THE REGIONALMUNICIPALITY OF YORK

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

HOUSING YORK INC.
2013 - 2014 BUSINESS PLAN AND BUDGET

1. RECOMMENDATION

It is recommended that:

1. The Board of Directors approve the Housing York Inc. 2013 Business Plan and Budget and 2014 Outlook.

2. PURPOSE

This report presents a high level overview of the Housing York Inc.'s 2013 Business Plan and Budget (*see Attachment 1*) for the Board's review and approval. The Business Plan and Budget include strategic areas of focus, revenue projections, operating and capital expenditures and performance indicators for Housing York Inc. (Housing York) for the 2013 budget, and 2014 to 2016 outlook years.

3. BACKGROUND

Housing York is seeking the Board's approval of the Business Plan and Budget

Housing York is seeking Board approval for the 2013 Business Plan and Budget and 2014 Outlook. The 2012 budget is used to project the multi-year budget. Revenues and expenses reflect historical trends and economic changes. The preliminary results from 2012 suggest that Housing York met its budget objectives and will generate a residual operating surplus for allocation to capital reserve and retained earnings, according to existing accounting policies.

The 2013 budget includes necessary adjustments for part-year activity related to two new properties that will add 237 new units to the portfolio.

The 2013 budget is used to develop the 2014 outlook, including the adjustments necessary due to part-year activity of a new women's shelter.

The 2013 Business Plan and Budget and 2014 Outlook are centred on managing growth and optimizing operations

Over the next two years, Housing York will continue to grow. Growth, coupled with a larger, more diverse tenant population, helped to define the areas that Housing York will focus on in 2013 and 2014. Areas of focus include:

- Moving forward on Strategic Plan initiatives
- Community building in new properties

4. ANALYSIS AND OPTIONS

The Business Plan supports the implementation of the Housing York Strategic Plan

In October 2012, the Board of Directors approved the Housing York Inc. Strategic Plan 2012 – 2016 (the Strategic Plan). The Strategic Plan established five strategic directions, each with a set of objectives to support effective operational decision making. The annual business plan and budgeting process identifies resources needed to support the implementation of the Housing York Strategic Plan.

The annual business plan and budget process provides Housing York with an opportunity to review its goals and objectives for the upcoming years and to establish a framework to support implementation.

Over the next two years, Housing York will allocate $280,000 to support Strategic Plan initiatives such as:

- Opening a new office in Richmond Hill to improve tenant access to services
- Upgrading the Housing York website
- Implementing an online rent payment system
- Exploring new opportunities to engage with tenants
- Piloting a marketing strategy for new market rent units
- Investigating opportunities to implement interactive online maintenance requests and tenant account statements
- Focussing on developing cultural competencies in our staff training and operating practices
- Supporting cultural awareness within tenant communities
- Maximizing the use of new building automation systems and technologies
- Working with Regional partners to develop a long term financial and reserve strategy

Housing York continues to grow with the addition of three new buildings in 2013 and 2014

Over the next two years, Housing York will add two new residential buildings and one new shelter to the portfolio with a total of 237 new units, 28 beds and 9 transitional suites. Table 1 provides a timeline of expected development milestones.

Table 1
Development Milestones

Building	Municipality	Expected Building Completion	Expected Tenant Occupancy
Mackenzie Green	Richmond Hill	Qtr. 1 - 2013	Qtr. 2 - 2013
Lakeside Residences	Georgina	Qtr. 4 - 2013	Qtr. 1 - 2014
Belinda’s Place	Newmarket	Qtr.1 - 2014	Qtr. 1 - 2014

Each of these new buildings will require significant effort to rent-up and then provide support to the residents as they settle into their new communities.

In 2013, the additional properties are projected to increase revenues by $1,096,000 and increase expenses by $1,104,000.

Housing York projects a balanced budget with a residual operating surplus to fund capital reserves and retained earnings

Housing York projects a residual operating surplus of $152,000 in 2013 and $441,000 in the 2014 outlook.

Historically, revenues have consistently been under pressure as the provincially established funding formula indices are lower than Housing York’s cost increases. The three-year annual average for rent increases was 2.1% while operational costs increased an average of 2.6% annually.

Tables 2 and 3 highlight the projected operating surplus for the 2013 budget and 2014 outlook as compared to the previous fiscal year.

Table 2
2013 Operating Surplus Comparisons
($000s)

	2012 Total Budget	2012 Total Forecast	2013 Total Budget	2012 Budget vs. 2013 Total Budget	
Total Revenue	26,506	25,789	27,962	1,456	5.49%
Total Expenditures	26,146	25,511	27,655	1,509	5.77%
Operating Surplus Before Strategic Projects and Surplus Sharing	360	278	307	-53	
Strategic Projects	48	48	155	107	
Operating Surplus After Strategic Projects	**312**	**230**	**152**	**-160**	

Table 3
2014 Operating Surplus Comparisons
($000s)

	2013 Total Budget	2014 TotalOutlook	2013 Total Budget vs. 2014 TotalOutlook	
Total Revenue	27,962	29,659	1,697	6.07%
Total Expenditures	27,655	29,093	1,438	5.20%
Operating Surplus Before Strategic Projects and Surplus Sharing	307	566	259	
Strategic Projects	155	125	-30	
Operating Surplus After Strategic Projects	**152**	**441**	**289**	

2013 Revenue is projected to increase by 5.49% and expenditures by 6%

Although revenues are constrained due to the provincial funding formula indices, Housing York projects that revenues will increase by 5.49% in 2013. This is largely due to portfolio growth and modest increases in subsidy and rental revenue.

In 2013, Housing York anticipates a:

- 2.5% rent increase in market units affecting 14% of the portfolio based on the Provincial Rent Guideline
- 1% rent increase in market units affecting 7% of the portfolio to comply with funding agreements
- 1% rent increase in subsidized units affecting 79% of the portfolio
- 3.64% increase in subsidies as per Provincial program guidelines

A 5.77% or $1,509,000 increase in overall operating expenditure in 2013 is driven mainly by portfolio growth. However, budget pressures are noted across all cost categories including:

- Insurance costs expected to rise by 5.76%
- Materials and repair expenses expected to increase by 12.31%

The additional new buildings enhance the long term financial health of the organization. However, in 2013, Housing York will experience cost pressures related to preparing the new sites before the additional rental revenue is received.

Table 4 provides a comparative summary of revenue and expense information for the 2013 fiscal year.

Table 4
2013 Revenue and Expenditure Budget Comparisons
($000s)

	2012 Total Budget	2013 Total Budget	2013 Budget vs. 2012 Total Budget	
Tenant Rents	$17,511	$18,640	$1,129	6.45%
Subsidy – York Region	7,676	8,003	327	4.26%
Subsidy - Federal	1,319	1,319	-	0.00%
Total Operating Revenue	**$26,506**	**$27,962**	**1,456**	**5.49%**
Operating Expenditures	$24,951	$26,236	$1,285	5.15%
Public Housing Capital	1,195	1,419	224	18.74%
Total Expenditures	**$26,146**	**$27,655**	**$1,509**	**5.77%**

2014 revenue is projected to increase by 6.07% and expenditures by 5.20%

In 2014, Housing York anticipates a:

- 1% rent increase in both market rent units and subsidized rents
- 2.61% increase in subsidies

In 2014, Housing York anticipates a 5.20% or $1,438,000 increase in the overall operating expenditure. The increase is mainly driven by the addition of new buildings and an increase to insurance and utility costs.

Housing York has projected the following increases in the 2014 outlook:

- Insurance costs are expected to rise by 8.53%
- Utility rates are forecasted to increase by 6.27%

Table 5 provides a comparative summary of revenue and expense information for the 2014 fiscal year.

Table 5
2014 Revenue and Expenditure Outlook Comparisons
($000s)

	2013 Total Budget	2014 Total Outlook	2014 OutlookVariance vs. 2013 Total Budget	
Tenant Rents	$18,640	$20,094	1,454	7.80%
Subsidy – York Region	8,003	8,246	243	3.04%
Subsidy - Federal	1,319	1,319	-	0.00%
Total Operating Revenue	**$27,962**	**$29,659**	**1,697**	**6.07%**
Operating Expenditures	$26,236	$27,671	$1,435	5.47%
Public Housing Capital	1,419	1,422	3	0.21%
Total Expenditures	**$27,655**	**$29,093**	**$1,438**	**5.20%**

Major repairs and replacements will continue to have a significant impact on the operating budget and reserve

Housing York has planned six major repair projects in 2013 and eight major repair projects in 2014 that are greater than $100,000. Funding for these initiatives will either come from the operating budget or the capital reserve, depending on funding rules related to specific programs.

Table 6 provides a summary of funding for the 2013 and 2014 major repairs.

Table 6
2013 and 2014 Funding for Major Repairs
($000s)

Funding Source	2013 Budget	2014 Outlook
Funding from Operating	1,419	1,422
Funding from Reserves	2,268	2,209
Total Major Repairs	**$3,687**	**$3,631**
Emergency Power Plan Reserve	519	-
	$4,206	**$3,631**

Housing York will continue to monitor key performance indicators

Performance measures are important tools to ensure Housing York achieves or maintains predetermined objectives. Although Housing York is one of many housing providers across the province, there is currently no mechanism to establish and compare key performance indicators with other organizations. Housing York has three key performance indicators:

- Tenant Satisfaction with Maintenance Repairs (new)
- Manageable Cost per Unit
- Rent Arrears

Housing York is introducing one new key performance indicator in 2013

Housing York is introducing a new key performance indicator to assess tenant satisfaction. Housing York will gather feedback from tenants on their satisfaction with maintenance repairs throughout the year. Measurement will be completed through random surveys on 25% of repairs. The initial objective is a response of 80% satisfied or very satisfied.

Targets will be measured and reviewed annually to determine effectiveness, trends, and areas for improvement.

Manageable costs per unit will increase by 6% in 2013 with no change in 2014

Manageable cost per unit is used to measure controllable costs. The measure includes maintenance and administration costs, insurance, and bad debts divided by the number of units. Utilities, mortgage payments and property taxes are excluded from the calculation.

The manageable cost per unit will increase by 6% in 2013 due to the following:

- Increase to maintenance budget that better reflects actual business needs and historic spending patterns
- The cost to complete Building Valuation Appraisals as required by the insurer every five years
- One-time set-up cost of the management office in Mackenzie Green

Housing York will benefit from economies of scale with a larger portfolio in 2014, which will allow the manageable costs per unit to remain stable.

Housing York projects tenant arrears to remain stable over the next two years

The tenant rent arrears indicator is calculated using rental arrears as a percentage of rental revenue and it is a measure of collection performance. This indicator is projected to remain stable over the next two years (see Table 9) reflecting a continued focus on collection strategies.

Table 9
Percentage of Current Tenant Rent Arrears
(%)

Year	Rent Arrears
2012 Goal	6.5
2012 Estimated	6.1
2013 Goal	6.5
2014 Goal	6.5

Link to key Council–approved plans

The 2013 and 2014 Business Plan and Budget supports and compliments the Region’s housing goals as outlined in corporate policies such as Vision 2051, the Sustainability Strategy, the Region’s 2011-2015 Strategic Plan and the Regional Official Plan.

Through the multi-year business planning process, Housing York will be better prepared to support healthy communities through a broad range of housing choices and supports to meet the diverse needs of residents.

5. FINANCIAL IMPLICATIONS

The 2013 budget and 2014 outlook are prepared in compliance with the provincial funding formula guidelines. A $152,000 residual surplus is estimated for 2013 and

$441,000 for 2014. For both years, the projected residual surplus will be allocated to capital reserves and retained earnings according to the current accounting policies.

Planned portfolio growth, which includes the addition of 237 units in two buildings and one women's shelter, will enhance the long term financial health of the organization. The projected cost pressures that Housing York will experience during 2013 while the new buildings are commissioned will reverse in 2014 when the cost per unit will decrease due to economies of scale achieved through growth.

Housing York's subsidy requirement is included in the Region's 2013 budget estimates for the Social Housing Program. The calculation of the subsidies was done in accordance with the provincial program benchmarks and escalation factors endorsed by the Service Manager. Tenant rents represent approximately two-thirds of Housing York's revenue requirement to cover operating cost. The remaining balance is covered by subsidies.

6. LOCAL MUNICIPAL IMPACT

Housing York owns and operates residential rental housing in all nine local municipalities and is home to over 4,000 residents. Effective planning and careful budgeting is important to ensure Housing York is fiscally responsible while maintaining a significant housing portfolio and offering quality customer service to tenants.

7. CONCLUSION

Housing York is projecting a $152,000 residual surplus in 2013, and $441,000 for 2014. The operations will continue with a carefully managed operating budget and outlook throughout 2013 and 2014.

This report recommends that the 2013 Business Plan and Budget and the 2014 Outlook for Housing York Inc. be approved.

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

Attachment - 1

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ATTACHMENT 1

HOUSING YORK INC.

Building Strong Communities

2013-2014

Business Plan and Budget

York Region

Table of Contents

Introduction and Purpose

Each year Housing York Inc. (Housing York) prepares a business plan and budget for the Board of Directors' approval. Consistent with the Region's new standards, Housing York is submitting the first multi-year business plan and budget for the 2013 and 2014 fiscal period.

Annually, Housing York assesses priorities and determines areas of focus for the upcoming year. Over the next two years Housing York will:

1. Move forward on Strategic Initiatives approved by the Board in October 2012
2. Focus on community growth with the addition of two new residential buildings and one new shelter

Housing York Context

Housing York was first formed on January 1, 2003 with the amalgamation of the York Regional Housing Corporation and the Region of York Housing Corporation. Since 2003, Housing York has grown to be the seventh largest social housing provider in Ontario and has become a key partner in the Region's housing system.

2012 Highlights

2012 has been a busy and productive year for Housing York. Some of the many accomplishments include:

- Adding 123 new units to the portfolio with the construction of two new communities:

Kingsview Court Expansion (39 units)	Mapleglen Residences (84 units)
	

- Development of a five year Strategic Plan, to guide Housing York's operational decisions and long-range planning until 2016
- Completion of the five year Energy Management Strategy
- Creation of a uniform building/property standards guide to ensure consistency across the portfolio
- Undertaken a major upgrade to Thornhill Green
- Established a marketing strategy for new market units

Areas of Focus

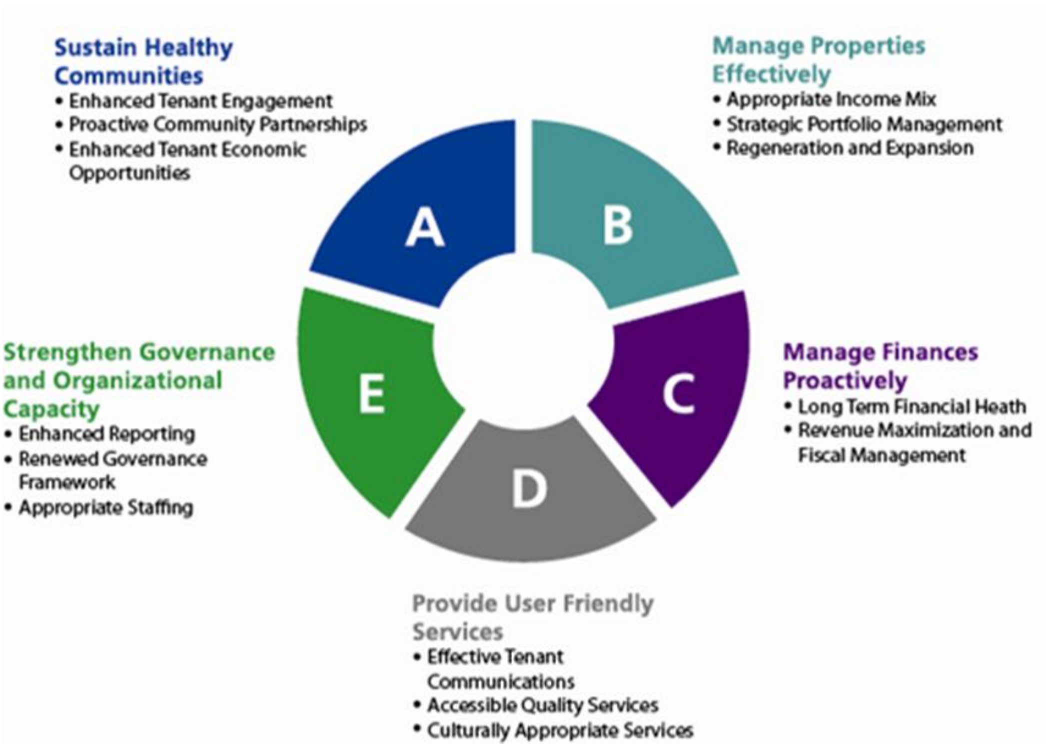
Over the next two years, Housing York will experience exceptional growth. Growth, coupled with a larger and more diverse tenant population will help define the areas Housing York will focus on in 2013 and 2014. Areas of focus include:

1. Moving forward on Strategic Initiatives
2. Community Growth

1. Moving forward on Strategic Initiatives

In October 2012, the Board of Directors approved the Housing York Inc. Strategic Plan 2012 – 2016 (the Strategic Plan). The Strategic Plan established five strategic directions, each with a set of objectives and supporting approaches to provide clarity and focus, and support effective operational decision making over the next five years.

The annual business plan and budgeting process provides Housing York with an opportunity to review the goals and objectives for the upcoming years and establish a framework to support implementation.



Each strategic direction has a set of objectives and supporting activities. Housing York has allocated $280,000 over the next two years to support the implementation process.

Sustain Healthy Communities

Housing York properties are home to more than 4,000 people. The tenant population is changing, becoming more diverse and requiring different supports.

In 2013 and 2014, Housing York will:

- Explore new ways to hear from more tenants, more directly and more often through a review of the tenant engagement practices
- Investigate opportunities to support youth tenant employment within housing communities

Provide User Friendly Services

Housing York recognizes that the environment is shifting. The tenant population, along with information and communications technologies, are changing. Housing York will focus on providing effective tenant communications and accessible and culturally appropriate services in 2013 and 2014.

In 2013 and 2014, Housing York will:

- Open a new office in Richmond Hill to provide enhanced customer service to our tenants
- Upgrade the Housing York website
- Implement an online rent payment system
- Investigate opportunities to implement interactive online maintenance requests and tenant account statements
- Focus on developing cultural competencies through staff training and operating practices
- Support increased cultural awareness within tenant communities

Manage Properties Effectively

Housing York's real estate portfolio has an insured value of $374 million. Housing York maintains the portfolio by completing multi-year capital plans, life safety equipment testing, and preventative maintenance programs.

In 2013 and 2014, Housing York will:

- Maximize the use of new building automation systems and technologies through enhanced expertise and staff training
- Implement consistent quality assurance standards across the portfolio
- Weed and grub control using environmentally-sound practices and products
- Input building data in Asset Planner to update capital plans
- Identify priority redevelopment opportunities with the Region's Housing Development Unit

Manage Finances Proactively

Housing York is focussing on putting financial strategies in place to address long-term needs and to maximize revenues and resources effectively.

In 2013 and 2014, we will:

- Pilot a marketing strategy in our new buildings
- Work with our Regional partners to develop a long-term financial and reserve strategy for the organization

Strengthen Governance and Organizational Capacity

Since amalgamating in 2003, Housing York has grown significantly and is operating with different pressures and new complexities.

In 2013 and 2014, Housing York will:

- Review the organizational structure
- Allocate resources to enable Housing York to manage growth and increasing complexity
- Work with Regional partners to review and update Housing York's governance documents

2. Community Growth

Over the next two years, Housing York will be adding two new residential buildings and one new shelter to the portfolio with a total of 237 new units, 28 beds and nine shelter apartments.

Building	Municipality	Expected Building Completion	Expected Tenant Occupancy
Mackenzie Green	Richmond Hill	Quarter 1, 2013	Quarter 2, 2013
Lakeside Residences	Georgina	Quarter 4, 2013	Quarter 1, 2014
Belinda's Place	Newmarket	Quarter 1, 2014	Quarter 1, 2014

Mackenzie Green - Town of Richmond Hill

Property Highlights:

- 140 apartments in nine storeys
- Mix of one, two, three and four bedroom units
- 14 wheel-chair accessible units
- Housing York Management Office on-site

Mix of market and subsidized units

Lakeside Residences - Town of Georgina

Property Highlights:

- 97 apartments in six storeys
- Mix of bachelor, one and two bedroom units
- 10 wheelchair accessible units
- Energy and water efficient building

Mix of market and subsidized units

Belinda's Place - Town of Newmarket

Property Highlights:

- Emergency and transitional housing for single women
- 28 beds and nine apartments
- Office and meeting space

Managed and operated by Blue Door Shelters

In 2013 and 2014, Housing York will:

- Ensure building systems are commissioned and operating in new developments as designed
- Create a positive move-in experience for new residents and ensure supports are in place to integrate the new property into the community
- Ensure business supports and systems are in place for a smooth transition

2013 Budget and 2014 Outlook

This section outlines operating and capital budgets for 2012 to 2014, as well as financial impacts on Housing York's reserves.

2013 Operating Budget

In 2013, Housing York is projecting a balanced budget after a $152,000 residual contribution to capital reserve and retained earnings.

Current performance and prescribed benchmark cost factors are used to arrive at 2013 revenue and cost projections. Costs are escalating at a rate higher than the funding formula recognizes, particularly in administration and building maintenance areas. Commissioning of the new buildings expected in 2013 will create a negative gap between revenue and costs.

Table 1 compares the 2013 base budget submission to the 2012 budget. The 2012 estimated results are provided for information. The final 2012 results will be identified in the audited financial statements. Any operating residual surplus generated in 2013 will be allocated to Retained Earnings or the Capital Reserve according to the current accounting policy, as allowed by the Service Manager.

Table 2 provides the 2013 total budget, which includes the growth of new building during the 2013 budget year.

Table 1

2013 Base Operating Budget

($000)	2012 Total Budget	2012 Estimate	2013 Base Budget
Revenue			
Tenant Rents	17,511	16,800	17,544
Subsidy - York Region	7,676	7,670	8,003
Subsidy - Federal	1,319	1,319	1,319
Total Revenue	**26,506**	**25,789**	**26,866**
Operating Expenditures			
Operating	24,951	24,316	25,132
Public Housing Capital	1,195	1,195	1,419
Total Expenditures	**26,146**	**25,511**	**26,551**
Budget Surplus before Strategic Projects	**360**	**278**	**315**
Strategic Projects [1]	48	48	155
Operating Surplus after Strategic Projects	**312**	**230**	**160**
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	3,457	3,395	2,268
Expenditures	-3,457	-3,395	-2,268
Energy Management Reserve			
Contribution to Reserve	402	360	-
Expenditures	-402	-360	-
Emergency Power Reserve			
Contribution to Reserve	440	20	519
Expenditures	-440	-20	-519

(1) Strategic Projects as outlined in the Housing York Strategic Plan approved by the Board on October 2012.

Table 2

2013 Total Operating Budget

($000)	2013 Base Budget	2013 Adjustment[1]	2013 Total Budget
Revenue			
Tenant Rents	17,544	1,096	18,640
Subsidy - York Region	8,003	-	8,003
Subsidy - Federal	1,319	-	1,319
Total Revenue	**26,866**	**1,096**	**27,962**
Operating Expenditures			
Operating	25,132	1,104	26,236
Public Housing Capital	1,419	-	1,419
Total Expenditures	**26,551**	**1,104**	**27,655**
Budget Surplus before Strategic Projects	**315**	**-8**	**307**
Strategic Projects [2]	155	-	155
Operating Surplus after Strategic Projects	**160**	**-8**	**152**
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	2,268	-	2,268
Expenditures	-2,268	-	-2,268
Emergency Power reserve			
Contribution to Reserve	519	-	519
Expenditures	-519	-	-519

[1] The adjusted portion of the budget includes part year for the new properties added during current year: Mackenzie Green – 11 months, and Lakeside Residences - one month.

[2] Strategic Projects as outlined in the Housing York Strategic Plan approved by the Board on October 2012.

2014 Outlook

In 2014, Housing York is projecting a balanced budget after a $441,000 residual contribution to capital reserve and retained earnings.

Current performance and 2013 prescribed benchmark cost factors are used to arrive at 2014 revenues and cost projections. Costs are expected to escalate at a rate slightly lower than the escalation in revenue, mainly due to the economies of scale achieved from portfolio growth.

Table 3 compares the 2014 approved outlook to the 2013 budget. The 2013 estimated results are provided for information and will be reviewed and updated in the next year budget cycle. The final results will be identified in the audited financial statements. Any operating residual surplus generated in 2014 will be allocated to Retained Earnings or the Capital Reserve according to the current accounting policy, as allowed by the Service Manager.

The 2014 approved outlook forms a comparative picture of the portfolio on a year-over-year basis. Table 4 includes the additional budget for the new buildings, pro-rated for the period of time that they are estimated to be in-service during the 2014 budget year. This part-year adjusted budget becomes the 2014 outlook. The 2014 outlook is then used as the new base outlook for 2015.

Table 3

2014 Operating Outlook

($000)	2013 Total Budget	2013 Estimate	2014 Base Outlook
Revenue			
Tenant Rents	18,640	18,640	19,392
Subsidy - York Region	8,003	8,003	8,098
Subsidy - Federal	1,319	1,319	1,319
Total Revenue	**27,962**	**27,962**	**28,809**
Operating Expenditures			
Operating	26,236	26,236	26,826
Public Housing Capital	1,419	1,419	1,422
Total Expenditures	**27,655**	**27,655**	**28,248**
Budget Surplus before Strategic Projects	**307**	**307**	**561**
Strategic Projects [1]	155	155	125
Operating Surplus after Strategic Projects	**152**	**152**	**436**
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	2,268	2,268	2,199
Expenditures	-2,268	-2,268	-2,199
Emergency Power reserve			
Contribution to Reserve	519	519	-
Expenditures	-519	-519	-

(1) Strategic Projects as outlined in the Housing York Strategic Plan approved by the Board on October 2012.

Table 4

2014 Total Operating Outlook

($000)	2014 Base Outlook	2014 Adjustment[1]	2014 Total Outlook
Revenue			
Tenant Rents	19,392	702	20,094
Subsidy - York Region	8,098	148	8,246
Subsidy - Federal	1,319	-	1,319
Total Revenue	**28,809**	**850**	**29,659**
Operating Expenditures			
Operating	26,826	845	27,671
Public Housing Capital	1,422	-	1,422
Total Expenditures	**28,248**	**845**	**29,093**
Budget Surplus before Strategic Projects	561	5	566
Strategic Projects [2]	125	-	125
Operating Surplus after Strategic Projects	**436**	**5**	**441**
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	2,199	10	2,209
Expenditures	-2,199	-10	-2,209

[1] The adjusted portion of the budget includes part year for the new properties added during current year: Mackenzie Green – one month, Lakeside Residences - 11 months, and Belinda's Place – 11 months.

[2] Strategic Projects as outlined in the Housing York Strategic Plan approved by the Board on October 2012.

2015 and 2016 Outlook Years

The budget assumptions for the outlook years are based on the following:

- Operating revenues and expenses will increase by 2% based on consumer price index forecasts and the adjustment impact of one new building, comprising 222 new units, throughout the period.
- Contributions to and from the capital reserves are based on the 10-year capital plan.

Table 5

Operating Outlook

($000)	2013 Total Budget	2014 Total Outlook	2015 Total Outlook	2016 Total Outlook
Revenue				
Tenant Rents	18,640	20,094	22,670	24,070
Subsidy - York Region	8,003	8,246	8,390	8,677
Subsidy - Federal	1,319	1,319	1,319	1,319
Total Revenue	**27,962**	**29,659**	**32,379**	**34,066**
Operating Expenditures				
Operating	26,236	27,671	30,513	31,931
Public Housing Capital	1,419	1,422	1,401	1,520
Total Expenditures	**27,655**	**29,093**	**31,914**	**33,451**
Budget Surplus before Strategic Projects	**307**	**566**	**465**	**614**
Strategic Projects (1)	155	125	60	60
Operating Surplus after Strategic Projects	152	441	405	554
Capital Reserves (Provincial Reform and Regional Housing)				
Contribution to Reserves	2,268	2,209	2,284	2,316
Expenditures	-2,268	-2,209	-2,284	-2,316
Emergency Power Reserve				
Contribution to Reserve	519	-	-	-
Expenditures funded by Utility Savings or Borrowing	-519	-	-	-

(1) Strategic Projects as outlined in the Housing York Strategic Plan approved by the Board on October 2012

Major Upgrades/Replacement (Capital) Program

Capital jobs in 2013 and 2014 fall into one of three funding streams set out in Table 6.

Table 6

Summary of 2013 and 2014 Major Repairs

($000)	2013	2014
Funding from Operating	1,419	1,422
Funding from Reserves	2,268	2,209
Annual Plan Capital Budget	**$3,687**	**$3,631**
Emergency Power Plan	519	
	$4,206	**$3,631**

Each component of the major repairs/replacement program is discussed below.

Annual Planned Capital Budget

Since 2004, a 10-year capital plan has been used to manage major repairs. Every budget year, the plan is reviewed and adjusted to ensure that rehabilitation is completed on a methodical basis that considers needs and priorities.

Table 7 summarizes the planned expenditures for 2013 to 2016 that are part of the annual planned capital budget.

Table 7

2012 to 2016 Major Repairs by Category

($000)	2013 Budget	2014 Outlook	2015 Outlook	2016 Outlook
Planned Expenditures				
Roofing	621	764	61	76
Building	787	1,342	1,044	1,598
Flooring	283	244	208	338
Elevator	240	18	13	91
Electrical	61	-	224	9
Equipment	5	5	104	92
Grounds	473	203	684	317
Life Safety Systems	102	30	175	100
Heating and Ventilation	155	76	146	126
Painting	164	102	123	151
Plumbing	12	-	38	59
Minor Capital	175	180	185	185
Capital Overheads	609	667	680	694
Total Major Repairs/Replacements	**3,687**	**3,631**	**3,685**	**3,836**

Energy Management Strategy

Housing York planned to invest an estimated $3,500,000 over a five-year period to undertake energy management retrofits on 25 buildings. The program started in 2008 and ended in 2012. Housing York will continue energy conservation measures as a routine operational practice.

The program was partially funded through a loan from the Region's innovation reserve with loan repayment by 2021. However, the current repayment projection of the $770,000 outstanding loan balance is now.

York Region

HOUSING YORK INC.
Building Strong Communities

2013-2016 Major Upgrades/Replacement Projects Greater Than $100,000

Table 8 identifies the larger projects that are planned in our communities over the next four years.

Table 8

Four Year Summary of Capital Projects Greater than $100,000

Municipality	Property	Description	2013 ($000's)	2014 ($000's)	2015 ($000's)	2016 ($000's)
Georgina	Keswick Gardens	Elevator Upgrade	204			
	North View Court	Window/Balcony Door Upgrade	142			
	Keswick Gardens	Emergency Power Generator □	519			
	Pineview Terrace	Parking Lot Upgrade	163			
	North View Court	Bathroom Upgrade		163		
Markham	Trinity Square	Window Upgrade		371		
	Trinity Square	Door Upgrade		158		
Aurora	Hadley Grange	Parking Lot Replacement			163	
Newmarket	Heritage East	Roof Replacement	560			
	Mulock Village	Playground Upgrade			122	
	Brayfield Manor	Bathroom Upgrade			250	
	Fairy Lake Gardens	Roof Repairs		204		
	Fairy Lake Gardens	Elevator Upgrade			102	
	Founders Place	Emergency Generator Upgrade			153	
	Brayfield Manor	Kitchen Upgrade				102
	Blue Door Shelters	Building Upgrade	250			
Richmond Hill	Springbrook Gardens	Kitchen Upgrade		102	102	102
	Springbrook Gardens	Re-asphalt Private Roadway			102	
	Rose Town	Elevator Machine Room Cladding/Parapet Masonry		280		
	Rose Town	Roof Replacement and Consulting		356		
	Rose Town	Kitchen Upgrade			153	
	Dunlop Pines	Roof Replacement		204		
	Springbrook Gardens	Window/Door Upgrade				611
Total Projects Greater Than $100,000			**1,838**	**1,838**	**1,147**	**815**

- Emergency Power Program

Management of Reserves

Capital Reserve

The use of capital reserves differs by program as specified in the legislation or program guidelines that we follow. The capital reserves are consolidated for presentation purposes, but the individual reserves are managed separately. The Public Housing program does not maintain a capital reserve.

The Housing Service Corporation (HSC) is mandated under the Housing Services Act, 2011 to establish and manage pooled capital reserve funds for housing providers. Therefore, the majority of the capital reserve is invested in the HSC's pooled investment fund. While a variable rate of return is expected on investment holdings, a constant yield of 2% is assumed for the budget and outlook years.

Table 9

Five Year Forecast of Capital Reserve

($000)	2012 Forecast	2013 Budget	2014 Outlook	2015 Outlook	2016 Outlook
Provincial Reform and Regional Housing Programs					
Balance, Beginning of Year	5,512	3,613	2,515	2,096	1,620
Contribution to Reserves	1,474	1,095	1,714	1,732	1,737
Annual Investment Income	84	75	76	76	76
Annual Capital Expenditures	-3,457	-2,268	-2,209	-2,284	-2,316
Net Activity for the Year	-1,899	-1,098	-419	-476	-503
Balance, End of Year	**3,613**	**2,515**	**2,096**	**1,620**	**1,117**

The longevity of the capital reserve has diminished significantly for one of the programs with an expected coverage up to the middle of 2015. For the other program, the expected capital reserve coverage is approximately 10 years based on current funding and spending models.

Other Specified-Purpose Reserves

In addition to the mandatory capital reserve required under the Housing Services Act, 2011, Housing York has a number of other internal reserves that have been approved for specific purposes.

Insurance Reserve

This reserve is funded by an annual contribution of operating funds as a way of stabilizing small insurance claims and settlements that are below our insurance policy deductible threshold.

Table 10

Insurance Reserve

($000)	2013 Budget	2014 Outlook
Balance, Beginning of Year	$161,127	$166,127
Annual Contribution from Operating Budget	25,000	25,000
Minor Claims Settlement (Estimate)	-20,000	-30,000
Net Activity for the Year	5,000	-5,000
Balance, End of Year	**$ 166,127**	**$ 161,127**

Emergency Power Reserve

In the aftermath of the Northeast blackout of 2003, this initiative was launched in 2004 with an approved budget of $910,500. The funding source was from Retained Earnings, restricted exclusively for expenditures related to this multi-year plan. In 2013, one key job is to install a generator at Keswick Gardens, in the Town of Georgina. Completion of this final project will close out this initiative and, at that time, the reserve will wind down.

Table 11

Emergency Power Plan Reserve

($000)	2013 Budget
Balance, Beginning of 2013	$ 519,541
Annual Capital Expenditures	(519,541)
Net Activity for the Year	(519,541)
Balance, End of Year	**$ -**

Key Performance Indicators

Housing York uses a variety of internal monitoring indicators to measure successes and potential improvement opportunities. The following indicators are annual measurements in the property management area.

Tenant Satisfaction with Maintenance Repairs - Measurement is performed through tenant feedback cards and random surveys throughout the year on 25% of repairs. A goal of 80% repair satisfaction level is set as an initial starting point for 2013.

Manageable Cost per Unit - This indicator is comprised of maintenance and administration costs divided by the number of units. Maintenance and administration expenditures include building maintenance costs, regional salaries and benefit costs, and corporate overheads.

Utilities, mortgage, property taxes and major repairs are excluded. Costs that relate to extraordinary circumstances or strategic initiatives are also excluded in manageable cost per unit calculations.

Housing York is expecting an increase of 6% in 2013; however, a 0.9% decrease is projected for 2014 due to foreseeable but carefully managed increases in maintenance, administration, and the increased economies of scale achieved through portfolio growth.

Table 12

Manageable Cost Per Unit

	2012 Total Budget	2013 Base Estimated	2013* Total Budget	2014 Base Outlook
Housing York Average	$3,653	$3,872	$3,970	$3,901

* The 2013 Total Budget is adjusted to include the part-year for the new properties added during the year.

Tenant Rent Arrears – All activities pertaining to collecting tenant accounts follow relevant legislative requirements or Board-approved policies. The percentage of Current Tenant Rent Arrears / Rent Revenue is a measurement to determine effectiveness of collection performance.

Table 13

Percentage of Current Tenant Rent Arrears

2012 Goal	6.5%
2012 Estimated	6.1%
2013 Goal	6.5%

2014 Goal	6.5%

Business Plan Summary

The key areas of focus in this business plan and budget are moving forward with the strategic plan and community growth.

The set of objectives and approaches identified in the Strategic Plan will provide clarity and focus to support effective operational decision making in the 2013 and 2014 fiscal years.

The addition of two new residential buildings and one new shelter to our portfolio over the next two years creates new and challenging opportunities. Housing York will remain focused on delivering programs and services at or above the established standards through the process of operationalizing the new properties.

The new buildings are expected to add to the financial health of the organization. Housing York will experience an initial financial gap with costs exceeding revenue during the first year of operation which will then normalize in the second year.

A balanced budget is projected for 2013 and 2014 after residual contributions to capital reserves and retained earnings, signalling that Housing York will remain in a sound financial position over the next two years.

The Housing York Financial Steering Committee, established in 2012, will focus on the financial performance of the existing housing programs, their long-term financial sustainability, long-term asset management, review of fiscal management policies within the context of the five-year strategic plan, and help prepare Housing York for future financial challenges.