



MEMO / NOTE DE SERVICE

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TO: Chair and Members of the Finance and Corporate Services Committee

DESTINATAIRE : Président et membres du Comité des finances et des services organisationnels

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DATE: June 6, 2023

06 juin 2023

FILE NUMBER: ACS2023-FCS-REV-0004

SUBJECT: Use of Delegated Authority during 2022 by Revenue Services under  
Schedule "B" of By-law 2023-67

OBJET : Utilisation de la délégation de pouvoirs en 2022 par le Services des recettes  
en vertu de l'annexe « B » du Règlement 2023-67

## PURPOSE

The purpose of this memo is to provide information to the Finance and Corporate Services Committee regarding the use of delegated authority during 2022 by Revenue Services staff in the Finance and Corporate Services Department. The Delegation of Authority By-law No. 2023-67, Schedule “B”, Sections 16 to 26, outlines various authorities that Council has delegated to the Chief Financial Officer/Treasurer, Deputy City Treasurer, Revenue, and other management staff within Revenue Services. This memo provides details on those specific authorities executed in 2022.

## BACKGROUND

The Delegation of Authority By-law No. 2023-67, Schedule “B”, Sections 16 to 26, outlines the various authorities that Council has delegated to Revenue Services management in the Finance and Corporate Services Department. The by-law contains full details, including specific titles of the positions with delegated authority and the limits imposed by the by-law. The list below summarizes the delegate authorities addressed in this memo.

- Approve extension agreements for tax arrears for the City of Ottawa pursuant to the *Municipal Act, 2001*.
- Exercise the duties of Chief Financial Officer/Treasurer as prescribed under the *Municipal Act, 2001* with respect to local improvement charges.
- To hold meetings and make decisions pursuant to Sections 334, 356, 357, 357.1, 358, 359 and 359.1 of the *Municipal Act, 2001* with respect to taxation administration.
- Commence, maintain, and settle proceedings at the Assessment Review Board and the Dispute Advisory Panel with respect to property assessment and taxation and payments-in-lieu of taxes.
- Authorize payments under the tax rebate program for eligible charities as described in Section 361 of the *Municipal Act, 2001* and specific Council-approved rebate programs.
- Write off general accounts receivable that the Chief Financial Officer/Treasurer or the Deputy City Treasurer, Revenue, has determined to be uncollectible.

- Approve, conclude, and execute repayment agreements on behalf of the City of Ottawa.
- Write-off payroll overpayment accounts that the Chief Financial Officer/Treasurer or Director, Payroll, Pensions and Benefits, has deemed to be uncollectible.

## DISCUSSION

### **Section 16 - Extension Agreements for Tax Arrears**

The Deputy City Treasurer, Revenue, and the Program Manager, Collections and Cash Handling, individually have delegated authority to approve extension agreements for tax arrears under specified terms.

Revenue Services has implemented a rigorous follow-up process and prescribed collection activities to collect outstanding balances. To reduce the City's financial risk when the debt cannot be paid in full, the City enters into a formal repayment, extension agreement or proceeds to a Sale of Land for Tax Arrears.

In 2022, no repayment agreements were executed for tax arrears.

### **Section 17 - Local Improvements**

#### Section 398 - Addition of Debt to the Tax Roll

The Deputy City Treasurer, Revenue, has delegated authority to impose fees and charges against the tax roll of a specific property to collect an amount owing as authorized under section 398 of the *Municipal Act, 2001*. Debts added to the tax roll under this section are for the supply of a service or thing to a property (Local Improvements) or any property for which the owners are responsible for paying the fees and charges.

Table 1 below presents the authority exercised under Section 16 of Schedule "B" Delegation of Authority By-law No. 2023-67.

**Table 1 - Debt added to the tax roll in 2022**

<i>Local Improvement Act</i>	Amount (\$)	Rolls Charged	Repayment Years Remaining
Eagleson Road Noise Barrier	2,734	7	1
Lead Pipe Replacement	31,193	54	9
Legget Dr. Roadway Urbanization	64,260	18	1

<b>Local Improvement Act</b>	<b>Amount (\$)</b>	<b>Rolls Charged</b>	<b>Repayment Years Remaining</b>
Nichol's Island Roadway	9,082	12	1
Sanitary Sewer Extensions	371,042	335	11
Watermain Extensions	15,651	20	12
<b>Total</b>	<b>493,962</b>	<b>446</b>	

Section 18, 36.16 O. Reg 586/06 – Changes to Tax Roll listing due to lot division

The Deputy City Treasurer, Revenue, has delegated authority to apportion local improvement amounts where the property has been subdivided into two or more lots. The amount described shall be allocated among the new lots according to the extent of their respective frontages by imposing an equal special charge per metre of frontage.

In 2022, there were no tax rolls to apportion local improvements.

Section 29, 36.17 O. Reg 586/06 – Amendments to Tax Roll listing

The Deputy City Treasurer, Revenue, has delegated authority to amend the Tax Roll listing to correct any gross or manifest errors or to give effect to a decision of the committee of revision.

In 2022, there were no tax roll listings to amend.

**Section 19 - Taxation Administration**

Section 334 – Cancellation, refund, or reduction of taxes due to clerical errors in the calculation of taxes

The Deputy City Treasurer, Revenue, has delegated the authority to receive an application and make a determination for the cancellation, reduction or refund of taxes levied by a person who was overcharged by reason of a gross or manifest error that is a clerical error, the transposition of figures, a typographical error or similar type of error in the calculation of the taxes under Part IX of the *Municipal Act, 2001*.

The municipal tax portion of these adjustments is budgeted annually under Property Tax Remissions. In 2022, there were no applications under this section.

Section 356 – Apportionment of Property Taxes

The Deputy City Treasurer, Revenue, has delegated the authority to receive an application from a property owner and may,

- a) divide land which is assessed in one block into two or more parcels if each parcel can be legally conveyed under the *Planning Act*
- b) apportion the unpaid taxes on the land among the parcels:
  - i. in proportion to their relative value at the time the assessment roll for the year in which the application is made, or
  - ii. if the Deputy City Treasurer, Revenue, is of the opinion that an apportionment under subclause (i) is not appropriate due to special circumstances, any other manner; and
- c) direct what proportion of any part payment of taxes on the land is to be applied to each of the parcels.

In 2022, under this section \$1,762,587 in taxes were apportioned of which \$1,353,712 were municipal taxes.

Section 357 - Cancellation, refund, or reduction of taxes due to specific change events during the tax year

The Deputy City Treasurer, Revenue, has delegated the authority to receive an application and make a determination for cancellation, reduction or refund of taxes levied if:

- a) as a result of a change event, during the taxation year, the property is eligible to be reclassified in a different class of real property, as defined in regulations made under that Act, and that class has a lower tax ratio for the taxation year than the class the property or portion of the property is in before the change event, and no supplementary assessment is made in respect of the change event under subsection 34(2) of the *Assessment Act*
- b) the land has become vacant land or excess land during the year or the preceding year after the return of the assessment roll
- c) the land has become exempt from taxation during the year or the preceding year after the return of the assessment roll
- d) during the year or the preceding year after the return of the assessment roll, a building on the land:
  - i. was razed by fire, demolition or otherwise, or

- ii. was damaged by fire, demolition or otherwise so as to render it substantially unusable for the purposes for which it was used immediately prior to the damage
- d.1) the applicant is unable to pay taxes because of sickness or extreme poverty
- e) a mobile unit on the land was removed during the year or the preceding year after the return of the assessment roll
- f) a person who was overcharged due to a gross or manifest error that is clerical or factual in nature, including transposition of figures, a typographical error or similar error but not an error in judgment in assessing the property; or
- g) repairs or renovations to the land prevented the normal use of the land for at least three months during the year.

The municipal tax portion of these adjustments is budgeted annually under Property Tax Remissions. In 2022, under this section \$1,332,840 in taxes were cancelled, reduced, or refunded of which \$970,284 were municipal taxes.

#### Section 357.1 – Cancellation, reduction, refund of payment in lieu of taxes

The Deputy City Treasurer, Revenue, has delegated the authority to receive an application and make a determination for the cancellation, reduction, or refund of payment in lieu of taxes levied in the year in respect of which the application is made and may be made by any person in the circumstances described in subsection 357 (1).

Payment in lieu of taxes means an amount that a local municipality is eligible to receive in lieu of taxes in a year in respect of real property that is exempt from taxation under the *Assessment Act*, where the amount is equal to the taxes for municipal or for municipal and school purposes that would have been payable in respect of that real property in that year if the real property had been taxable

The municipal tax portion of these adjustments is budgeted annually under Property Tax Remissions. In 2022, under this section \$359,823.83 in Payments In Lieu of Taxes (PILTs) were cancelled, reduced, or refunded.

#### Section 358 – Cancellation, refund, or reduction of taxes due to clerical errors in the preparation of the assessment roll

The Deputy City Treasurer, Revenue, has delegated the authority to receive an application and make a determination for the cancellation, reduction or refund of taxes

levied for an overcharge because of any gross or manifest error in the preparation of the assessment roll. This would be an error of fact, which may include but is not limited to, clerical errors, the transposition of figures or typographical errors, but not an error in judgment in making the assessment upon which the taxes have been levied.

An application may also be made for any overcharge caused by the same errors listed above in the years an assessment is made under section 33 or 34 of the *Assessment Act*.

The municipal tax portion of these adjustments is budgeted annually under Property Tax Remissions. In 2022, under this section \$462,610.70 in taxes were cancelled, reduced, or refunded of which \$312,953.71 were municipal taxes.

#### Section 359 – Increase of taxes

The Deputy City Treasurer, Revenue, has delegated the authority to increase the taxes levied on land to the extent of any undercharge caused by a gross or manifest error that is clerical or factual. This includes the transposition of figures, a typographical error or similar error but not an error in judgement in assessing the land.

The municipal tax portion of these adjustments is budgeted annually under Property Tax Remissions. In 2022, there were no applications under this section.

#### **Section 20 - Property Assessment Proceedings**

The Deputy City Treasurer, Revenue, and the Program Manager, Property Assessment and PILTs, individually have delegated authority to appeal in writing to the Assessment Review Board under Subsection 40(1) of the *Assessment Act* that:

- a) the current value of a property is incorrect
- b) a property was wrongly placed on or omitted from the assessment roll
- c) a property was wrongly placed on or omitted from the roll in respect of school support
- d) the classification of a property is incorrect
- e) for land, portions of which are in different classes of real property, the determination of the share of the value of the land that is attributable to each class are incorrect.

Revenue Services may launch a property assessment appeal for the following reasons:

- to have the Current Value Assessment (CVA) of a property assessed in relation to other comparable properties
- to have the CVA of a property assessed in relation to the sale price
- to have a property's tax class changed to reflect its current use
- to have contaminated properties/land assessed accordingly.

Most of the City launched appeals to the Assessment Review Board are related to incorrect land value and incorrect tax classification. After reviewing the status of the 2023 Assessment Roll, Revenue Services launched 35 new property assessment appeals.

In comparison, Revenue Services launched 52 property assessment appeals in 2022, 32 in 2021, 56 in 2020, 30 appeals in 2019, 61 in 2018, and 195 in 2017. Fewer appeals are typically launched after the first year of a new Assessment Phase-In Cycle.

## **Section 21 - Charitable Rebate Program**

The Deputy City Treasurer, Revenue, and the Program Manager, Customer Accounts, individually have delegated the authority to authorize charitable rebate payments under Section 361 of the *Municipal Act, 2001*.

The rebate is designed to provide tax relief to charitable organizations on properties they occupy. An eligible charity is defined as a registered charity under the *Income Tax Act* (Canada) provisions and has a registration number issued by the Canada Revenue Agency. An eligible property must be in either the commercial or the industrial property tax class. The rebate amount is set at 40 per cent of the taxes or amounts the charity paid on account of taxes for the space they occupy/lease.

The charitable rebate tax relief program was introduced to create more equity and fairness in the tax burden among taxpayers. Before 1998, charitable organizations paid property taxes at the residential tax rate for the space they occupied. The changes introduced that year by the provincial government to the assessment and tax system resulted in most charities being taxed at the higher commercial tax rate. This added financial pressure on organizations whose main purpose is to benefit the community.

For the 2022 calendar year, 178 charitable rebate applications were processed, amounting to \$2.5 million in property tax rebates, of which \$1.7 million was the municipal share.



## **Section 22 - Write Off General Accounts**

The Chief Financial Officer/Treasurer and Deputy City Treasurer, Revenue, individually have delegated authority to write off general accounts receivable, which they have determined to be uncollectible.

### Corporate Accounts Receivable

Revenue Services is responsible for collecting on all accounts billed through the City's financial system. The City invoices for numerous services such as residential and commercial rents, damage to City property, returned cheques and paid-duty police service. The services mentioned are only a few examples of the hundreds of services or reasons the City prepares and sends invoices.

In 2022, the City invoiced approximately \$159 million for corporate accounts receivable, including numerous services such as residential and commercial rents, damage to City property, returned cheques and paid-duty police service. Revenue Services makes every effort to collect all accounts receivable due to the City of Ottawa. Measures include letters, telephone calls, service denial, accounts payable set-offs, referral to Legal Services to initiate a claim and assignment to private collection agencies. For reasons that are often beyond the City's control, full or partial amounts due cannot be paid. Some of the reasons are death, bankruptcy, indigence, legal recommendation, expiry of the limitation period to commence a legal claim and administrative errors related to the billing. The limitation period for initiating litigation to collect amounts owed as prescribed by the *Limitations Act, 2002*, is two years from the incident date. This Act binds the City.

According to the Corporate Accounts Receivable Write-off policy, write-offs are charged back to the originating department where the revenue was booked; only items of a corporate nature are charged back against the allowance for doubtful accounts (AFDA). The AFDA had sufficient funds to cover the corporate write-offs that the originating departments did not cover. The Corporate Accounts Receivable write offs are reflected in Table 2 below.

### Provincial Offences Act

Effective March 19, 2001, the City of Ottawa assumed responsibility for administering the *Provincial Offences Act* (POA) from the Ministry of the Attorney General (MAG). The City recorded \$30 million in POA Revenue in 2022, and the total POA receivables as of December 2022 were \$81 million.

Revenue Services collects on outstanding defaulted POA fines. The POA Collections unit employs several strategies to collect on unpaid debt. These include timely creation and distribution of all collection notices and communications, progressively severe delinquency notices, consideration of extended payment plans, application of available administrative sanctions, such as reporting to a credit bureau, the addition of fines to the tax roll, assignment to third party collection agencies, and civil fine enforcement mechanisms including garnishment of wages. Despite these attempts, certain infractions have remained uncollectible.

Since its establishment in 2002, the POA Collections Unit has collected \$89 million from defaulted provincial offence fines in collections status. Approximately \$7.9 million is transferred to the collection unit annually. The POA collections unit recovers approximately 52 per cent of defaulted fines transferred over for collections action.

Table 2 below presents the authority exercised under Section 21 of Schedule “B” Delegation of Authority By-law No. 2023-67, pertaining to Corporate Accounts Receivables and Provincial Offences.

**Table 2 - Write Off General Accounts**

<b>Description</b>	<b>Amount (\$)</b>
<b>62 Corporate Receivable Accounts</b>	<b>\$151,954</b>  This represents 0.1 per cent of the total corporate receivables billed in 2022.
<b>2,614 Provincial Offences Act Infractions (2001 and prior)</b>	<b>\$499,727</b>  This represents 0.6 per cent of the total POA receivables as of December 2022.

The list of amounts that have been written off in 2022 and the justification for writing off each item reported is on file and maintained by the Deputy City Treasurer, Revenue.

### **Section 23 - Repayment Agreements**

The Deputy City Treasurer, Revenue, and the Program Manager, Collections and Cash Handling, individually have delegated authority to enter into repayment agreements on behalf of the City under specified terms.

Revenue Services has implemented a rigorous process for follow-up, prescribed collection activities and partnered with three private collection agencies to collect

outstanding balances. To reduce the City's financial risk when the debt cannot be paid in full, the City enters into a formal repayment or extension agreement.

In 2022, no repayment agreements were executed for general accounts.

### **Section 24 - Write off Payroll Overpayment Accounts**

The Chief Financial Officer/Treasurer and the Director of Payroll Pensions and Benefits individually have delegated authority to write off payroll overpayment accounts, which they have determined to be uncollectible.

Payroll, Pensions and Benefits Services is responsible for paying salaries, wages, and reimbursements to approximately 19,842 individuals. In addition to paying City of Ottawa employees, Payroll, Pensions and Benefits provide payroll services to Ottawa Police Services, Ottawa Public Library, and non-City groups such as Volunteer Firefighters. On occasion, it is determined that employees have been overpaid, and the City attempts to recover these overpayments.

In 2022, the City's gross payroll cost (excluding benefits and Police) was \$1.29 billion. Payroll, Pensions and Benefits Services makes every effort to collect all overpayments in full. The collection process aligns with the Payroll Administration Policy for the Recovery of Overpayments and Other Amounts Owing, which includes recovery from the first available funds unless deemed repayment of salary or wages. In these cases, the City will act in accordance with the applicable legislative authority and terms of the respective collective agreements. This may include telephone calls, letters, and communication to discuss repayment options and, as the last step, referral to Revenue Services. There may be exceptional circumstances that warrant not proceeding with the recovery of an overpayment. Reasons include death, bankruptcy, grievance settlements, or the cost of pursuing the recovery is greater than the amount owed. Payroll overpayments arise due to a variety of reasons. The most common are rejected Long Term Disability/Worker's Compensation claims, sick leave reversals and delays in the receipt of payroll forms that impact pay.

Table 3 represents the authority exercised under Section 24 of Schedule "B" Delegation of Authority By-law No. 2023-67.

**Table 3 - Write Off General Accounts**

Description	Amount (\$)
<b>18 Payroll Accounts</b>	<b>\$40,146</b>  This represents 0.002 per cent of the gross payroll cost in 2022.

The list of amounts that have been written off over the previous year and the justification for writing off each item reported is on file and maintained by the Deputy City Treasurer, Revenue.

**CONCLUSION**

Should you have any questions about the exercise of delegated authority under Schedule "B" Delegation of Authority By-law No. 2023-67 within Revenue Services in 2022, please do not hesitate to contact the undersigned.

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CC: Cyril Rogers, General Manager and Chief Financial Officer (A), Finance and Corporate Services Department.