THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
December 5, 2012
Report of the
General Manager
and
Treasurer

WRITE-OFF OF 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 $14,609.10.

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 rent or damages charge by a former tenant

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. The Collection of Tenants Account Policy, approved by the Board on December 5, 2007, is then applied. This policy ensures fairness and consistency for managing tenant collections.

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 2012 bad debt write-off amount represents approximately 0.3% of annual rental revenue.

Bad debts are reviewed for write-off

The General Manager or Treasurer is authorized by Housing York's Collection of Tenant Accounts Policy 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 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 and collection efforts continue after the write-off entry has been made.

4. ANALYSIS AND OPTIONS

Two former tenant accounts totalling $14,609.10 require Board approval for write-off

Under the Collection of Tenant Accounts Policy, the General Manager has approved the write-off of 44 accounts totalling $37,711.27. Two accounts, totalling $14,609.10, exceed the materiality limit and therefore require Board approval. This makes a total of 46 bad debt write-off accounts totalling $52,320.37.

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

Table 1
Accounts Requiring Board Approval for Write-Off

Amount	Rent Type	Reason for Move Out	Situation
$7,878.65	Market	Voluntary	Family tenant owes: • $1,955.43 for rent (2 months) • $5,753.22 for property damages to the unit • $170 for legal and returned cheque costs • Account was assigned to an external collection agency • Unsuccessful in collecting any money in over six months
$6,730.45	RGI	Eviction	Senior tenant owes: • $6,560.45 for rent (10 months) • $170 for legal
$14,609.10			

The 2011 write-off of 35 accounts totalled $46,414.20. Arrears management from a process and resource perspective has remained consistent during both years.

The proposed 2012 account write-off is below budget

Although collection processes are the same for every account, the impact of variances from the budgeted amounts differs by housing program due to the various funding models.

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

Table 2
2012 Write-off Comparison of Actual Against Budget

Program	Budget	Actual	Variance	Financial Impact
Provincial Reform	$78,849.00	$42,760.30	$36,088.70	Unused bad debt budget reduces cost of operation.
Public Housing	$12,000.00	$6,128.90	$5,871.10	No impact – unused funds will be returned to the Service Manager.
Regional Program	$4,350.00	$3,431.17	$918.83	Unused bad debt budget reduces cost of operation.
Total	**$95,199.00**	**$52,320.37**	**$42,878.63**	

The number of accounts submitted for write-off in 2012 is higher than 2011 ($46,414.20). However, the average dollar value of the 2012 accounts is lower: $1,137.40 in 2012 compared to $1,326.00 in 2011.

Housing York staff have identified various factors affecting bad debts:

- Family tenants continue to experience a higher rate of delinquency.
- The number of former tenants on a payment plan in 2012 is lower than in 2011.
- Recovering former tenant arrears through the Region’s Housing Access Unit when the former tenant reapplies for subsidized housing remains one of the best collection avenues.
- Recovery in 2012 was $8,055 as compared to $1,266 collected in 2011

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.

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 Region's Housing Access Unit for notation on the centralized waitlist. Under provincial housing legislation, applicants are ineligible for subsidized housing until they have paid the arrears in full or entered into a mutually agreed-upon repayment schedule.

Bad debts write-off on a stable trend

The bad debts write-off trend is a reflection of both the economy and portfolio growth. The stabilizing economy of the past three years has translated into a stable bad debts write-off trend.

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

Table 3
Bad Debts Write-off Trend Over Four Years Period

	2009	2010	2011	2012
Write-Off Amount	$93,635.51	$49,126.02	$46,414.20	$52,320.37
Write-Off Accounts	36	35	35	46
Percentage of Rental Revenue	0.7%	0.4%	0.3%	0.3%

Homelessness is a costly outcome for the overall service system, so taking reasonable steps to avoid an eviction is desirable. Housing York has an eviction prevention policy and process in place. Negotiating payment agreements and helping households to obtain financial assistance have proven to be successful towards avoiding evictions. These measures 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 $42,878.63. Consistent with Housing York's funding agreements and accounting policies, $5,871.10 will be returned to the Service Manager and $37,007.53 will be allocated to capital reserve and retained earnings.

The total 2012 write-off amount of $52,320.37 represents 14% of the tenant accounts receivable balance as at October 17, 2012 and approximately 0.3% 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 Inc. 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 46 bad debt write-off accounts totalling $52,320.37 for 2012. Of these, two accounts totalling $14,609.10 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, 2012

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