

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
December 9, 2009
Report of the
General Manager
and
Treasurer

WRITE-OFF FORMER TENANT BAD DEBTS

1. RECOMMENDATION

It is recommended that:

1. The Board of Directors approve the write-off of five former tenant accounts totalling \$44,981.84.

2. PURPOSE

This report seeks approval to write off debt owed by former tenants to Housing York Inc. where the debt has been determined to be uncollectible.

3. BACKGROUND

A bad debt is a default on a charge by a former tenant

Housing York Inc. (HYI) collects monies for rent, parking, and other services from tenants during their tenancy. HYI also charges tenants for costs incurred as a direct result of tenant activity, such as damage repairs, NSF bank charges, legal costs and delinquent utility bills.

Occasionally, some tenants default on these charges. The Collection of Tenants Account Policy, approved by the Board, is then applied. This policy ensures fairness and consistency for managing tenant collections. Eviction prevention procedures are balanced with business drivers.

When the tenant is living in a HYI property, the *Residential Tenancies Act, 2006* is applied and collection is pursued through the Landlord and Tenant Board. When a tenant has vacated the property and left outstanding arrears, other recovery opportunities are used. In some cases, the account is ultimately determined to be uncollectible. These former tenant uncollectible arrears are considered a bad debt. The 2009 bad debt write-off amount represents approximately 0.7% of annual rental revenue.

Bad debts are reviewed for write-off

The General Manager or Treasurer is authorized to approve the write-off of former tenant accounts less than \$6,000 using defined criteria. The Board of Directors, through an annual report, approves the write-off of former tenant accounts greater than \$6,000. The threshold of \$6,000 was approved by the Board in December 2007.

The write-off is to ensure that accounts receivable balances are fairly stated at year-end in the financial statements. The arrears file remains open, however, and collection efforts continue after the write-off entry has been made.

4. ANALYSIS AND OPTIONS

Five former tenant accounts totalling \$44,981.84 require Board approval for write-off

Under the Collection of Tenant Accounts Policy, the General Manager has approved the write-off of accounts less than \$6,000. Five accounts, totalling \$44,981.84, exceed the materiality limit and therefore require Board approval. These accounts are summarized in Table 1.

Table 1
Accounts Requiring Board Approval for Write-Off

Amount	Rent Type	Reason for Move Out	Disposition
\$7,804.77	Market	Eviction	Family tenant reclassified from Rent Geared-to-Income to Market with retro charges. Owes \$5,456.77 for rent and \$2,348 in damages and returned cheque charges. Unable to locate.
\$11,481.93	Market	Eviction	Family tenant who owes \$7,289.64 for rent, \$2,618.15 for damages and \$1,574.14 for utilities, legal costs and returned cheque costs. Contact established but recovery unlikely.
\$6,061.00	Market	Eviction	Family tenant owes \$5,686 for rent and \$375 for legal and returned cheque costs. Referred to collection agency pending.
\$10,308.14	Market	Eviction	Family tenant owes \$10,078.14 for rent and \$230 for legal and returned cheque costs. Referred to collection agency.
\$9,326.00	Rent Geared-to-Income	Eviction	Senior tenant owes \$8,844 for rent and \$482 for legal and returned cheque costs. Referred to collection agency.
\$44,981.84			

Along with the accounts identified in this report, the General Manager has approved the write-off of 31 accounts totalling \$48,653.67. This makes a total of 36 bad debt write-off accounts totalling \$93,635.51.

As a comparison to last year, the 2008 write-off was 50 accounts totalling \$77,747.86. Arrears management from a process and resource perspective has remained consistent during both years.

Due to a weak economy, the bad debt expenditures will exceed budget by \$13,537

As forecasted at mid year, the bad debts budget will be exceeded. Although collection processes are the same for every account, the accounting differs by program due to our various funding models.

Table 2 displays the budget variance at the program level and the overall financial impact to HYI.

Table 2
Summary of Bad Debts Write-off Against 2009 Budget

Program	Budget	Write-Off	Variance	Financial Impact
Provincial Reform	\$67,224	\$82,141	(\$14,917)	Reduces surplus operating income
Public Housing	\$11,000	\$10,563	\$437	No impact – unused funds will be returned to the Service Manager
Regional Program	\$1,875	\$932	\$943	Unused bad debt budget can be contributed to capital reserve.
Total	\$80,099	\$93,636	(\$13,537)	

As noted earlier, the number of accounts submitted for write-off is less than last year but have a higher average dollar value; \$2,600 in 2009 compared to \$1,555 in 2008. This suggests that some former tenants with arrears have:

- Accumulated higher rent arrears before exiting.
- Incurred significant other charges in addition to rent, such as legal fees, utility or damage charge backs and cheque returns, which ultimately become out-of-pocket expenses to HYI.

Other observations that the economy has had on former tenant collections are:

- Family tenants are experiencing the highest rate of delinquency.
- Payment plans for former tenants are down from prior years, noting that many former tenants just don't have any means to clear the debt. A few who have made payment plans have failed to keep their commitment.

- Recovery by typical third party partners has become negligible. Our best avenue for recovering former tenant arrears has traditionally been through the Housing Access Unit when the former tenant reapplies for subsidized housing. Recovery this way is happening less frequently. Another recovery avenue we use is an external collection agency, but their success rate is much lower than was anticipated.

Collection efforts will continue after write-off

The write-off approval does not affect the Corporation's ability to collect the outstanding accounts in the future. Even after write-off, the Business Operations and Quality Assurance Unit in Community and Health Services Department keeps the file open and continues to recover delinquent accounts.

The third party collection agency also keeps accounts open. Several accounts subject to write-off this year are either already with the collection agency or will be referred in the near future.

Additionally, a listing of delinquent tenant accounts is provided to the Housing Access Unit for notation on the centralized waitlist. This makes the applicant ineligible for subsidized housing until the HYI account is satisfied.

A review of former tenant collection practices will take place in 2010

Nearly three years have passed since the current collection practices were established. As the corporation grows and adapts to economic uncertainty, it is important to ensure that our strategies reflect changing business needs. We intend to review former tenant collection practices and recommend changes that help mitigate bad debt exposure.

5. FINANCIAL IMPLICATIONS

At a consolidated level, the write-off of delinquent accounts is higher than budget by \$13,537. The actual impact to the bottom line under the funding formula is a draw down on surplus funds in the amount of \$14,917. This variance will be covered by surplus operating funds generated in 2009.

The total 2009 write-off amount of \$93,635.51 represents 25.6% of the tenant accounts receivable balance as at November 5, 2009 and represents approximately 0.7% of annual rental revenue generated by HYI. The write-off will allow the assets of HYI to be conservatively stated on the financial statements for the period ending December 31, 2009.

6. LOCAL MUNICIPAL IMPACT

Housing York Inc. applies fair and consistent collection practices to all of the tenants in its communities throughout York Region.

7. CONCLUSION

There is a total of 36 bad debt write-off accounts totalling \$93,635.51 for 2009. Of these, five accounts totalling \$44,981.84 require Board approval.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager, Housing York Inc. at Ext. 2091.

The Senior Management Group has reviewed this report.

Recommended by:

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Approved for Submission:

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Lloyd Russell
Treasurer

November 26, 2009

KC/jf

Report Wizard v.9 July 21, 2009
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