

The Regional Municipality of York

Housing York Inc.
December 3, 2015

Report of the
General Manager
and
Chief Financial Officer

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 \$13,875.64.

2. Purpose

This report seeks approval for the annual write-off of debts owed by former tenants to Housing York Inc. (Housing York) 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 charges owing as a result of damage to a unit

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. This policy ensures fairness and consistency for managing tenant collections.

Write-Off Former Tenant Bad Debts

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 2015 bad debt write-off amount represents approximately 0.3% of annual rental revenue.

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

The President 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 are required to approve 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 2015 was \$1,742 as compared to \$6,819 collected in 2014.

4. Analysis and Options

Two former tenant accounts totalling \$13,875.64 require Board approval for write-off

In 2015, there are 45 bad debt accounts totalling \$54,341.53.

The President has approved the write-off of 43 accounts totalling \$40,465.89 distributed by municipality as shown in Table 1.

Table 1
Bad Debts Write-Off by Municipality

Municipality	Amount
Richmond Hill	\$16,949.73
Georgina	10,347.13
Newmarket	5,813.21
Vaughan	4,206.44
Markham	2,149.38
Aurora	713.00
East Gwillimbury	287.00
Total	\$40,465.89

The \$40,465.89 write-off approved by the President consist primarily of rent (67.6%), unit damages (8.2%), utilities (7.5%), and other (16.7%).

Two accounts, totalling \$13,875.64, exceed the materiality limit and therefore require Board approval. Approximately \$12,500 was for rental arrears and the balance was utility arrears and legal costs.

There were 41 bad debt accounts totaling \$57,372.88 submitted for write-off in 2014 requiring President's approval, and there were no accounts submitted for Board approval.

The proposed 2015 accounts write-off is below budget

The number of accounts submitted for write-off in 2015 is marginally higher than 2014 (45 vs. 41), however the dollar value is 5.3% lower. This is a reflection of housing operations increased arrears management efforts.

In 2015 a target of 3.7% has been set for current tenant arrears collection. This target has been achieved month on month and tenant arrears currently sit at 3.47%.

Family tenants continue to experience a higher rate of delinquency, therefore a series of initiatives were established to prevent tenant account arrears creation by:

- Offering tenants the possibility to enter into a payment plan
- Connecting tenants to community support agencies

Write-Off Former Tenant Bad Debts

- Connecting tenants to other Regional support programs

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.

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

The bad debt accounts write-off trend remains stable

Table 2 represents Housing York's four-year experience with bad debt write-offs.

Table 2
Bad Debts Write-off Trend Over Four Year Period

	2012	2013	2014	2015
Write-Off Amount	\$52,320.37	\$69,708.28	\$57,372.84	\$54,341.53
Write-Off Accounts	46	48	41	45
Percentage of Rental Revenue	0.3%	0.4%	0.3%	0.3%

Link to key Council-approved plans

The Write-Off of Former Tenant Bad Debts Policy supports Housing York's efforts to build stronger communities as outlined in the Housing York Strategic Plan 2012-2016, and compliments the Region's housing goals as outlined in corporate policies such as Vision 2051, the Region's 2011-2015 Strategic Plan and the Regional Official Plan.

5. Financial Implications

The consolidated amount of \$54,341.53 recommended for bad debt write-off is within budget and represents approximately 0.3% of the annual rental revenue generated by Housing York. The bad debt write-off will allow an appropriate presentation of Housing York's annual financial statements.

6. Local Municipal Impact

There is no local municipal impact.

7. Conclusion

There are a total of 45 bad debt write-off accounts totalling \$54,341.53 for 2015. Of these, two accounts totalling \$13,875.64 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 Carlene Jackson, Chief Financial Officer, at ext. 76064.

Write-Off Former Tenant Bad Debts

The Senior Management Group has reviewed this report.

Recommended by:

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Approved for Submission:

Adelina Urbanski
President

November 19, 2015

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