



**The Corporation of the Municipality  
Staff Report**

**Office of the Treasurer  
Manuela Batovanja**

**Tax Billing Collection Policy – Update**

|                                       |                              |
|---------------------------------------|------------------------------|
| <b>Prepared By: Manuela Batovanja</b> | <b>Report No: MB 2024-07</b> |
| <b>Agenda Date: April 16, 2024</b>    | <b>File No: C11</b>          |

### **Purpose**

The purpose of this report is to update finance policy FT-017 Property Tax Billing and Collections.

### **Background**

Property Tax arrears have been a concern over the last several years for the municipality. In 2020 Finance Policy FT-017 Property Tax Billing and Collections was amended to include the use of external collection agencies as a method for tax collection. We implemented the practice after the policy was passed in 2020.

### **Analysis**

Currently we are sending properties which are in second year arrears to collection and third year arrears to the tax sale process, there is a timing drawback in this method of collection.

A property is in the first year of arrears the year following the date of issue. Taxes billed in 2022 become first year arrear in 2023, second year arrears in 2024. Following the current practice, we would not begin the collection process until 2024 for taxes billed in 2022 and the tax sale process would not begin until 2025.

The longer a property remains in arrears the more difficult it become for the taxpayer to address the situation. Additional taxes are being levied every year and interest is being applied at 1.25% per month or 15% per year.

The Financial Indicator Review performed by the Ministry of Municipal Affair and Housing for each municipality has shown Wawa's property taxes receivable less allowance for uncollectibles as a percentage of total taxes levied as having a high level of risk since 2019. The auditors, KPMG have also expressed a concern as to the amount of uncollectible taxes at the year end.

**Respectfully Prepared and Submitted By:  
Manuela Batovanja, Treasurer  
Director of Finance**

The Municipal Act allows for properties which are in second year of arrears to be sent to the tax sale process.

## Options

### Option 1

Do not make a change to the policy and continue current collection practices with a high level of risk of a negative impact to our revenues, cash flow and ability to pay current liabilities.

### Option 2

Adopt and immediately implement the updated policy which recommends accounts with properties in first year arrears, after a prescribed notice period, be sent to an external collection agency for the collection of property tax arrears and that accounts with properties in second year arrears, after a prescribed notice period, be sent to the tax sale.

## Recommendation

The recommended option is No. 2 That Council approves the updated finance policy number FT-017 Property Tax Billing and Collections

## Attachment

Attached to this report:

- Financial Indicator Review.

*Respectfully submitted by:*

Manuela Batovanja, Treasurer, Director of Finance

# FINANCIAL INDICATOR REVIEW

(Based on 2022 Financial Information Return)

## Wawa M

|                |                   |
|----------------|-------------------|
| Date Prepared: | January 19th 2024 |
| MSO Office:    | Northeast         |
| Prepared By:   | Enrique Paraco    |
| Tier           | ST                |

|                  |       |
|------------------|-------|
| 2022 Households: | 1,632 |
| 2022 Population  | 2,359 |
| 2023 MFCL Index  | 6.5   |

|  |           |
|--|-----------|
| Median Household Income:   | 66,752    |
| Taxable Residential Assessment as a % of Total Taxable Assessment: | 64.1%     |
| Own Purpose Taxation:  | 4,904,878 |

## SUSTAINABILITY INDICATORS

| Indicator   | Ranges   | Actuals | North - Population >1000 <= 2500 |         | Level of Risk |             |
|---|--|---------|----------------------------------|---------|---------------|-------------|
|   |  |         | Median                           | Average |               |             |
| Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied | Low: < 10%<br>Mod: 10% to 15%<br>High: > 15%       | 2018    | 13.9%                            | 11.7%   | 12.4%         | MODERATE    |
|   |  | 2019    | 18.2%                            | 11.5%   | 12.6%         | HIGH        |
|   |  | 2020    | 19.9%                            | 11.1%   | 12.9%         | HIGH        |
|   |  | 2021    | 21.1%                            | 9.5%    | 10.7%         | HIGH        |
|   |  | 2022    | 20.3%                            | 9.2%    | 10.7%         | <b>HIGH</b> |
| Net Financial Assets or Net Debt as % of Own Source Revenues                          | Low: > -50%<br>Mod: -50% to -100%<br>High: < -100% | 2018    | -6.2%                            | 45.6%   | 45.0%         | LOW         |
|   |  | 2019    | 6.6%                             | 57.7%   | 57.6%         | LOW         |
|   |  | 2020    | 15.8%                            | 61.1%   | 67.1%         | LOW         |
|   |  | 2021    | 37.5%                            | 63.5%   | 65.2%         | LOW         |
|   |  | 2022    | 38.4%                            | 67.0%   | 67.2%         | <b>LOW</b>  |
| Total Reserves and Discretionary Reserve Funds as a % of Municipal Expenses           | Low: > 20%<br>Mod: 10% to 20%<br>High: < 10%       | 2018    | 47.0%                            | 48.8%   | 55.9%         | LOW         |
|   |  | 2019    | 48.6%                            | 52.4%   | 60.3%         | LOW         |
|   |  | 2020    | 41.0%                            | 63.2%   | 69.7%         | LOW         |
|   |  | 2021    | 58.9%                            | 67.7%   | 71.6%         | LOW         |
|   |  | 2022    | 60.2%                            | 63.2%   | 70.5%         | <b>LOW</b>  |
| Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)            | Low: > 50%<br>Mod: 50% to 25%<br>High: < 25%       | 2018    | -5.6%                            | 402.9%  | 528.7%        | HIGH        |
|   |  | 2019    | 39.8%                            | 524.2%  | 643.8%        | MODERATE    |
|   |  | 2020    | 128.7%                           | 652.5%  | 736.9%        | LOW         |
|   |  | 2021    | 388.3%                           | 575.9%  | 732.6%        | LOW         |
|   |  | 2022    | 55.4%                            | 644.6%  | 676.4%        | <b>LOW</b>  |

## FLEXIBILITY INDICATORS

|   |  |      |       |       |       |                 |
|---|--|------|-------|-------|-------|-----------------|
| Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)                              | Low: < 5%<br>Mod: 5% to 10%<br>High: >10%      | 2018 | 2.8%  | 2.7%  | 2.6%  | LOW             |
|   |  | 2019 | 2.8%  | 2.5%  | 2.4%  | LOW             |
|   |  | 2020 | 12.0% | 2.3%  | 3.0%  | HIGH            |
|   |  | 2021 | 1.7%  | 1.9%  | 2.2%  | LOW             |
|   |  | 2022 | 1.2%  | 1.9%  | 1.9%  | <b>LOW</b>      |
| Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio) | Low: < 50%<br>Mod: 50% to 75%<br>High: > 75%   | 2018 | 56.7% | 47.7% | 50.6% | MODERATE        |
|   |  | 2019 | 56.1% | 48.7% | 50.6% | MODERATE        |
|   |  | 2020 | 56.7% | 53.2% | 52.1% | MODERATE        |
|   |  | 2021 | 64.5% | 51.0% | 53.0% | MODERATE        |
|   |  | 2022 | 63.2% | 51.2% | 52.7% | <b>MODERATE</b> |
| Annual Surplus / (Deficit) as a % of Own Source Revenues                                      | Low: > -1%<br>Mod: -1% to -30%<br>High: < -30% | 2018 | 22.8% | 12.6% | 18.9% | LOW             |
|   |  | 2019 | 20.5% | 22.7% | 27.7% | LOW             |
|   |  | 2020 | 26.9% | 14.1% | 16.1% | LOW             |
|   |  | 2021 | 34.2% | 12.1% | 18.5% | LOW             |
|   |  | 2022 | 15.6% | 15.3% | 17.0% | <b>LOW</b>      |

\*\*\*\*\*  
 The data and information contained in this document is for informational purposes only. It is not an opinion about a municipality and is not intended to be used on its own - it should be used in conjunction with other financial information and resources available. It may be used, for example, to support a variety of strategic and policy discussions.  
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# FINANCIAL INDICATOR REVIEW

(Based on 2022 Financial Information Return)

Wawa M

## NOTES

*Financial Information Returns ("FIRs") are a standard set of year-end reports submitted by municipalities to the Province which capture certain financial information. On an annual basis, Ministry staff prepare certain financial indicators for each municipality, based on the information contained in the FIRs. It is important to remember that these financial indicators provide a snapshot at a particular moment in time and should not be considered in isolation, but supported with other relevant information sources. In keeping with our Financial Information Return review process and follow-up, Ministry staff may routinely contact and discuss this information with municipal officials.*

### Supplementary Indicators of Sustainability and Flexibility

The following is a summary, adapted from the Chartered Professional Accountants of Canada Statement of Recommended Practice (SORP) 4.

- A government (including a municipality) may choose to report supplementary information on financial condition, to expand on and help explain the government's financial statements.
- Supplementary assessment of a government's financial condition needs to consider the elements of sustainability and flexibility.
- Sustainability in this context may be seen as the degree to which a municipality can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without inappropriately increasing the debt or tax burden relative to the economy within which it operates.
- Sustainability is an important element to include in an assessment of financial condition because it may help to describe a government's ability to manage its financial and service commitments and debt burden. It may also help to describe the impact that the level of debt could have on service provision.
- Flexibility is the degree to which a government can change its debt or tax level on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.
- Flexibility provides insights into how a government manages its finances. Increasing taxation or user fees may reduce a municipality's flexibility to respond when adverse circumstances develop if the municipality approaches the limit that citizens and businesses are willing to bear.

A municipality may temporarily use current borrowing, subject to the requirements set out in the Municipal Act to meet expenses and certain other amounts required in the year, until taxes are collected and other revenues are received. Municipal current borrowing cannot be carried over the long term or converted to long term borrowing except in very limited circumstances.

- For each element of financial condition, the report on indicators of financial condition should include municipality-specific indicators and municipality-related indicators. It may be useful to also include economy-wide information when discussing financial condition.

### ***Additional Notes on what Financial Indicators may indicate:***

**Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied** - Shows how much of the taxes billed are not collected.

**Net Financial Assets or Net Debt as % of Own Source Revenues** - Indicates how much property tax and user fee revenue is servicing debt.

**Reserves and Reserve Funds as a % of Municipal Expenses** - Indicates how much money is set aside for future needs and contingencies.

**Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)** - Indicates how much cash and liquid investments could be available to cover current obligations.

**Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)** - Indicates how much of each dollar raised in revenue is spent on paying down existing debt.

**Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)** - Indicates how much of the assets' life expectancy has been consumed.

**Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues** - Indicates the municipality's ability to cover its operational costs and have funds available for other purposes (e.g. reserves, debt repayment, etc.)

**The Northern and Rural Municipal Fiscal Circumstances Index (MFCI)** is used by the Ministry of Finance to calculate the "Northern and Rural Fiscal Circumstances Grant" aimed at northern as well as single and lower-tier rural municipalities. The index measures a municipality's fiscal circumstances. The MFCI is determined by six indicators: Weighted Assessment per Household, Median Household Income, Average Annual Change in Assessment (New Construction), Employment Rate, Ratio of Working Age to Dependent Population, and Per Cent of Population Above Low-Income Threshold. A lower MFCI corresponds to relatively positive fiscal circumstances, whereas a higher MFCI corresponds to more challenging fiscal circumstances. (Note: the MFCI index is only available for northern and rural municipalities)

# FINANCIAL INDICATOR REVIEW

(Based on 2022 Financial Information Return)

Wawa M

## CALCULATIONS

Total Taxes Rec. less Allowance for Uncollectibles as % of Total Taxes Levied

$SLC\ 70\ 0699\ 01 / (SLC\ 26\ 9199\ 03 - SLC\ 72\ 2899\ 09)$

Net Financial Assets or Net Debt as % of Own Source Revenues

$SLC\ 70\ 9945\ 01 / (SLC\ 10\ 9910\ 01 - SLC\ 10\ 0699\ 01 - SLC\ 10\ 0899\ 01 - SLC\ 10\ 1098\ 01 - SLC\ 10\ 1099\ 01 - SLC\ 10\ 1811\ 01 - SLC\ 10\ 1812\ 01 - SLC\ 10\ 1813\ 01 - SLC\ 10\ 1814\ 01 - SLC\ 10\ 1830\ 01 - SLC\ 10\ 1831\ 01 - SLC\ 12\ 1850\ 04)$

Total Reserves and Reserve Funds as a % of Municipal Expenses

$(SLC\ 60\ 2099\ 02 + SLC\ 60\ 2099\ 03) / (SLC\ 40\ 9910\ 11 - SLC\ 12\ 9910\ 03 - SLC\ 12\ 9910\ 07)$

Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)

$SLC\ 70\ 0299\ 01 / (SLC\ 70\ 2099\ 01 + SLC\ 70\ 2299\ 01)$

Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)

$(SLC\ 74\ 3099\ 01 + SLC\ 74\ 3099\ 02) / (SLC\ 10\ 9910\ 01 - SLC\ 10\ 1831\ 01)$

Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)

$SLC\ 51\ 9910\ 10 / SLC\ 51\ 9910\ 06$

Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues

$(SLC\ 10\ 2099\ 01 - SLC\ 10\ 1831\ 01) / (SLC\ 10\ 9910\ 01 - SLC\ 10\ 0699\ 01 - SLC\ 10\ 0899\ 01 - SLC\ 10\ 1098\ 01 - SLC\ 10\ 1099\ 01 - SLC\ 10\ 1811\ 01 - SLC\ 10\ 1812\ 01 - SLC\ 10\ 1813\ 01 - SLC\ 10\ 1814\ 01 - SLC\ 10\ 1830\ 01 - SLC\ 10\ 1831\ 01 - SLC\ 12\ 1850\ 04)$