

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
December 5, 2013
Report of the
General Manager
and
Treasurer

WRITE-OFF FORMER TENANT BAD DEBTS 2013

1. RECOMMENDATION

It is recommended that:

1. The Board of Directors approve the write-off of three former tenant accounts totalling \$21,574.62.

2. PURPOSE

This report seeks approval for the annual write-off of debts owed by former tenants to Housing York Inc. where the debt has been determined to be uncollectible, and where accounts exceed the \$6,000 threshold established by the Board's approved Collection Policy.

3. BACKGROUND

A bad debt occurs when a tenant has defaulted on rent or defaulted on charges owing as a result of damage to a unit

Housing York Inc. (Housing York) collects monies for rent, parking, and other services from tenants during their tenancy. Housing York also charges tenants for costs incurred related to areas within their responsibility, such as damage repairs, NSF bank charges, legal costs and delinquent utility bills.

Occasionally, tenants default on these charges, and the Board-approved Collection of Tenants Account Policy is then applied.

During a tenancy, the *Residential Tenancies Act, 2006* applies and collection is pursued through the Landlord and Tenant Board. However, when a tenant has vacated the property and left outstanding arrears, other recovery practices are used. In some cases, the account is ultimately determined to be uncollectible. The former tenant arrears deemed

uncollectible are considered a bad debt and are written off. The 2013 bad debt write-off amount represents approximately 0.4% of annual rental revenue.

Bad debts are reviewed for write-off by the Treasurer and the Board

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

The write-off ensures that accounts receivable balances are fairly stated at year-end in the financial statements. The arrears file remains open and collection efforts continue after the write-off entry has been made. Bad debt recovery from former tenants in 2013 was \$1,867 as compared to \$8,055 collected in 2012.

4. ANALYSIS AND OPTIONS

Three former tenant accounts totalling \$21,574.62 require Board approval for write-off

The General Manager has approved the write-off of 45 accounts totalling \$48,133.66. Three accounts, totalling \$21,574.62, exceed the materiality limit and therefore require Board approval.

Table 1 summarizes the three accounts requiring Board approval for write-off.

Table 1
Accounts Requiring Board Approval for Write-Off

Amount	Rent Type	Reason for Move Out	Situation
\$6,254.97	Non-RGI 3 BDR \$1,019.00	Eviction	Family tenant owes: <ul style="list-style-type: none"> • \$4,815.52 for rent • \$1,249.45 for property clean up and utilities arrears • \$190.00 for legal and returned cheque costs • Account was assigned to an external collection agency • Unsuccessful in collecting any money in over thirteen months
\$9,097.00	Non-RGI 2 BDR \$1,189.00	Eviction	Family tenant owes: <ul style="list-style-type: none"> • \$5,114.00 for rent • \$3,480.00 for property damage and clean up • \$503.00 for legal • Account was assigned to an external collection agency • Unsuccessful in locating former tenant or collecting any money in over six months
\$6,222.65	Non-RGI 3 BDR \$1,249.00	Eviction	Family tenant owes: <ul style="list-style-type: none"> • \$5,405.58 for rent • \$496.07 for property clean up and utilities arrears • \$321.00 for legal and returned cheque costs • Account was assigned to an external collection agency • Unsuccessful in collecting any money in over fourteen months
\$21,574.62			

The 2012 write-off of 46 accounts totalled \$52,320.37. Former tenant arrears are closely monitored and pursued up to and including collections through a third party agency. Write-offs only occur when all reasonable collection efforts have been unsuccessful.

The proposed 2013 accounts write-off is below budget

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

Table 2
2013 Write-off Comparison of Actual Against Budget

Program	Budget	Actual	Variance	Financial Impact
Provincial Reform	\$79,132.00	\$57,736.08	\$21,395.92	Unused bad debt budget reduces cost of operation.
Public Housing	\$12,000.00	\$11,610.20	\$389.80	No impact – unused funds will be returned to the Service Manager.
Regional Program	\$14,000.00	\$362.00	\$13,638.00	Unused bad debt budget reduces cost of operation.
Total	\$105,132.00	\$69,708.28	\$35,423.72	

The number of accounts submitted for write-off in 2013 is marginally higher than 2012 (48 vs. 46). The average dollar value of the 2013 accounts is higher as well, \$1,452.26 in 2013 compared to \$1,137.40 in 2012.

Some patterns emerge in reviewing outstanding accounts:

- Family tenants continue to experience a higher rate of delinquency
- The five former tenants on payment plan in 2013 is unchanged from 2012

Former tenants with arrears not eligible for subsidized housing and collection efforts will continue after write-off

The approval of write-offs 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 the Community and Health Services Department will continue to pursue delinquent accounts, using third party collection agencies as appropriate.

Additionally, a listing of delinquent tenant accounts is provided to the Region's Housing Access Unit. Under provincial housing legislation, former tenants are ineligible for subsidized housing until they have paid the arrears in full or entered into a mutually agreed upon repayment schedule.

Bad debt accounts write-off is on a stable trend

The bad debts write-off trend is a reflection of both the economy and portfolio growth. Some of the accounts written-off in this fiscal period are traced back to the end of the last recessionary period in 2010.

Table 3 represents Housing York's four-year experience with bad debt write-offs.

Table 3
Bad Debts Write-off Trend Over Four Years

	2010	2011	2012	2013
Write-Off Amount	\$49,126.02	\$46,414.20	\$52,320.37	\$69,708.28
Write-Off Accounts	35	35	46	48
Percentage of Rental Revenue	0.4%	0.3%	0.3%	0.4%

Homelessness is a costly outcome for the overall service system. Housing York is taking reasonable steps to avoid evictions through the eviction prevention policy and processes currently in place. Negotiating payment agreements and helping households to obtain financial assistance have proven to be successful tools to avoid evictions. These measures may prolong arrears recovery in comparison to the private sector.

5. FINANCIAL IMPLICATIONS

At a consolidated level, the write-off of delinquent accounts is lower than budget by \$35,423.72. Consistent with Housing York's funding agreements and accounting policies, \$389.80 will be returned to the Service Manager and \$35,033.92 will be allocated to capital reserve and retained earnings.

The total 2013 write-off amount of \$69,708.28 represents 14% of the tenant accounts receivable balance as at September 30, 2013 and approximately 0.4% of the annual rental revenue generated by Housing York. The write-off will allow an appropriate presentation of Housing York's annual financial statements.

6. LOCAL MUNICIPAL IMPACT

Housing York applies fair and consistent collection practices to all of its tenants throughout York Region. While eviction prevention practices are used, tenants are ultimately required to live up to their rental obligations.

7. CONCLUSION

There are a total of 48 bad debt write-off accounts totalling \$69,708.28 for 2013. Of these, three accounts totalling \$21,574.62 require Board approval. Despite efforts to collect these bad debt accounts, recovery is now considered unlikely. Collection efforts will continue on any written-off accounts.

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:

Sylvia Patterson
Assistant General Manager

Bill Hughes
Treasurer

Approved for Submission:

Adelina Urbanski
General Manager

November 19, 2013

YORK#5212089
Report Wizard v.2013.09.25