



Corporate NO: R083

Report COUNCIL DATE: April 10, 2000_

REGULAR

TO: Mayor & Council **DATE: December 1, 1999**

FROM: General Manager, Finance & Technology **FILE: 0580-031**

SUBJECT: Section 248 Request for Reimbursement of Property Taxes for: Starcom International Optics Corp taken over by MetroNet Fibre Canada Inc. Roll # 9904-00012-8 - \$126,188.20

RECOMMENDATION

That Council pass a resolution requesting that the Minister of Municipal Affairs issue an order pursuant to Section 248 of the Municipal Act for authorization to write off 1997 property taxes totalling \$126,188.20 (Municipal portion is \$81,725.24)

BACKGROUND

Starcom International Optics Corp's (Starcom) fibre optic cable was added to the City's assessment roll in October of 1997. A supplementary roll adjustment resulted in taxes of \$98,125.40 being levied for that year. As of December 31, 1997, the taxes remained unpaid and as part of normal procedures, were transferred to 'Taxes in Arrears' on January 1, 1998. Very shortly thereafter, Starcom went into receivership.

On January 30, 1998, MetroNet Fibre Canada Inc. (MetroNet) entered into negotiations to take over Starcom. Part of the subsequent settlement was that the City of Surrey's claim for unpaid 1997 taxes be pooled with all other Starcom creditors and settlement of 11.6% of outstanding claims be paid. The City received a settlement of \$12,291.91 well short of the original levy, penalties and accumulated interest.

CURRENTLY

The takeover is now complete. MetroNet agreed to pay and has paid 1998 and 1999 property taxes. They are now the registered owners and will be responsible for property taxes from this point on. Our legal division has indicated that the creditors' settlement payment combined with the payment of the 1998 and 1999 taxes should render the account 'Current'.

The original unpaid taxes of \$98,125.40 have been increased by interest and penalty charges of \$40,355 resulting in a total outstanding amount of \$138,480. When the bankruptcy settlement of \$12,291 is deducted, the net unpaid amount is \$126,188, of which \$81,725 is the municipal portion.

RECOMMENDATION

Since the assessments are based on the value of the fibre optic cable buried within rights-of-way, we are not able to collect the unpaid taxes through our normal annual tax sale. We therefore recommend that Council pass a resolution requesting the Minister of Municipal Affairs to issue an order pursuant to Section 248 of the Municipal Act for authorization to write off 1997 property taxes of \$126,188.20.

Gary D. Guthrie C.A.

General Manager,

Finance, Technology & HR

cc: City Manager

City Clerk