




CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Customer Service and POA Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 6, 2019
SUBJECT/REPORT NO:	Proposed Write-Off for Provincial Offences (FCS19012) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Wendy Mason (905) 546-2424 Ext. 5718 Lynn Geci (905) 546-2424 Ext. 6287
SUBMITTED BY:	Cindy Mercanti Director, Customer Service and POA Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

That staff be authorized to write-off the following outstanding Provincial Offences fines deemed uncollectible, in the total amount of \$1,173,573.29:

- (a) \$1,171,221.41 in uncollectible fines with a sentence date of December 31, 2011 and prior;
- (b) \$2,351.88 in underpayments from April 1, 2018 through March 31, 2019.

EXECUTIVE SUMMARY

In accordance with the Provincial Offences Administration (POA) Write-off Procedure and the Memorandum of Understanding with the Ministry of the Attorney General, POA is requesting that 5,581 records amounting to \$1,173,573.29 be written off for uncollectible fines and underpayments. Fines are written off based on the age of the accounts receivable and ability to collect. Files which are seven years or older are identified for write-off consideration. Underpayments consist of fines that have been partially paid and usually have a nominal fine amount outstanding. An example of an underpayment would be the fee associated with the fail to respond docket – the \$5.00 fee is added to the balance owing. In these cases, the cost to collect exceeds the value of the collection.

Fines under driver license suspension, denial of license plate renewal and civil enforcement are not considered for write-off. If a fine is written off it does not absolve a convicted offender from the requirement to pay the fine, as debts to the Crown are not forgiven.

Reasons that accounts become uncollectible include debtor cannot be located and bankruptcy or business closure.

The approval to write-off these fines will reduce the accounts receivables owing to the City of Hamilton and allow our collection staff to concentrate their efforts in pursuing more recent fines for which there is a higher probable rate of collection.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Accounts Receivable write-offs are reflected as a decrease in Accounts Receivable and an increase in Bad Debt.

Staffing: None.

Legal: If approved by Council, staff will advise the Ministry of the Attorney General of this recommendation and request that they be authorized to purge these records from the Ministry database (ICON).

HISTORICAL BACKGROUND

POA utilizes several collection methods which include: internal collection efforts, external collection agencies, tax rolling, garnishment and writs. Fines that qualify are added to the defendant's property taxes (tax roll). Since the introduction of tax rolling by POA in 2017, \$88,099 in outstanding fines have been added to the tax roll with \$36,042 of those fines being collected as of December 31, 2018. For a defaulted fine to be tax rolled, property ownership must be confirmed. Specific business units such as Licensing and Bylaw have the authority to deny issuing or renewing a license if a fine is outstanding.

The value of the receivable falls rapidly as a function of time and the longer the debt has been owed, the less likely POA is to collect. POA added a third collection agency in late 2018 to help improve collection performance

Internal collections were responsible for collecting \$4,018,969 and the external collection agencies collected \$1,525,202 in 2018. This represents a decrease in overall collections by the internal staff and the collection agencies of \$337,994 over 2017. In 2018, the Province introduced legislation to improve collection efforts (inability to renew plates and drivers' licenses for driving-based offences) to encourage payment. POA has leveraged this opportunity by redirecting defaulted Red Light Camera collections to plate denial (up to a two-year process) saving the cost of the external agency fee.

As of December 31, 2018, there were approximately 87,741 defaulted fine records for a total outstanding default amount of \$69,937,030. Outstanding receivables include new charges (convicted fines) plus defaulted fines.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The recommendation follows existing corporate, provincial policies, procedures and standard accounting practices respecting the write-off of uncollectible monies.

RELEVANT CONSULTATION

Internal stakeholders consulted include staff in the departments of Corporate Services and Planning and Economic Development.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Staff anticipates the amount of the write-offs to be \$1,173,573.29 in uncollectible fines with a due date of December 31, 2011 and prior and underpayments (pay less than is due) of \$2,351.88 from April 1, 2018 through March 31, 2019. An example of an underpayment would be the fee associated with the fail to respond docket – the \$5.00 fee is added to the balance. However, in the meantime, the fine was paid. The total amount of \$1,173,573.29 includes the Victim Fine Surcharge which is payable to the Province of Ontario.

All offences filed with POA are pursued by way of enforcement if they are not paid by their due date. Enforcement includes suspension of a driver's licence, denial of licence plate renewal, referral to our external collection agency and civil enforcement. Fines under driver license suspension, denial of license plate renewal and civil enforcement are not considered for write-off. Outstanding fines are tracked through our collections database, wherein chronic offenders can be identified, based upon criteria that anyone with more than three offences in a one-year period is classified as chronic.

The approval to write-off these fines will reduce the accounts receivables owing to the City of Hamilton and allow our collection staff to concentrate their efforts in pursuing more recent fines for which there is a higher probable rate of collection. After writing off the proposed amount of \$1,173,573.29, the remaining outstanding accounts receivables balance will be approximately \$69,937,030.

POA is requesting that 5,581 records amounting to \$1,173,573.29 be written off. Fines are written off based on the age of the accounts receivable and ability to collect. If a fine is written off, it does not absolve a convicted offender from the requirement to pay the fine, as debts to the Crown are not forgiven. Files can be re-activated in ICON if a payment is received.

Write Off History

	# of Files	\$ Written Off	Year End Outstanding Balance
2015*	0	\$0	\$59,225,747
2016	3,924	\$1,541,755	\$61,636,843
2017	5,870	\$1,200,569	\$64,740,574
2018	5,581	\$1,173,573	\$69,937,030

* Missed Ministry cut-off date

In 2017, the average dollars per file written off were \$204.53, whereas in 2018, the average dollars per file are \$210.28. The year-end outstanding balance includes current receivables plus defaulted receivables.

ALTERNATIVES FOR CONSIDERATION

A record is maintained of all write-offs for future reference, if required. Since amounts to be written off are deemed uncollectible, it would not be cost effective to continue collection efforts that would yield little or no return.

The Ministry of the Attorney General has issued a directive to all POA offices in the Province to establish and maintain write-off policies and procedures

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

None.

WM/LG/dt