For Information

2024 Uncollectible Accounts Receivable – Additional Info

Date: September 22, 2025
To: Audit and Risk Management Committee
From: Deputy Chief Executive Officer

Summary

This report provides more information on two write-offs deemed uncollectible in 2024 under delegated authority.

Background and Analysis

In 2024, a total of $635,252.34 was eligible for write-off, accounting for 0.18% of total receivables and primarily stems from two significant accounts. The remaining $63,367.27 relates to various smaller items, including employee overpayments, unresolved Collectors' fund shortages under arbitration, and other miscellaneous charges.

Commercial Lease Tenant – $456,136.91

The largest portion relates to a commercial tenant leasing property from the TTC. The tenant was evicted in February 2019 after prolonged non-payment, and the outstanding balance was ultimately deemed uncollectible.

The lease had formally expired in February 2015, after which the tenant continued on a month-to-month basis under the original terms, including annual rent increases. The last payment received was for October 2017.

The TTC's Retail Leasing team made multiple recovery attempts through written correspondence, meetings, and proposed repayment plans. When these efforts proved unsuccessful, the matter was escalated to TTC Legal:

- October 22, 2018: TTC Legal issued a Notice of Default, allowing 11 days for payment. No response was received.
- January 21, 2019: A second Notice of Default was issued, including a repayment proposal and a five-day deadline. Again, no resolution was reached.
- February 22, 2019: The tenant was formally evicted by a bailiff, and rent billing ceased.

By September 2021, staff confirmed that further action was not viable as the responsible parties had likely left Canada and relocated abroad.

Following internal discussions regarding the account's collectability, a decision was made in late 2022 to fully write off the balance. Supporting documentation was compiled between Legal, Marketing and Customer Experience, and Treasury Services, and a formal memo requesting approval was submitted to the CEO in December 2023. The write-off was authorized in January 2024.

The property was not re-leased post-eviction as the TTC required the space for internal project use.

Vending Machine Vendor Write-Off – $115,748.16

The write-off pertains to a vending machine vendor operating within TTC premises and was written off due to demonstrated financial hardship.

In November 2020, the TTC awarded a nine-month contract to a vendor to supply, install, replenish, and maintain 11 vending machines offering COVID-19 Personal Protective Equipment (PPE). The vendor agreed to pay a monthly lease of $19,291.36, while the TTC provided access to power and Wi-Fi, however, the provincial stay-at-home order from December 2020 to May 2021 significantly reduced TTC ridership. Although the vendor fulfilled payment for the first three months, they were unable to meet the remaining obligations, citing severe financial distress.

Staff from the Procurement, Legal, and Finance teams reviewed the vendor's claim of financial distress and agreed that reduced ridership directly affected the vendor's ability to generate revenue to the extent that the vendor was operating at a loss – sales data from the vending machines demonstrated the vendor's monthly revenue consistently fell short of the monthly lease amount owed to the TTC. In addition, the TTC's reputational risk was considered a factor, as enforcing lease payment terms on a small vending machine business that was operating at a loss while attempting to sell PPE during a public health crisis may not be viewed as reasonable or fair.

Following staff's conclusion that the extraordinary circumstances made enforcement of the contract's payment terms impractical and a finding of undue hardship was reasonable, the matter was escalated internally and a staff recommendation to forgive the outstanding balance was approved, noting the TTC incurred minimal additional costs under the contract.

Next Steps

To mitigate future risk, the TTC is implementing the following measures:

- Ensure lease agreements are current, with timely execution of extensions or renewals.
- Enforce stricter follow-up protocols upon initial signs of delinquency to prevent prolonged non-payment.
- Conduct regular review of lease terms as new or amending lease agreements are entered into with tenants.

- Set up quarterly meetings with respective departments and stakeholders to review customer accounts.

Contact

John Montagnese, Executive Director – Finance
416-393-3654
john.montagnese@ttc.ca