THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
January 18, 2006
Report of the
General Manager
and
Treasurer

HOUSING YORK INC. WRITE-OFF FORMER TENANT BAD DEBTS

1. RECOMMENDATION

It is recommended that:

1. The Board of Directors approve the write-off of three former tenant accounts totalling $13,178.01 in the 2005 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 property. 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 the amounts reported are fairly and accurately stated and in accordance with Generally Accepted Accounting Principles and legislation requirements under the *Social Housing Reform Act, 2000.* This requires ongoing evaluation to monitor delinquent tenant accounts for bad debt so that Accounts Receivable is reasonably reflected.

The write-off of delinquent accounts is driven by the Collection of Tenant Accounts Policy approved by the Board in June 2004. This policy enables the General Manager or Treasurer to approve the write-off of delinquent former tenant accounts less than $3,000 using defined criteria. In December 2005, 67 accounts totalling $34,474.39 will be written-off as bad debt expense.

4. ANALYSIS AND OPTIONS

Three former tenant accounts exceed the materiality limit of $3,000 set by policy and therefore require Board approval.

In the first case, the tenant was evicted from their RGI townhouse unit in January 2005 with a balance owing of $4,064.00. The balance owing consists of several months rent plus legal fees related to the termination of tenancy. Despite numerous attempts to collect the account while the tenant resided in the unit, the payment history remained problematic. Since the tenant’s departure, their whereabouts cannot be determined.

In the second case, the tenant was evicted from their RGI townhouse unit in January 2005 with a balance owing of $5,029.01. The balance owing consists of several months rent, legal fees, damages and unpaid utility accounts. The tenant has been located in the GTA but none of the payment promises offered have materialized.

The third case pertains to a senior who owes $3,545.00 for the period ending August 2005. There are unconfirmed reports that the tenant is deceased with no estate. The arrears are attributable to approximately five months RGI rent.

The possibility of collection for these three accounts is viewed to be negligible but recovery efforts will continue in accordance with the Collection of Tenant Accounts Policy.

The write-off of these accounts and the 67 previously approved by the General Manager equals $47,652.40. Approximately 61% of the arrears are attributable to families and 39% to seniors. There is a slightly different outcome when assessing the percentage for the tenant classification where RGI write-offs equate to 83% versus 17% for market tenants.

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, 2005.

5. FINANCIAL IMPLICATIONS

The projected Bad Debt expense for the 2005 year was $44,200 while the actual total write-off equals $47,652.40. This represents a minimal financial impact for HYI.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

HYI should write off the three former tenant accounts totalling $13,178.01, conclude write-off activity for the year, and fairly state their accounts receivable for 2005.

The Senior Management Group has reviewed this report.

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January 3, 2006

KC/sd

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