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ACCOUNTS RECEIVABLE STATUS AND WRITE-OFF REPORT

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, February 4, 2005, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council receive for information accounts summarized in Attachment #1 which were approved for write-off by the Regional Treasurer in accordance with By-law No. A-0184(a)-2003-064.

2. Regional Council approve accounts summarized in Attachment #2 for write-off in accordance with By-law No. A-0184(a)-2003-064.

3. Council receive for information the status of Accounts Receivable as at December 31, 2004 as reported in Attachment #3.

2. PURPOSE

The purpose of this report is to provide information to Regional Council regarding the write-off of uncollectible accounts and to report on the status of accounts receivable that are covered under the Region's Collection By-law as at December 31, 2004.

3. BACKGROUND

The Region's collection policy, as adopted through the enactment of By-law No. A-0184(a)-2003-064 requires that Regional Council approve the write-off of uncollectible accounts receivable in excess of $10,000. The policy also provides authority to the Regional Treasurer to approve accounts with a value of up to $10,000 for write-off where they have been deemed uncollectible or not cost effective to pursue. A summary of accounts written off in the fiscal year must be reported to Regional Council.

The Finance Department conducts collection of General Accounts Receivable accounts. The Finance Department also provides assistance to operating departments in collections of accounts for which they are responsible. In accordance with the Region's Council approved collection policy, the Region engages the services of an outside collection agency to further enhance the overall collection of accounts.

In addition, the policy requires that the Regional Treasurer report annually to Regional Council the status of outstanding accounts receivable as at the end of the fiscal year.

4. ANALYSIS AND OPTIONS

4.1 Accounts Approved for Write-off by Regional Treasurer

Accounts totalling $97,504 have been approved for write-off by the Treasurer in the categories of General Accounts Receivable and Police Services as summarized in Attachment #1.

4.2 Accounts Requiring Approval by Regional Council

Accounts totalling $61,088 are being requested for write-off in the categories of General Accounts Receivable as summarized in Attachment #2.

4.3 Status of Accounts Receivable

In accordance with the Regional Collection Policy, a summary of the Region's Accounts Receivable status as at December 31, 2004 is provided in Attachment #3.

Of the $22.4 million in accounts receivable outstanding as of December 31, 2004, approximately $10 million has been paid to date in 2005. The "31 to 60 day" column includes $9.9 million, which relates to local municipal water and wastewater billings. These invoices were paid in early 2005.

The "Over 90 Day" column includes $4.2 million in disputed water/wastewater charges. The consulting firm of R.V. Anderson had been engaged by Transportation and Works to investigate the issue and mediate the allocation of charges. Upon completion of this review and investigation, staff anticipate that this matter will be resolved with the area municipalities. Also included in this column is $1.6 million dollars for which funds have been drawn on a letter of credit in early 2005.

During 2004, through a concerted collection effort by staff, the accounts receivable balance outstanding at the end of the year decreased by 29% from the 2003 balance.

The balance of the outstanding accounts is being dealt with in accordance with the Region's collection policy.

5. FINANCIAL IMPLICATIONS

The accounts receivable approved for write-off by the Treasurer total $97,504 and an additional amount requested for write-off of individual accounts exceeding $10,000 is $61,088. The full amount of the write-off of $158,592 has been provided for in 2004 in the Allowance for Bad Debts. There will be no impact on operations in 2005 as a result.

The increased focus on accounts receivable collections resulted in a reduction in outstanding receivables and a positive cash flow.

6. LOCAL MUNICIPAL IMPACT

The “Over 90 Day” column includes $4.2 million in disputed water/wastewater charges. A consultant had been engaged by Transportation and Works to investigate the issue and mediate the allocation of charges. The impact, if any, on the affected municipalities has not been determined.

7. CONCLUSION

The write-offs approved by the Treasurer for 2004 totalling $97,504 and the write-offs for individual accounts in excess of $10,000 totalling $61,088 be approved for write-off. The full amount has been allowed for in 2004 and there is no impact on 2005 operations.

The Senior Management Group has reviewed this report.

(The attachments referred to in this clause were included in the agenda for the March 3, 2005 Committee meeting.)