THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
December 10, 2008
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 two former tenant accounts totalling $14,684.65.

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

What is a bad debt?

Housing York Inc. collects monies for rent, parking, and other services from tenants during their tenancy. Housing York Inc. 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. When the tenant is living in a Housing York Inc. property, collection is pursued through the Landlord and Tenant Board. When a tenant has vacated the property and left outstanding arrears, other recovery opportunities are pursued. In some cases the account is ultimately determined to be uncollectible. These uncollectible arrears are considered a bad debt.

Why and how are bad debts reviewed for write-off?

Delinquent former tenant accounts are routinely monitored and pursued. The write-off of delinquent accounts is governed by the Collection of Tenant Accounts Policy approved by the Board of Directors. This policy enables the General Manager or Treasurer to approve the write-off of delinquent former tenant accounts less than $6,000 using defined criteria. The Board of Directors, through an annual report, approves the write-off of delinquent former tenant accounts greater than $6,000. The threshold of $6,000 was approved by the Board in December 2007 to be reflective of current collection practices. In prior years the materiality limit was $3,000.

4. ANALYSIS AND OPTIONS

Two family accounts totalling $14,684.65 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. Two former family tenant accounts 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
$8,214.00	Market	Eviction Launched	Former tenant owes rent and legal fees. The account has been referred to the collection agency and is under internal investigation.
$6,470.65	Market	Voluntary	Former tenant vacated in 2007 leaving the unit in disrepair. Rent arrears of $3,160.40 were approved for write-off in 2007 when it was determined the tenant was bankrupt. The charges now owing are for damage costs incurred in 2008 to restore the unit for occupancy.

2008 Bad Debts is under budget due to extensive collection efforts

Ongoing dedicated effort directed at recovering former tenant arrears resulted in this year’s bad debts coming in under budget at the consolidated level. The Provincial Reform program will be slightly over budget (see Table 2); however, the variance can be managed from surplus operating funds.

Table 2
Comparison of Bad Debt Write-Off Recommendations to Budget

Program	2008 Budget	2008 Recoveries	2008 Adjusted Budget	2008 Write-Off Total	Variance F/(U)
Provincial Reform	$65,868.00	$6,967.99	$72,835.99	$74,926.86	($2,090.87)
Public Housing	11,000.00	-	11,000.00	2,821.00	8,179.00
Regional Housing	1,000.00	-	1,000.00	-	1,000.00
Total HYI	**$77,868.00**	**$6,967.99**	**$84,835.99**	**77,747.86**	**$7,088.13**

The recoveries of nearly $7,000 in the Provincial Reform Program reflect payments received by Housing York Inc. in 2008 for former tenant arrears written off in prior years.

Bad debts write-off recommendations follow previous years' trends

The Provincial Reform Program typically experiences the highest proportion of write-offs largely because it's the only program with a mix of family and market tenants. Table 3 summarizes write-off activity by program.

Table 3
Summary of Bad Debt Write-Off Recommendations

Program	# RGI Accounts	Write-Off Total	# Market Accounts	Write Off Total	Total # of Accounts	Total Dollar Value	Average Dollar Value
Provincial Reform	31	$34,560.86	13	$40,366.00	44	$74,926.86	$1,702.88
Public Housing	6	2,821.00	-	-	6	2,821.00	470.17
Regional Housing	-	-	-	-	-	-	-
Total HYI	**37**	**$37,381.86**	**13**	**$40,366.00**	**50**	**$77,747.86**	**1,554.96**

Overall, the number of accounts written off this year is higher than 2007 with 50 compared to 33 in 2007 however, 11 accounts written off this year represent prior year activity. The average dollar value has dropped from $2,048 in 2007 to $1,555 this year.

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. Earlier this year Housing York Inc. initiated the use of a third party collection agency for many of its former tenant accounts in an effort to exhaust all recovery possibilities. Several accounts subject to write-off this year are either already with the collection agency or will be referred.

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 Housing York Inc. account is satisfied.

5. FINANCIAL IMPLICATIONS

At a consolidated level the write-off of delinquent accounts is less than budget. At the program level there is a favourable budget impact in the Public Housing and Region Housing programs. In the Provincial Reform Program a budget variance of $2,090.87 will be managed from surplus operating funds.

The 2008 write-off amount of $77,747.86 represents approximately 0.6% of annual rental revenue generated by Housing York Inc. The write-off will allow the assets of Housing York Inc. to be conservatively stated on the financial statements for the period ending December 31, 2008.

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 50 accounts subject to write-off this year totalling $77,747.86. Two of these accounts, totalling $14,684.65, require Board approval.

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

The Senior Management Group has reviewed this report.

Recommended by:

Sylvia Patterson
Assistant General Manager

Approved for Submission:

Joann Simmons General Manager	Lloyd Russell Treasurer

November 19, 2008

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