and if no collection progress has been made on properties with an excess of three years of tax arrears, the City has historically moved forward with a registration process on those properties.

The City monitors and implements collection procedures in order to:

- Protect property owners from allowing their balances to grow too high;
- Ensure there is an incentive to pay property taxes so as not to disadvantage those that do pay their property taxes;
- Provide funding and related cashflow to fulfill the direction of Council;
- Fulfill the City's stewardship responsibility with the Niagara Region and Province of Ontario.

Discussion:

The City's collection rate over the past 5 years has been approximately 98.5%.

At December 31, 2022 (Comparative December 31, 2021), the City's outstanding property tax accounts receivable balances were as follows:

Billing Related to	At December 31, 2022	At December 31, 2021
2022	\$2,028,000	N/A
2021	655,000	\$1,736,000

2020	158,000	932,000
2019<=	102,000	1,489,000
Total	\$2,943,000	\$4,157,000
One Developer		(\$1,468,800)
	\$2,943,000	\$2,688,200

The City's financial reporting system does not break out the Niagara Region and/or Province of Ontario portion. It is possible the system was designed this way given the fact collection risk, as identified above, is generally considered low given the ability to implement a tax sale.

In the event the City could not collect the property taxes outstanding on a property, the uncollected amount could be shared. In 2022, the residential bill was apportioned as 52% City; 37% Niagara Region; 11% Province of Ontario.

The year over year decrease of \$1,214,000 (\$4,157,000 - \$2,943,000) can be attributed primarily to a developer as identified in the table as "One Developer" paying the outstanding tax balance on twenty-seven properties.

A reconciliation of properties with a balance of three years and over, in dollars and numbers, between 2021 and 2022 is as follows:

	City		One Developer	
	# Properties	\$	# Properties	\$
2021 Ending	38	592,138	27	1,468,806
Removed from list	(33)	(384,052)	(27)	(1,468,806)
New taxes and interest		35,256		
	5	243,342	0	0
Added to List	30	340,998		
2022 Ending	35	584,340	0	0

As depicted in the table above, 33 properties cleared up all outstanding balances. As denoted below, the tax collection process that may result in a tax sale occurring can take over one year to complete. In 2023, Council can expect some tax balances that remain outstanding from the "2020 Ending" list to move to the final stage of the property tax collection process, being tax sale, over the next year.

In making this recommendation, staff highlight the following:

- In any given year the City regularly faces 60-100 properties that would meet the three-year property tax outstanding test. This represents approximately 0.7% of properties. This figure stays fairly constant from year to year as many of the

owners are repetitive in their delinquency. At the end of 2022, the City sits at the lower end of that range.

- These properties continue to be taxed and to incur penalty and interest.
- The process for these properties, as outlined above, will take at least one year prior to a tax sale occurring. Historically during this time, the number of properties that have actually been required to move forward to tax sale has been reduced to two (2016), one (2017), two (2018), zero (2019), four (2020), zero (2021), and zero (2022).

Staff recommends the City move forward with the 30 new properties and continue with the 5 properties identified above as follows:

- The City's Supervisor, Revenue and Tax Clerk will begin with a letter and collection call(s) to collect at a minimum the third-year arrears, plus all outstanding penalty and interest.
- Accounts that have not seen improvement as identified in the bullet above will be sent to the City's contractor, Realtax, to begin the process of tax registration.
- Realtax will begin the tax registration process and the City will assess a fee per property. Once this fee is added and this process begins a property owner is required to pay all outstanding amounts to avert the tax sale, partial payments can not be accepted.
- Over the course of 12-14 months after initial registration, the owner has the ability to redeem the property by paying the amount due in full.
- Once full registration time has passed and, if the balance has not been received, the City will prepare to take the property to tax sale. The Property Owner can redeem if all amounts owing, including Realtax fees, are paid to the City.
- If the owner does not avert the tax sale by paying all outstanding amounts, Realtax will conduct the tax sale by listing the property for a minimum bid of all amounts owing to the City.

Internal Consultations:

N/A.

Financial Implications:

Staff identify the City's taxpayers continue to be diligent and consistent in their payment of property taxes. As identified above, the year over year outstanding balance has reduced.

Historically the risk of non-payment has been low. Staff continues to assess that risk as low provided Council moves forward as recommended in this report. In the event this process is delayed the potential of non-payment increases as the balance increases.

Public Engagement:

The City's Supervisor, Revenue and Tax Clerk, through the procedures described in this report, has communicated with and attempted to collect on the outstanding balances of the property owners.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Value: Financial Management to Achieve Financial Sustainability
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

Staff recommend moving forward with the recommended actions identified in this report to limit the financial risk of non-payment.

Respectfully submitted,

Adam Pigeau
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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.