THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
January 12, 2005
Report of the
General Manager
and
Treasurer

WRITE-OFF FORMER TENANT BAD DEBTS

1. RECOMMENDATION

It is recommended that:

1. Housing York Inc. write-off two former tenant accounts totalling $10,984.81 in the 2004 fiscal year.

2. PURPOSE

The purpose of this report is to provide information to support the annual write-off of former tenant accounts receivable where the chances of recovery are viewed to be negligible.

3. BACKGROUND

Housing York Inc. (HYI) charges rent, parking, and other charges to tenants during their tenancy within a housing project. The monthly charges for the majority of tenants are calculated according to a provincial Rent Geared-to-Income (RGI) formula. HYI also charges back to tenants additional costs incurred as a direct result of tenant activity, such as damage repairs, NSF bank charges, legal costs, and utility bills not paid by the tenant as required.

On an annual basis, the financial statements of HYI are audited to ensure that the amounts reported are fairly and accurately stated and in accordance with Generally Accepted Accounting Principles. This requires ongoing evaluation to monitor delinquent tenant accounts for bad debt so that Accounts Receivable is reasonably reflected.

In June 2004, the Board approved a new policy related to the collection of tenant accounts. This policy provides for the General Manager or Treasurer to approve the write-off of delinquent former tenant accounts less than $3,000 using defined criteria. In December 2004, 56 accounts totalling $27,427.94 were written-off as bad debt expense.

4. ANALYSIS AND OPTIONS

Two former tenant accounts exceed the materiality limit of $3,000 therefore requiring Board approval. Both accounts are for family RGI units.

In the first case, the tenant vacated in May 2004 with less than $500 owing in rental arrears. However, subsequent to vacating the unit, damage charges in excess of $5,400 were applied to recover the cost of restoring the unit to acceptable condition. The total value outstanding is $5,953.81. While contact has been made with the former tenant, payment promises have not materialized.

The second account is valued at $5,031.00 and is comprised exclusively of rent and miscellaneous charges related to NSF payments. The tenant vacated more than one year ago and has since agreed to a payment plan of $50.00 per month; however, no payments have been received.

The probability of collection for either account is viewed to be negligible but recovery efforts will continue in accordance with the Collection of Tenant Accounts Policy.

The write-off of these two accounts and those previously approved by the General Manager equal $38,412.75. Approximately 77% of the arrears are attributable to families and 23% to seniors. There is a slightly different outcome when assessing the percentage for the tenant classification where RGI write-offs equate to 85% versus 15% for market tenants.

Similar to last year, the total amount of the write-off represents approximately .4% of annual rental revenue generated by Housing York Inc. The write-off will result in the assets of HYI to be conservatively stated on the financial statements for the period ending December 31, 2004.

5. FINANCIAL IMPLICATIONS

There are no financial implications associated with this report. Overall the 2004 bad debts expense budget of $44,200.00 will accommodate the total write-off expense of $38,412.75.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

HYI should write off former tenant accounts totalling $10,984.81, conclude write-off activity for the year, and fairly state their accounts receivable for 2004

The Senior Management Group has reviewed this report.

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December 16, 2004

KC/sd/dm

Version 4-2003-5-30