

April 26, 2016

TO ALL MUNICIPALITIES

**RE: COMMUNITY SUSTAINABILITY PARTNERSHIP ACCOUNTABILITY
MEASURES AND EXEMPTIONS**

In 2015-16, the Department of Municipal Affairs introduced new accountability measures in addition to the prior requirements of annual budgets and annual audited Public Sector Accounting Board compliant financial statements.

This circular is to clarify the accountability measure requirements of the Municipal Operating Grant Program and the Provincial Gas Tax Revenue Programs for 2016-17, and identify the parameters for potential exemptions for municipalities.

2016/17 Municipal Operating Grant Program

To receive its 2016/17 Municipal Operating Grant payments without delay, eligible municipalities and Inuit Community Governments are required:

- to submit a complete 2016 municipal budget;
- to submit audited Public Sector Accounting Board financial statements by June 30, 2016 for the 2015 fiscal year due;
- to submit a Tax Receivable Summary by June 30, 2016 based on taxes receivable as of December 31, 2015;
- to submit a Tax Recovery Plan by June 30, 2016 to recover taxes receivable as of December 31, 2015;
- to have maintained their own source revenues, on a per capita basis, in their 2016 municipal budgets (over own source revenue levels in their 2015 municipal budget); and
- to participate in the water/wastewater initiative, if the recipient has been identified by the Department of Municipal Affairs to benefit.

If these documents have not been submitted for prior fiscal years, or deemed as acceptable by the Department of Municipal Affairs, then a recipient's 2016/17 Municipal Operating Grant funding will be held.

Please note the following change in the Municipal Operating Grant Program in 2016/17. If an eligible municipality is non-compliant with its accountability measures, funding will only be carried forward for the prior fiscal year. For example, if a municipality is non-compliant with

the accountability measures at as of February 28, 2017; only funding withheld for 2016/17 will be carried forward to the 2017/18 fiscal year. Any prior funding withheld for fiscal years prior to 2016-17 for non-compliance will be forfeited by the municipality.

2016/17 Provincial Gas Tax Revenue Program

To receive the 2016/17 Provincial Gas Tax Revenue payments without delay, municipalities and Inuit Community Governments are required:

- to submit a Tax Receivable Summary by June 30, 2016 based on taxes receivable as of December 31, 2015;
- to submit a Tax Recovery Plan by June 30, 2016 to recover taxes receivable as of December 31, 2015;
- to have maintained their own source revenues, on a per capita basis, in their 2016 municipal budgets (over own source revenue levels in their 2015 municipal budget); and
- to participate in the water/wastewater initiative, if the recipient has been identified by the Department of Municipal Affairs to benefit.

Please note that audited 2015 Public Sector Accounting Board financial statements are not required for this program.

Provincial Gas Tax Revenues funds are not carried over to successive fiscal years if a recipient is non-compliant. For example, if a recipient is not compliant with its accountability measures by February 28, 2017, it forfeits its Provincial Gas Tax Revenue allocation for 2016/17.

Exemptions to the 2016/17 Accountability Measures

There may, on occasion, be extenuating circumstances that may prevent, or delay, a municipality from meeting its accountability requirements. The Minister of Municipal Affairs has been given authority to provide an exemption to one or more of the accountability measures in specific cases.

One or more of the following criteria shall be considered by the Minister in providing an exemption:

- closure or suspension in operations of a primary or major industry within the municipality that negatively impacts the revenue stream of the municipality such that trying to maintain own source revenue levels would create a disproportionate financial hardship to the municipality and/or its residents;
- gross negligence or wrongdoing on the part of the municipality's auditor or staff member (that would generally result in the dismissal of the auditor or staff member) that negatively impacts the ability of the municipality to meet the accountability requirements in the required timeframe; or
- natural or other disaster (e.g., fire, flood, hurricane), which prevents access to the information, records, or files necessary to meet the accountability requirements in the required timeframe.

Any exemption as provided by the Minister will be provided for a limited time period and the Minister may attach conditions to any exemption as he or she may see fit.

2016 Templates for the Tax Receivable Summaries and Tax Recovery Plans

The templates the Tax Receivable Summary and the Tax Recovery Plan are included as Annexes A and B. These Annexes are also available electronically on the Department of Municipal Affairs web site at <http://www.miga.gov.nl.ca/esp/initiatives.html>.

For further information on these accountability measures, including the preparation of the Tax Receivable Summary and/or the Tax Recovery Plan, please contact Rayanne Hibbs at 729-3247, (RayanneHibbs@gov.nl.ca) or Paul Tucker at 729-5381 (ptucker@gov.nl.ca).

Sincerely,



Paul Tucker
Director
Municipal Finance

- cc. Andy Morgans, Director, Local Governance
Dan Hynes, Regional Director
Sandy Hounsell, Regional Director
Lori Evoy, Regional Manager, Eastern Regional Office
Ed Goodyear, Regional Manager, Central Regional Office
Bob MacAulay, Regional Manager, Labrador Regional Office
Arthur Skinner, Regional Manager, Western Regional Office
Rayanne Hibbs, Manager, Municipal Finance

ANNEX A – TAX RECEIVABLE SUMMARY

NAME OF MUNICIPALITY

**Tax Receivable Summary
For the Year Ended December 31, _____**

INSTRUCTIONS

1. Taxes Receivable Summary (TRS)

A TRS should be completed and submitted to the Department by June 30 of each year.

There are two templates providing guidance for the preparation of the TRS, both based on the categories of taxes receivable reported in the Public Sector Accounting Board audited financial statements.

- Option 1: Municipalities that currently report taxes receivable as one total figure.
- Option 2: Municipalities that currently report the categories of taxes receivable separately.

If a municipality already generates an aged taxes receivable report, such a report can be provided to the Department of Municipal Affairs as the municipality's TRS; however, the report must:

- Include only taxes receivables and not trade or other non-tax receivables.
- Provide an adequate aged summary which clearly identifies taxes receivable for the current year and the preceding years.

It is this aged analysis that will identify potential receivable issues and provide the basis for a municipality's Tax Recovery Plan.

2. Contact Information

For specific questions on the completion of the TRS, please contact:

- Paul Tucker, Director, Municipal Finance, (709) 729-5381 or ptucker@gov.nl.ca; or
- Rayanne Hibbs, Manager, Municipal Finance, (709) 729-3247 or RayanneHibbs@gov.nl.ca

Tax Receivable Summaries can be e-mailed to the above addresses, faxed to (709)729-5535 or mailed to:

**Municipal Finance Division
Municipal Affairs
4th Floor West Block, Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6**

NAME OF MUNICIPALITY
TAX RECEIVABLE SUMMARY - OPTION 1
Year End December 31, (Current Year)

Summary of Taxes Receivable as of December 31, (Current Year)					
		Total Receivable		Accounts With Payment Plan	
		Tax Payers	Amount	Tax Payers	Amount
		#	\$	#	\$
Taxes Receivable					
A	Owed for current tax year				
B	Owed for preceding tax year				
C	Owed for two years preceding				
D	Owed for three years preceding				
E	Owed for Four years preceding				
F	Owed for over four years				
Total Taxes Receivable (Dec 31) (A + B + C + D + E + F)		0	\$0.00	0	\$0.00

Allowance for Doubtful Accounts for Taxes Receivable		
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NAME OF MUNICIPALITY
TAX RECEIVABLE SUMMARY - OPTION 2
Year End December 31, (Current Year)

		Summary of Taxes Receivable as of December 31, (Current Year)			
		Total Receivable		Accounts With Payment Plan	
		Tax Payers #	Amount \$	Tax Payers #	Amount \$
I. Poll Taxes Receivable					
A	Owed for current tax year				
B	Owed for preceding tax year				
C	Owed for two years preceding				
D	Owed for three years preceding				
E	Owed for four years preceding				
F	Owed for over four years				
Total Property Taxes Receivable (Dec 31) (A + B + C + D + E + F)		0	\$0.00	0	\$0.00
II. Property Taxes Receivable (Include Residential and Commercial)					
A	Owed for current tax year				
B	Owed for preceding tax year				
C	Owed for two years preceding				
D	Owed for three years preceding				
E	Owed for four years preceding				
F	Owed for over four years				
Total Property Taxes Receivable (Dec 31) (A + B + C + D + E + F)		0	\$0.00	0	\$0.00
III. Business Taxes Receivable					
A	Owed for current tax year				
B	Owed for preceding tax year				
C	Owed for two years preceding				
D	Owed for three years preceding				
E	Owed for four years preceding				
F	Owed for over four years				
Total Business Taxes Receivable (Dec 31) (A + B + C + D + E + F)		0	\$0.00	0	\$0.00
IV. Water & Sewer Taxes Receivable (Include Residential and Commercial)					
A	Owed for current tax year				
B	Owed for preceding tax year				
C	Owed for two years preceding				
D	Owed for three years preceding				
E	Owed for four years preceding				
F	Owed for over four years				
Total Water & Sewer Taxes Receivable (Dec 31) (A + B + C + D + E + F)		0	\$0.00	0	\$0.00
V. Other Authorized Taxes Receivable					
A	Owed for current tax year				
B	Owed for preceding tax year				
C	Owed for two years preceding				
D	Owed for three years preceding				
E	Owed for four years preceding				
F	Owed for over four years				
Total Water & Sewer Taxes Receivable (Dec 31) (A + B + C + D + E + F)		0	\$0.00	0	\$0.00
Total Taxes Receivable (Dec 31) (A + B + C + D + E + F)		0	\$0.00	0	\$0.00
Allowance for Doubtful Accounts for Taxes Receivable					

ANNEX B – TAX RECOVERY PLAN

NAME OF MUNICIPALITY

Tax Recovery Plan
For the Year Ended December 31, _____

Date Created: _____

Date Amended: _____

NAME OF MUNICIPALITY

Tax Recovery Plan

For the Year Ended December 31, _____

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Guidelines for Preparation of a Tax Recovery Plan

1. General

- The Tax Recovery Plan (TRP) is an annual document, prepared by a municipality, to plan for the recovery of taxes receivable as identified in the municipality's Tax Receivable Summary (TRS).
 - The council approved TRP, with resolution of council, is due to the department annually by June 30.
 - The TRP identifies recovery options and the appropriate time for applying each.
 - The TRP is a living document which may require revisions throughout the year. If revisions occur, please send an updated copy to the department.
- A sample template for a TRP is presented in Annex A.

2. Sections of a Tax Receivable Plan

The following sections are required for a TRP:

A. Status of Previous Year's Objective(s)

- Provide a status update to the previous year's objective, including:
 - the extent to which objective(s) have been achieved;
 - changes in receivable balances in past year;
 - recovery activity utilized in past year; and
 - amount of receivables included in prior year TRS that has been recovered.

B. Current Year's Objective(s)

- Objectives should focus on maximizing the recovery of tax receivables, be reasonable, measureable and achievable.
- Factors to consider may include:
 - past tax payment trends;
 - payment arrangements in place;
 - current tax recovery/collection policies and procedures;
 - resources available to engage in recovery activity;
 - age of taxes receivable balance; and
 - a resident's financial capacity for paying balances owed.
- An example of an acceptable objective is presented in the attached template.

C. Payment Methods

- This section identified the acceptable payment methods. Acceptable methods include: paid in full; pre-authorized payment arrangement; post-dated cheques, and other reasonable arrangements for a regular payment schedule.

D. Exemptions

- The TRP identifies procedures and criteria for applying Section 111 of the *Municipalities Act, 1999*. This section provides for an exemption, remission or deferral of taxes and/or interest subject to approval by two-thirds of Council members.

E. Tax Recovery - Action Plan

- The TRP identifies recovery actions to be used and the situations in which each will be used.
- For example:
 - issuing a statement of account to a taxpayer;
 - issuing a payment reminder letter to a taxpayer;

- issuing a notice of arrears as per Section 137 of the *Municipalities Act, 1999*;
- placing phone calls to taxpayer;
- charging interest on outstanding amounts;
- issuing notification of possible discontinuance of service;
- discontinuance of service as per Section 132 of the *Municipalities Act, 1999*;
- property liens as per Section 134 of the *Municipalities Act, 1999*;
- submitting account to third party for recovery;
- legal action as per Section 133 of the *Municipalities Act, 1999*;
- rent garnishment on rental properties as per Section 148 of the *Municipalities Act, 1999*;
- sale of vacant land or non-occupied property as per Section 139 of the *Municipalities Act, 1999*; and
- other reasonable actions within the authority of the municipality.
- Consider appropriate and progressive steps to recover outstanding taxes owed to the municipality.
- Consider adopting policies and procedures regarding recovery of taxes receivable.
- The recovery approach should be applied consistently.
- The TRP identifies benchmarks/criteria for applying specific recovery methods, giving consideration to amount and age of balances outstanding. Examples include:
 - issuing reminder letters or statements of account to tax payers;
 - place phone calls to tax payers when beyond X days in arrears;
 - commence charging interest on accounts when X days in arrears; and
 - issue discontinuance of service notices when X days in arrears.
- Municipalities should include timelines/deadlines within their policies and procedures.

F. Arrears Monitoring Procedure

- The TRP identifies the approach/steps for monitoring taxes receivable.
- Steps for monitoring receivables including:
 - documenting issuance of invoices;
 - maintaining receipt of payment;
 - maintaining a record of accounts identifying those that have paid and those with balances outstanding;
 - documenting all recovery actions taken especially phone calls;
 - maintaining copies of correspondence issued to tax payer in relation to recovery of receivables; and
 - maintaining aged receivables report for each tax payer.

G. Reporting Tax Arrears Activity

- Tax receivable and recovery activity should be reported to Council. This section should identify the frequency of the reporting and the format it will be presented at Council meetings.
- For example:
 - reports should include:
 - status of receivable balance;
 - status of recovery activity; and
 - receivable/recovery issues that require input from Council.
 - the TRP identifies how often reports will be provided to Council at council meetings (weekly, bi-weekly, monthly, etc.) and the form of the reporting (written reports or verbal reports).
 - reports may be provided to Finance Committees for those municipalities that have one established; and
 - presentation/tabling of the report should be documented in minutes of meeting of Council or Finance Committee.

3. Tips to Minimize Tax Arrears Before They Occur

- Some municipalities may already utilize some or all of these measures:
 - issue an annual letter, invoice or bill informing all taxpayers (residents and commercial) of the amount of annual taxes prior to the payment due date and include reference to charging interest as applicable. This facilitates the municipality's responsibility of informing tax payers and may promote timely

payments and/or contact from taxpayers requesting to establish a payment arrangement;

- promote pre-authorized payment arrangements and/or provide residents with the option to make payments online; and
- monitor taxpayer accounts, identify unpaid accounts and send a reminder letter prior to the account going into arrears.

4. Contact Information

- For specific questions on the completion of the TRP or these Guidelines, please contact:
 - Paul Tucker, Director, Municipal Finance, (709) 729-5381 or ptucker@gov.nl.ca; or
 - Rayanne Hibbs, Manager, Municipal Finance, (709) 729-3247 or RayanneHibbs@gov.nl.ca
- TRPs can be emailed to the above addresses, faxed to (709) 729-5535 or mailed to:

**Municipal Finance Division
Municipal Affairs
4th Floor West Block, Confederation Building
P.O Box 8700
St. John's, NL
A1B 4J6**

ANNEX A – SAMPLE TAX RECOVERY PLAN

NAME OF MUNICIPALITY

Tax Recovery Plan

For the Year Ended December 31, (Current Year)

A. Status of (Prior Year) Objective(s)

The Town was able to recover _____% of the (Prior Year) outstanding tax receivable balance by December 31, (Current Year).

Summary of reasons for meeting / not meeting the (Prior Year) objective include:

B. (Current Year) Objective(s)

The Town's objective is to recover _____% of the outstanding tax receivable by December 31st each year.

In order to ensure the availability of sufficient municipal services, it is important that residents and businesses make their payments to Council by _____, or otherwise be placed on the Town's arrears listing and held subject to the Town's arrears recovery actions as presented in this report.

Under the Government of Newfoundland and Labrador's Community Sustainability Partnership (CSP), the Town must implement and maintain a Tax Recovery Plan and Tax Receivable Summary by establishing objectives, timelines and procedures to recover unpaid taxes from the current and previous years.

The Town is subject to these accountability measures in order to receive future Municipal Operating Grant (MOG) funding and a share of Provincial Gas Tax Revenue Sharing funding.

The Town must also present municipal audited annual financial statements in compliance with Public Sector Accounting Board (PSAB) standards and an approved annual budget to receive municipal operating grants.

Moreover, the Town will take all reasonable actions towards the recovery of taxes in arrears while ensuring the tax recovery process being followed is fair and reasonable to the tax payer and the Town, and within the authority provided under the *Municipalities Act, 1999*.

Tax Year Planning Schedule

- Tax Notices are mailed out _____
- Taxes are due on _____
- Taxes are considered unpaid after _____
- Taxes are considered in arrears after _____
- Tax Recovery Plan begins _____

C. Payment Options

(Please use all that apply)

- In person at the Town Hall** (Office hours are _____ to _____, ___ am to ___ pm)
- Cash, Cheque, Money Order** (Make payable to _____)
- Interac, Visa, Master Card**
- Mail** (Address: _____)
- On-line Banking**
- Pre-Authorized Payment**
- Tax Installment Plan** (12 month or 24 month payment plan)
- Other:** _____

NAME OF MUNICIPALITY

Tax Recovery Plan

For the Year Ended December 31, (Current Year)

D. Exemptions:

Exemption Criteria:

Exemption Summary:

NAME OF MUNICIPALITY

Tax Recovery Plan For the Year Ended (Current Year)

E. Tax Recovery - Action Plan

Tax Recovery Process: Property Tax

Date / Timeline	Action
e.g. "February 2017" or "monthly" etc.	e.g. Delinquent taxpayer issued a Payment Reminder Letter, Statement of Account & Tax Recovery Plan (and continuously for every 30 days after).

Tax Recovery Process: Water & Sewer Tax

Date / Timeline	Action

Tax Recovery Process: Poll Taxes

Date / Timeline	Action

Tax Recovery Process: Business Taxes

Date / Timeline	Action

Tax Recovery Process: Other Taxes

Date / Timeline	Action

NAME OF MUNICIPALITY

Tax Recovery Plan For the Year Ended (Current Year)

F. Arrears Monitoring Procedure

The Town Clerk/Manager will monitor the tax accounts in arrears using _____.

The following measures will take place to monitor tax receivable accounts:

- Documenting issuances of invoices
- Maintaining receipt of payments
- Maintaining record of accounts payable
- Documenting all recovery actions taken on each account
- Maintaining a report on each tax recovery account
- Identifying accounts requiring a more active recovery approach
- Identify accounts that are in threat of becoming legally uncollectable
- Provide status information for reporting to Council

G. Reporting Tax Arrears Activity

Council:

The Town Clerk/Manager will provide **Written** or **Verbal** reports on the status of the tax arrears to Council at **Monthly** **Quarterly** **Bi-Weekly** **Annual** _____ public council meetings.

The reporting updates will include:

- Current tax receivable balance
- Status of recovery activity
- Recovery issues that require input or action from Council
- Other: _____

Department of Municipal Affairs:

The Town will provide a copy of the approved Tax Recovery Plan (TRP) and Tax Receivable Summary (TRS) to the Department of Municipal Affairs by **June 30th** of each year.

NAME OF MUNICIPALITY

Tax Recovery Plan For the Year Ended (Current Year)

Resolution of Council
Regular Council Meeting
Date: _____

Motion #: _____

Tax Recovery Plan - Summary:

Amendments:

The Town of _____ resolved to accept the Tax Recovery Plan, including associated amendments, for the year _____;

In Favour: _____; # Opposed: _____; # Abstained: _____

Motion carried.

Mayor

Town Clerk/Manager