THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
December 7, 2011
Report of the
General Manager
and
Treasurer

HOUSING YORK INC.
2012 BUSINESS PLAN AND BUDGET

1. RECOMMENDATION

It is recommended that:

1. The Housing York Inc. 2012 Business Plan and Budget be approved.

2. PURPOSE

This report presents the 2012 Business Plan and Budget of Housing York Inc. (*see Attachment 1*) for the Board's review and approval. It includes the operating and capital expenditures, planned objectives and key work initiatives for Housing York Inc. for the 2012 budget year and three outlook years.

Additionally, the Business Plan and Budget incorporates Year 5 of the five-year energy management strategy, and planned expenditures on specified-purpose reserve accounts.

3. BACKGROUND

Housing York Inc. (Housing York) annually seeks Board approval for its Business Plan and Budget. The 2011 budget is used as the source for projecting the 2012 budget. Revenues and expenses are determined using historical trends and economic changes. The preliminary results for 2011 suggest that Housing York met its budget objectives and will generate an operating surplus as planned.

In addition to using the 2011 budget as the basis for calculating the 2012 budget, a number of adjustments have been used to arrive at the total 2012 budget. The adjustments are necessary due to part-year activity of two new properties, Thornhill Green and Kingview Court expansion, and two new building developments, Mapleglen Residences and Mackenzie Green.

2012 Business Plan focuses on four areas: growing communities, asset management, changing housing legislation, and financial accountability and performance

The 2012 Business Plan is consistent with Housing York's Statement of Principles. Goals are structured in the following business areas:

- Growing communities – capital investments, new buildings, strategic planning, and customer service.
- Asset Management – sustainability, energy management.
- Financial Accountability and Performance – budget and operational goals, changing legislation.

The focus in 2012 will be on portfolio growth and the development of a five-year comprehensive strategic plan.

2012 budget assumptions are conservative, reflective of portfolio growth and demonstrate a sound financial position

Some notable observations about the budget submission include:

- Operating surplus in 2011 is forecasted at $66,000, prior to allocation of $50,000 for strategic project cost.
- Operating surplus in 2012 is estimated at $360,000, prior to allocation of $48,000 for strategic project cost.

Construction of two new buildings will be completed in 2012. Therefore, the 2012 budget is adjusted to reflect the part-year activity of these buildings to the overall budgeted results.

Revenue and operating expenses are projected to increase by 8.2% and 7.1% accordingly, based on 2011 base budget versus 2012 adjusted budget.

The budget outlook for 2013, 2014, and 2015 operating revenue and costs are estimated using an escalation factor of 2.0%. Major repairs/replacement expenditures are based on the 10-year capital replacement plan or other program requirements.

4. ANALYSIS AND OPTIONS

GROWING COMMUNITIES

2012 focus is on operationalizing two new properties and completing the comprehensive strategic planning exercise

In 2012, Housing York has an opportunity to provide additional affordable housing with two new properties. Mapleglen Residences in the City of Vaughan will provide 84 apartments for seniors and Mackenzie Green in the Town of Richmond Hill is adding 140 apartments for mixed household types. These developments are projected to open in the first and last quarter of 2012, respectively. Each will require significant effort to rent-up and support the residents settling into their new community.

The financial impact from the addition of the two new properties is a projected revenue increase of $1,622,000 and an estimated increase in expenses of $1,605,000.

Housing York's portfolio has experienced a 38% growth over the past nine years. As a result, there is a need to review, validate, and establish strategic directions for future years. The comprehensive strategic planning exercise, that is currently underway, will include consultations with key stakeholders and partners, and leadership from our Board of Directors.

FINANCIAL ACCOUNTABILITY, PERFORMANCE AND ASSET MANAGEMENT

Solid financial performance expected in 2012 with a $312,000 surplus projected

The 2012 budget is adjusted to account for the two new properties, Mapleglen Residence and Mackenzie Green, and the two part-year properties added in 2011, Thornhill Green and Kingview Court expansion.

Housing York's planned portfolio growth, coupled with operational efficiencies, leads to an improved year-over-year financial performance resulting in a budget surplus of $312,000 after budget adjustment.

Revenues are still under pressure given that funding formula indices, provided by the Province, are lower than the actual cost increases that Housing York is experiencing.

The strategic planning exercise initially began in 2011; however, the majority of work and corresponding cost will take place in 2012. Therefore, a budget has been re-established in 2012.

The proposed operating surplus for the 2012 budget is compared to the 2011 budget in Table 1.

Table 1
2012 Operating Surplus Comparisons
($000s)

	2011 Budget	2012 Budget	2012 Budget vs. 2011 Budget	
Total Revenue	$24,498	$26,506	$2,008	8.2%
Total Expenditures	24,424	26,146	1,722	7.1%
Operating Surplus before Strategic Projects	**74**	**360**		
Strategic Projects	50	48		
Operating Surplus after Strategic Projects	**$ 24**	**$ 312**		

Significant increase of 8.2% in revenue due to portfolio growth

With the budget adjustment for one property acquisition and one new property construction in 2011, and two new developments planned for 2012, the revenues are projected to increase by 8.2%.

Also, revenues are projected to increase due to a 3.1% rent increase in market units affecting 19% of the portfolio and a 2% increase in geared-to-income rents. Interest income is expected to remain at 2011 levels.

Subsidies are projected to increase at a rate of 2.6%.

Table 2 provides comparative summarized revenue information.

Table 2
2012 Revenue Budget Comparisons
($000s)

	2011 Budget	2012 Budget	2012 Budget vs. 2011 Budget	
Tenant Rents	$15,695	$17,511	$1,816	11.6%
Subsidy – York Region	7,484	7,676	192	2.6%
Subsidy - Federal	1,319	1,319	-	-
Total Revenue	**$24,498**	**$26,506**	**$2,008**	**8.2%**

Expenditures to increase 7.1% due to larger portfolio

Budget pressures are noted across all cost categories. Insurance costs are expected to rise by 20% in order to maintain current coverage. The utility rates are forecasted to increase significantly; however, the cost pressure will be lowered by the savings generated through the energy retrofit program.

The 7.1% or $1,722,000 increase in overall operating expenditure is driven mainly by portfolio growth. The 6.4 % increase in Public Housing Capital expenditure represents 4% of the total expenditure increase projected for 2012.

The new buildings are expected to add long term value to the financial health of the organization. In 2012, Housing York will incur cost pressures preparing the new sites in advance of generating rent revenue.

Table 3 summarizes year-over-year operating costs.

Table 3
2012 Operating Expense Comparisons
($000s)

	2011 Budget	2012 Budget	2012 Budget vs. 2011 Budget	
Operating Expenditures	$23,301	$24,951	$1,650	7.1%
Public Housing Capital	1,123	1,195	72	6.4%
Total Expenditures	**$24,424**	**$26,146**	**$ 1,722**	**7.1%**

Major repairs and replacement budget higher due to site drainage at Thornhill Green

Housing York is submitting a higher major repair budget than 2011 mainly due to a $1.5 million site drainage project for Thornhill Green, as shown below in Table 4.

Table 4
2012 Major Repairs Comparison
($000s)

	2011	2012
Funding from Operating	$1,123	$1,195
Funding from Reserves	1,859	3,457
Annual Plan Capital Budget	**$2,982**	**$4,652**
Social Housing Renovation and Retrofit Program Grants	797	-
Energy Management Strategy	914	402
Emergency Power Plan	440	440
Fairy Lake Garden Pond Remediation	575	575
Total	**$5,708**	**$6,069**

As is the case with most service providers, expenditures from the replacement reserve continue to exceed contributions resulting in a diminishing balance over time. The longevity of the mandatory capital reserve has been extended to 2015 based on current funding and spending models.

The energy management budget of $402,000 represents the fifth and final year of the five-year energy strategy. The payback period for the fifth year building retrofits is estimated to be eight years. Some borrowing is expected in 2011 from the $3,500,000 available for the energy management strategy, under the terms that were previously agreed to by the Board and Regional Council, with no borrowing expected for 2012.

Minimal increase of 1.8% in Manageable Cost per Unit

Manageable Cost per Unit is the most recognized indicator in the housing sector to measure controllable costs. This indicator includes maintenance and administration costs, insurance and bad debts expense divided by the number of units. Utilities, mortgage payments and property taxes are excluded from the calculation.

Housing York is expecting only a minimal increase of 1.8% from $3,584 in 2011 to $3,649 in 2012 in Manageable Cost per Unit due to a carefully managed, minimal increase in maintenance and administration and the increased economies of scale achieved through portfolio growth.

The Business Plan includes other key performance indicators such as unit turnover and tenant arrears. The turnover ratio will decrease from 11.2% in 2011 to 10.5% in 2012. The estimated decrease in percentage turnover is generated because, while the portfolio will increase in 2012, the annual number of move-outs is projected to remain at 235.

The tenant rent arrears, which is a measure of collection performance, is lowered to 6.5% in 2012 from 7.8% in 2011, to reflect a stabilizing economic outlook.

OUTLOOK, CHALLENGES AND OPPORTUNITIES

Strong performance through new initiatives

Housing York will continue the series of Board workshops launched in October 2011 as part of the Strategic Plan Process which will set the stage for the development of a five-year strategic plan. This plan will establish a roadmap for future programs, activities and business planning.

With the new *Housing Services Act, 2011* soon replacing the *Social Housing Reform Act, 2000* the legislative framework within which Housing York operates will change. We will collaborate with our System Service Manager in assessing the operational impact.

Housing York will remain focused on identifying customer service initiatives that will enhance service standards to meet tenant and community expectations. We will enhance communication vehicles to build strong relationships with our communities while considering the increasing diversity and complexity of residents' needs.

5. FINANCIAL IMPLICATIONS

The 2012 budget has been compiled within the Provincial funding formula guidelines and a $312,000 surplus is estimated. This is an improvement from the $64,000 estimated surplus for 2011. We are confident that with effective management of revenues and expenses, a surplus is achievable.

The Region receives federal subsidy in the amount of $1,319,000 to offset the total subsidies paid to Housing York. A summary of the funding sources (rents and subsidies) is shown in Table 2.

The growth in portfolio achieved through the addition of one acquisition and one new property in 2011, and two new properties in 2012 will add value in the long-term to the asset base and financial health of the organization. It will also bring some relief on the cost pressures that Housing York has been experiencing for several years but has successfully managed within the budget envelope to meet financial objectives.

Housing York subsidies have been calculated according to Provincial program benchmarks and escalation factors endorsed by the Service Manager. Housing York's subsidy requirement is included in the Region's 2012 budget estimates for the Social Housing Program. Subsidy covers about one third of Housing York's operating costs. Tenant rents along with minor miscellaneous income covers two thirds of Housing York's revenue requirement.

6. LOCAL MUNICIPAL IMPACT

Housing York provides housing services to communities across York Region which benefits all regional residents. Property taxes are paid on all buildings ensuring that local services relating to these properties are provided.

7. CONCLUSION

A surplus of $312,000 is projected for 2012. Housing York will continue to operate with a carefully managed operating budget throughout 2012.

This report recommends that the 2012 Business Plan and Budget for operating and capital expenditures of Housing York Inc. be approved.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager, Housing York Inc., at Ext. 2091.

Recommended by:

Sylvia Patterson Assistant General Manager	Bill Hughes Treasurer

Approved for Submission:

Adelina Urbanski
General Manager

November 16, 2011

Attachment - 1

SP/cc

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ATTACHMENT 1

York Region

2012 Business Plan and Budget

INTRODUCTION

Housing York Inc. (Housing York) is York Region's largest non-profit housing provider and the eighth largest in the province. We own and manage 2,201 units in 34 locations in all nine of York's municipalities.

The Regional Municipality of York provides management services to Housing York. York Region is the sole shareholder of the corporation. Governance is fulfilled by a Board of Directors which is comprised of mayors and regional councilors. The officers are comprised of senior regional staff.

The portfolio offers many types of affordable housing options, including townhouses, low-rise and high-rise apartments. Within these buildings are a range of accommodations, including accessible units for disabled residents. There are 1,518 senior's units and 683 family/single's units. Approximately 81% of the units are rent-geared-to-income and the balance of the portfolio is market rent units.

In 2012, Housing York will experience a 10% portfolio growth with the construction of Mapleglen Residences and Mackenzie Green buildings, adding 224 units. These properties are projected to have a range of affordable rents as part of the affordable housing program.

Housing York's tenant community is a reflection of the broader York Region community, with diverse cultural and social needs. We support residents with a broad variety of abilities and disabilities, integrating many community services into our neighborhoods.

In the last quarter of 2011, Housing York launched a Strategic Plan Process, a series of Board workshops between October 2011 and February 2012 which will set the stage for the development of a five-year strategic plan. This plan will align with strategic affordable housing initiatives identified by York Region and will establish a roadmap for future programs, activities and business planning.

In January 2012, the new Housing Services Act, 2011 will replace the Social Housing Reform Act, 2000. The change in the legislative framework includes more flexible administrative requirements.

We will continue in 2012 to monitor the impact of rising costs across the sector as it pertains to our revenue potential.

BUSINESS DRIVERS

Business drivers are external or internal influences that significantly impact and/or set direction for a corporation. Housing York's drivers, listed below, are embedded in the Statement of Principles and form the basis on which business goals and strategies are adopted.

Regional Housing Supply Strategy - Growing the housing corporation to provide more affordable living options to the residents of York Region.

Shareholder Standards - Maintaining assets to a high standard of repair, providing safe and secure environments for tenants, and delivering a high level of accountability.

Tenant Population - Recognizing the changing diversity of people that make their homes in our communities and responding to their needs.

Economic Conditions and Legislative Impacts – Managing economic pressures in a financially responsible manner, effective risk management and legislative compliance in all aspects of our business.

STRATEGIC AREAS OF FOCUS

During the business plan period, Housing York will focus its goals on growing communities, asset management, changing housing legislation, and financial accountability and performance.

1.0 OUR GROWING COMMUNITY

1.1 Emphasis on Growth

In the first quarter of 2012, Mapleglen Residences (Vaughan) will reach occupancy, and in the last quarter, the Mackenzie Green building will be introduced into our portfolio.

These buildings, like many others before, require their own community building strategy, engaging all parts of the Housing York organization and our new residents to ensure that:

- Resources are in place to bring additional buildings into service.
- Building systems are commissioned and operating in new developments as designed.
- Creating a positive move-in experience for new residents and ensuring that supports are in place to assimilate the new property into the community.
- Business supports and systems are in place for a smooth transition.

With thirty-eight percent growth over the past nine years, coupled with Housing York's 9th anniversary, there is a need to review, validate and establish the strategic direction for the housing company. To that end, a comprehensive strategic planning exercise is underway that includes consultations with key stakeholders and partners, and leadership from our Board of Directors. This process will consider our residents, resources, programs, assets, and governance.

1.2 Focus on Customer Service

The portfolio is growing and it is important to enhance customer service standards to ensure that we meet tenant and community expectations. Our approach to service has a dual focus, direct front-line initiatives that our tenants see and appreciate, and indirect administrative objectives that promote efficiency and financial accountability.

Direct Customer Service Initiatives

Introduce new tools for new residents including welcome kits, updated tenant handbooks, posters and resident friendly building signage. Develop customized service training that reflects our services, resources and tenants.

Continue to standardize communication activities and feedback opportunities about Housing York's customer service, maintenance, and tenant living experiences, with emphasis on turnover standards and move-in activities. Develop a property quality assurance program to monitor and measure consistency of service standards.

Customer Service Initiatives

Enhance building specific marketing plans to attract and retain tenants in buildings that have a market rent component. Investigate new electronic media marketing tools due to increased accessibility of potential tenants to internet and other social media tools.

2.0 OUR ASSET MANAGEMENT PROGRAM

By 2012, Housing York's portfolio will include five, state-of-the-art, energy efficient buildings that contain sophisticated operating systems. Older buildings are being retrofitted over a five-year period to a similar standard through the Energy Management Strategy program. By the end of 2012, this program will reach 100% completion.

2.1 Concentrate on Sustainability

Housing York will continue to reduce its environmental footprint by lowering its demand for heating, electricity and water.

Proceed with Year 5 of the energy management strategy by retrofitting five properties and manage the program to completion.

Conduct an information campaign throughout the portfolio to improve awareness about the Regional Electronic Equipment Recycling program.

Seek opportunities to expand the Richmond Hill organic waste diversion pilot program to all Housing York properties in other municipalities.

Implement *Ameresco* capital asset energy management program. This solution shall drive energy efficiency, leverage renewable energy and help Housing York achieve profitability and sustainability goals for our portfolio.

3.0 OUR HOUSING LEGISLATION

3.1 New Legislation – Housing Services Act, 2011

In January 2012, the current legislative framework will change as the new *Housing Services Act, 2011* will come into force replacing the *Social Housing Reform Act, 2000*. The new legislation preserves the administration and funding for housing providers through their prescribed relationship with Service Managers within a more flexible framework.

The increased flexibility will allow Service Managers to better meet local housing needs while having new opportunities to streamline process and create local approaches. Housing York will collaborate with our Service System Manager in assessing the operational impact of the new legislative framework.

4.0 OUR ACCOUNTABILITY AND PERFORMANCE

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

4.1 2012 Operating Budget

The economy has stabilized somewhat and Housing York is projecting a modest surplus in 2012.

Conservative assumptions were used for 2012 revenues and cost projections based on current performance and prescribed benchmark cost factors. Costs are escalating at a rate higher than the funding formula recognizes, particularly in administrative areas such as insurance and telecommunications. However, economies of scale are being achieved due to portfolio growth which contributes to the projected surplus.

The following table compares the 2012 base budget submission to the 2011 budget. For informational purposes, the 2011 estimated results are preliminary. The final results will be identified in the audited financial statements. Any operating surplus generated in 2011 will be allocated to Retained Earnings or the Capital Reserve, as allowed by the Service Manager.

The 2012 base budget forms a comparative picture of the portfolio on a year-over-year basis. The budget table shown on page 7 is adjusted to include the annualization of the properties brought into the portfolio in 2011, as well as the part-year budget for the properties joining the portfolio in 2012. The base budget for 2012 together with the budget adjustment form the 2012 total budget. The total budget becomes the new base budget for 2013.

2012 Base Operating Budget

($000)	2011 Total Budget	2011 Estimate	2012 Base Budget
Revenue			
Tenant Rents	15,695	15,194	16,066
Subsidy - York Region	7,484	7,359	7,659
Subsidy - Federal	1,319	1,319	1,319
Total Revenue	**24,498**	**23,872**	**25,044**
Operating Expenditures			
Operating	23,301	22,682	23,518
Public Housing Capital	1,123	1,123	1,195
Total Expenditures	**24,424**	**23,806**	**24,713**
Budget Surplus before Strategic Projects	**74**	**66**	**331**
Strategic Projects (1)	50	2	48
Operating Surplus after Strategic Projects	**24**	**64**	**283**
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	1,859	1,749	3,191
Expenditures	-1,859	-1,749	-3,191
New Funding Programs			
Social Housing Renovation and Retrofit Program (SHRRP Grants)(2)	797	797	0
Expenditures	-797	-797	0
Energy Management Reserve			
Contribution to Reserve	914	914	402
Expenditures	-914	-914	-402
Emergency Power reserve			
Contribution to Reserve	440	20	440
Expenditures	-440	-20	-440

(1) The strategic project started in 2011 will be completed in 2012.
(2) Additional SHRP funding available for 2011.

2012 Total Operating Budget

($000)	2012 Base Budget	2012 Adjustment[1]	2012 Total Budget
Revenue			
Tenant Rents	16,066	1,445	17,511
Subsidy - York Region	7,659	17	7,676
Subsidy - Federal	1,319	0	1,319
Total Revenue	**25,044**	**1,462**	**26,506**
Operating Expenditures			
Operating	23,518	1,433	24,951
Public Housing Capital	1,195	0	1,195
Total Expenditures	**24,713**	**1,433**	**26,146**
Budget Surplus before Strategic Projects	**331**	**29**	**360**
Allocation to Energy Management Reserve Strategic Projects [2]	48	0	48
Operating Surplus after Strategic Projects	**283**	**29**	**312**
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	3,191	266	3,457
Expenditures	-3,191	-266	-3,457
Energy Management Reserve			
Contribution to Reserve	402	0	402
Expenditures	-402	0	-402
Emergency Power reserve			
Contribution to Reserve	440	0	440
Expenditures	-440	0	-440

(1) The adjustment portion of the budget includes part year for properties acquired during last and current years: Mapleglen Residences – 6 months, Kingview Court expansion – 8 months, Thornhill Green – 2 months, Mackenzie Green – 3 months.

(2) The strategic project started in 2011 and will be completed in 2012.

4.2 2013 to 2015 Outlook Years

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

- Operating revenues and expenses will increase by two percent based on consumer price index forecasts and the budget adjustment impact of one new building, comprising 140 units, throughout the period.
- Contributions to and from the capital reserves are based on the 10-year capital plan.

Operating Outlook

($000)	2012 Total Budget	2013 Total Budget	2014 Total Budget	2015 Total Budget
Revenue				
Tenant Rents	17,511	18,632	19,005	19,385
Subsidy - York Region	7,676	8,059	8,288	8,544
Subsidy - Federal	1,319	1,319	1,319	1,319
Total Revenue	**26,506**	**28,010**	**28,612**	**29,248**
Operating Expenditures				
Operating	24,951	26,407	27,001	27,608
Public Housing Capital	1,195	1,374	1,442	1,533
Total Expenditures	**26,146**	**27,781**	**28,443**	**29,141**
Budget Surplus before Strategic Projects	**360**	**229**	**169**	**107**
Strategic Projects (1)	48	0	0	0
Operating Surplus after Strategic Projects	**312**	**229**	**169**	**107**
Capital Reserves (Provincial Reform and Regional Housing)				
Contribution to Reserves	3,457	2,225	2,027	1,514
Expenditures	-3,457	-2,225	-2,027	-1,514
Energy Management Reserve				
Contribution to Reserve	402	0	0	0
Expenditures	-402	0	0	0
Emergency Power Reserve				
Contribution to Reserve	440	0	0	0
Expenditures funded by Utility Savings or Borrowing	-440	0	0	0

(1) The strategic project started in 2011 will be completed in 2012.

4.3 Major Upgrades/Replacement (Capital) Program

All capital jobs fall into one of the following funding streams. A summary of each for 2012 is as follows:

Summary of 2012 Major Repairs

	($000)
Funding from Operating	1,195
Funding from Reserves	3,457
Annual Plan Capital Budget	**$4,652**
Energy Management Strategy	402
Emergency Power Plan	440
Fairy Lake Garden Pond Remediation	575
	$6,069

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

4.3.1 Annual Planned Capital Budget

Since 2004, a 10-year capital plan has been used as a managed approach to 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.

The following table summarizes the planned expenditures for 2012 to 2014 that are part of the annual planned capital budget.

2012 Major Repairs by Category

($000)	2011 Budget	2011 Estimate	2012 Budget	2013 Outlook	2014 Outlook
Planned Expenditures					
Roofing	75	84	76	260	276
Building	543	431	1236	1047	1517
Flooring	232	235	259	231	246
Elevator	150	83	33	228	84
Electrical	112	129	112	0	62
Equipment	50	50	124	20	53
Grounds	606	553	1791	705	321
Life Safety Systems	5	2	38	100	5
Heating, Ventilation and Plumbing	680	374	240	242	120
Painting	0	84	36	79	140
Plumbing	0	338	62	42	0
Minor Capital	155	155	175	175	175
Capital Overheads	374	374	470	470	470
Total Major Repairs/Replacements	2,982	2,872	4,652	3,599	3,469

4.3.2 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 will conclude in 2012.

When the program launched, we expected that utility savings, nominal third-party incentives and borrowing would fund the program. The availability of SHRRP grants for the last two consecutive years has reduced the borrowing requirement.

We are forecasting that by the end of the fifth and final year of the program, the net cost of the program will be less than $2,600,000 which is about 74% of the original estimate.

The following table identifies the buildings that will be retrofitted in 2012.

2012 Energy Management Work Plan

Year 5 of five year plan	($000)		
PROPERTY	**2012 ENERGY MANAGEMENT BUDGET**	**ANNUAL ESTIMATED SAVINGS**	**PAY BACK PERIOD (YRS)**
Rose Town	53.6	7.7	7
275 Woodbridge Avenue	24.9	4.2	6
Northview Court	60.9	6.4	10
Dunlop Pines	65.6	7.6	6
Mulock Village*	70.4	7.2	10
Direct Retrofit Investment in Buildings	275.4	33.1	8
Contracted Services and Administration	126.6	0	0
Total 2012 Retrofit Investment	402.0	0	0

* Tenants pay their own utility bills and therefore benefit directly from the retrofit investment.

4.4 2012-2014 Major Upgrades/Replacement Projects Greater Than $100,000

We are pleased to identify the larger jobs that are planned in our communities over the next three years.

Three Year Summary of Jobs Greater than $100,000

Municipality	Property	Description	2012	$000's 2013	2014
Georgina	North View Court	Bathroom Upgrade	130		
	Pineview Terrace	Windows/Balcony Door Upgrade	150		
	Keswick Gardens	Emergency Power Generators □	440		
	Keswick Gardens	Elevator Upgrade		200	
	North View Court	Window/Balcony Door Upgrade		140	
	Pineview Terrace	Parking Lot Upgrade - add more Parking			160
Markham	Thornhill Green	Site Drainage Phase 3 +Underground Parking	1,500		
	Trinity Square	Window Upgrade			365
Newmarket	Brayfield Manor	Playground Upgrade/Parking Expansion	120		
	Mulock Village	Kitchen Upgrade	330		
	Mulock Village	Playground Upgrade		120	
	Fairy Lake Gardens	Roof Replacement		200	
	Fairy Lake Gardens	Pond re-channelling and consulting*	575		
Aurora	Hadley Grange	Parking Lot Replacement (north and south)		160	
Richmond Hill	Springbrook Gardens	Furnace Replacement	200		
	Springbrook Gardens	Re-asphalt Private Roadway		100	
	Rose Town	Elevator Machine Room Cladding/Parapet Masonry			275
	Rose Town	Roof Replacement & Consulting			275
	Dunlop Pines	Roof Replacement			200
Total Projects Greater Than $100,000			**3,445**	**920**	**1,275**

□ Emergency Power Program
* Fairy Lake Gardens Remediation Reserve

4.5 Management of Reserves

4.5.1 Capital Reserve

The use of our 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 majority of the capital reserve is invested in the Social Housing Services Corporation's mandatory pooled investment fund for housing providers. While a variable rate of return is expected on investment holdings, a constant yield of two percent is assumed for the budget and outlook years.

Three Year Forecast of Capital Reserve Impacts

($000)	2010 Actual	2011 Estimate	2012 Budget	2013 Outlook	2014 Outlook
Provincial Reform and Regional Housing Programs					
Balance, Beginning of Year	4,706	4,558	5,071	2,670	1,480
Contribution to Reserves	745	2,178	962	981	1,001
Annual Investment Income	174	84	93	53	30
Annual Capital Expenditures	-1,067	-1,749	-3,457	-2,225	-2,027
Net Activity for the Year	-148	513	-2,402	-1,190	-997
Balance, End of Year	**4,558**	**5,071**	**2,670**	**1,480**	**483**

The longevity of the capital reserve has been extended to 2015 based on current funding and spending models.

4.5.2 Other Specified-Purpose Reserves
In addition to the mandatory capital reserve required under the Social Housing Reform Act, 2000, 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.

Insurance Reserve

($000)	2012 Budget
Balance beginning of 2012	$162,629
Annual Contribution from Operating Budget	25,000
Minor Claims Settlement (Estimate)	(25,000)
Net Activity for the Year	0
Balance, End of Year	**$ 162,629**

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 2012, 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.

Emergency Power Plan Reserve

($000)	2012 Budget
Balance, Beginning of 2012	$ 519,541
Annual Capital Expenditures	(440,000)
Net Activity for the Year	(440,000)
Balance, End of Year	**$ 79,541**

Fairy Lake Gardens Pond Remediation

The 2010 capital budget included $600,000 to restore the overflow pond at this Newmarket property. There is an accumulation of silt and minor contaminants that require attention. Housing York has partnered with York Region Environmental Services for this initiative. Environmental and public consultation was completed in 2010 at a cost of $25,000 and the balance of the budget has been reserved to complete the work in 2012.

Fairy Lake Garden Pond Remediation Reserve

($000)	2012 Budget
Balance, Beginning of 2012	$ 575,848
Annual Capital Expenditures	(574,848)
Net Activity for the Year	(574,848)
Balance, End of Year	**$ 0**

4.6 Key Performance Indicators

We use a variety of internal monitoring indicators to measure successes and potential improvement opportunities. The following indicators are annual measurements in the property management area of our business.

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 only a minimal increase of 1.8% due to foreseeable but carefully managed increases in maintenance and administration and the increased economies of scale achieved through portfolio growth.

Manageable Cost Per Unit

	2011 Total Budget	2011 Estimated	2012 Base Budget	2012 Total Budget
Housing York Average	$3,584	$3,720	$3,649	$3,647

Unit Turnover – identifies the number of units where a tenant vacates during the year divided by the total units in the portfolio. The number of move-outs in 2011 is expected to match the set goal which is a positive sign of tenant stability. Turnover estimates for 2012 reflect growth in the portfolio. The increased unit count decreases the turnover ratio slightly compared to 2011 goals.

Total Number of Tenant Vacancies

	2011 Goal	2011 Estimated	2012 Goal
Total Number of Move-outs	235	236	235
As a percent of Total Units	11.2	10.7	10.5

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.

Percentage of Current Tenant Rent Arrears

2011 Goal	7.8%
2011 Estimated	6.7%
2012 Goal	6.5%

5.0 BUSINESS PLAN SUMMARY

The key theme of this business plan is growth and strategic planning. The prospect of two additional buildings in 2012 is an exciting and challenging opportunity. Housing York will focus on maintaining our standards, programs and tenant relationships through the process of operationalizing the new properties.

The new buildings are expected to add long term value to the financial health of the organization. In the short term, Housing York will incur cost pressures preparing the new site in advance of generating rent revenue.

The energy management program enters the fifth and final year of the initial program to make retrofit investments to increase energy efficiency. As the program winds down, work will begin on developing the company’s future goals for sustainability.

Housing York will complete the strategic planning exercise in 2012 that will set the path for many years to come.

Despite external economic pressures, the financial outlook for Housing York remains positive for 2012. We project a significant surplus in 2012 relative to what was generated in the last two years, signalling that Housing York is currently in sound financial position.

A renewed focus on the long-term asset management and fiscal management policies, as we complete the strategic planning exercise, will be important in order to prepare for future financial challenges.