

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
December 9, 2009
Report of the
General Manager
and
Treasurer

HOUSING YORK INC. 2010 BUSINESS PLAN AND BUDGET

1. RECOMMENDATION

It is recommended that:

1. The Housing York Inc. 2010 Business Plan and Budget be approved.

2. PURPOSE

This report presents the 2010 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 for the 2010 budget year and two outlook years, and the planned objectives and key work initiatives for Housing York Inc.

Additionally, the Business Plan and Budget incorporates Year 1 of the Social Housing Renovation and Retrofit Program (economic stimulus funding) and Year 3 of the energy management strategy.

3. BACKGROUND

Housing York Inc. (HYI) annually seeks Board approval of its Business Plan and Budget. The 2009 budget is used as the basis for calculating the 2010 budget. Amounts for subsidy are driven by benchmark formulas. Revenues and expenses are determined using historical trends. The preliminary results for 2009 suggest that HYI met its budget objectives and will generate an operating surplus as planned, albeit smaller than anticipated, due to the weak economy.

2010 Business Plan focuses on three areas: growing communities, asset management, and performance

The 2010 Business Plan is consistent with the HYI Statement of Principles. Goals are structured in the following business areas:

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

This year and next, the take-up plans for infrastructure stimulus adds an additional focus. HYI will receive significant funding from the Social Housing Renovation and Retrofit Program for many capital projects across the portfolio. This work will help extend the economic life of the assets and capital reserves.

HYI's strategies continue to embrace quality property management services, controlling costs, minimizing risk, preparing for growth and ensuring legal compliance.

The Business Plan provides key performance indicators as a means of measuring results in specific areas of business. The key performance indicators for HYI are typical of those used by most housing providers in Ontario.

2010 Budget assumptions are conservative; economic contingency recommended for financial flexibility

Some notable observations about the budget submission include:

- Operating surplus in 2009 is forecasted to be \$354,000, prior to allocations for energy management and strategic costs.
- Operating surplus in 2010 is estimated at \$97,000, prior to allocations of \$50,000 for strategic projects and \$230,000 operating contingency, if needed.
- A draw on Retained Earnings up to \$183,000 may be required.
- Revenue is projected to increase 2.9 % over the 2009 budget.
- Operating expenses will be 3.2% higher, mostly attributable to one large environmental project in Public Housing Capital (which is funded as operating).

The budget outlook for 2011 and 2012 operating revenue and costs are estimated using an escalation factor of 2.0%. Costs related to major repairs/replacement expenditures are based on the 10-year capital replacement plan, Social Housing Renovation and Retrofit Program submissions and the Board approved energy management strategy.

4. ANALYSIS AND OPTIONS

Economic uncertainty leads to lower surplus operating income

The budget surplus of \$97,000 for 2010 is uncharacteristically low for HYI Budget pressures are noted for both revenue and expenses. A \$50,000 allocation for strategic projects related to growth is proposed from the surplus operating funds. In 2011, HYI will face unprecedented growth and in preparation, a review of Housing York Inc's Statement of Principles is planned to ensure that corporate identity remains strong. Organizational design and service delivery models will also be examined.

An economic contingency of \$230,000 is also proposed because of the recession. The funding formula requires that an operating surplus be budgeted. The 2010 funding formula indices, provided by the Ministry, were determined at the onset of the recession and are lower than the actual costs HYI is currently experiencing. This creates the potential for financial pressures from the onset.

The contingency, which is approximately 1% of the expenditure budget, will be set aside from surplus operating funds, if needed. It would be used to accommodate the following types of expenses:

- Higher maintenance costs than the funding formula recognizes.
- Emergency repairs on aging buildings.
- Uncontrollable rising costs for insurance, bad debts and overheads.

Using a large portion of the contingency funds would equate to a draw on prior year retained earnings. One of the intended purposes of retained earnings is to use accumulated surpluses during periods of economic frailty. The upcoming budget year is the first economic downturn that HYI has experienced.

The surplus for the 2010 Budget is compared to the 2009 Budget in Table 1.

Table 1
2009 Operating Surplus Comparisons
(\$000s)

	2009 Budget	2010 Budget	2010 Budget vs. 2009 Budget	
Total Revenue	22,573	23,216	643	2.9%
Total Expenditures	22,404	23,119	715	3.2%
Operating Surplus before Strategic Projects	169	97		
Strategic Projects	25	50		
Economic Contingency	-	230		
Operating Surplus after Strategic Projects	\$ 144	\$ -183		

Higher subsidy for Public Housing capital project drives up revenue 2.9%

Subsidy calculations are higher mostly due to one major environmental project in a Public Housing building, which is funded as operating. This capital project is discussed below in the section “Operating Expenses increase 3.2%; maintenance and salary costs held at 0% to meet funding guidelines”.

The capacity to generate revenue from tenant rents and other minor sources of operating income is essentially flat. While budget assumptions call for a 2% rent increase in market units, this affects only 27% of the portfolio. Rent-geared-to-income is forecasted to be unchanged from 2009. Interest income is expected to be lower as the recession has weakened Housing York Inc’s return on investments.

Table 2 provides comparative summarized revenue information.

Table 2
2010 Revenue Budget Comparisons
(\$000s)

	2009 Total Budget	2010 Total Budget	2010 Budget vs. 2009 Budget	
Tenant Rents	13,616	13,696	80	0.6%
Subsidy – York Region	7,638	8,201	563	7.4%
Subsidy - Federal	1,319	1,319	-	-
Total Revenue	\$22,573	\$23,216	\$643	2.9%

Historically, in a slower economy, some tenants require higher levels of subsidy due to the financial hardships they face. This could ultimately lower rent-geared-to-income revenue and subsidy outcomes which would be offset by higher subsidies from the Region.

Operating expenses increase 3.2%; maintenance and salary costs held at 0% to meet funding guidelines

Total operating costs are \$715,000 or 3.2% higher than 2009. This is comprised of two components, both of which have specific circumstances.

Operating expenses are higher than 2009 by \$380,000 or 1.8%, despite holding building and salary costs at 2009 budget levels

Budget pressures are noted across all cost categories. The single largest increase is seen in insurance, which is expected to be \$60,100 or 28.9% higher than 2009. This is considerably higher than the funding formula increase allows.

The reasons for higher insurance costs are threefold:

- Industry-wide increases across the Province.
- Prior claims experience in the social housing sector, primarily related to the period July 2009 to September 2009.
- The addition of a new building in the HYI portfolio (Leeder Place).

York Region Risk Management has reviewed the HYI policy and determined that the corporation is adequately insured at a competitive cost.

Other uncontrollable overhead costs, such as technology and telecommunications, also contribute to higher operating costs.

Public Housing capital costs are higher than 2009 by \$335,000 or 21.7%

A single \$600,000 environmental project at Fairy Lake Gardens is included in the budget.

The Board may recall pond remediation and environmental work was approved in the 2009 budget at a cost of \$360,000. A report during 2009 concluded the project was more complex than planned and the project was delayed. Since this work is funded from operating subsidy, the unused portion of the 2009 budget, amounting to over \$300,000, is returned to the Region in the annual subsidy settlement. The revised amount of \$600,000 is then resubmitted for the upcoming year. A portion of this cost may be recoverable from the Province.

Without this extraordinary project, the 2010 Public Housing Capital budget would have been \$1,280,000 or 17.1% lower than the 2009 budget.

Table 3 summarizes year over year operating costs.

Table 3
2010 Operating Expense Comparisons
(\$000s)

	2009 Total Budget	2010 Total Budget	2010 Budget vs. 2009 Budget	
Operating Expenditures	20,859	21,239	380	1.8%
Public Housing Capital	1,545	1,880	335	21.7%
Total Expenditures	\$22,404	\$23,119	\$715	3.2%

Major repairs and replacement (capital) budget significantly expanded to maximize new funding programs

HYI is submitting its largest capital budget ever as shown below in Table 4. The amount is approximately double to 2009.

Table 4
Summary of 2010 Capital Investments
(\$000s)

Annual Planned Capital Budget	3,070
Social Housing Renovation and Retrofit Program Grants	1,900
Provincial Social Housing Repair Program	500
Energy Management Strategy	661
Total	\$6,131

The annual capital budget of \$3,070,000 is within \$20,000 of the 2009 budget. These expenditures are based on the 10-year capital plan.

The funding for 2010 capital investments is shown in Table 5.

Table 5
2010 Funding Sources for Major Repairs
(\$000s)

Funding from Operating	1,880	61%
Funding from Reserves	1,190	39%
Total Funding	\$3,070	100%

Like prior years, expenditures from the capital reserve continue to exceed contributions creating a gradual diminishing balance over time. However, the life of the capital reserve has been extended by about two years as a result of the Social Housing Renovation and Retrofit Program funding. Current estimates now predict the Provincial Reform capital reserve will run out in 2016.

The Social Housing Renovation and Retrofit Program grants and the new Provincial Social Housing Repair Program, totalling \$1,900,000 and \$500,000 respectively, are funding opportunities that HYI welcomes. Both options allow HYI to advance projects from the 10-year plan or the energy management strategy. The projects put forward meet the funding criteria and can be completed within the limited window of opportunity.

The energy management budget of \$661,000 represents the third year of the five-year strategy. Five more buildings will be retrofitted including one townhouse site where the tenants benefit directly from the utility savings.

As mentioned, some energy conservation projects will now be funded by Social Housing Renovation and Retrofit Program. Early estimates suggest that the grants will reduce the gross costs of delivering HYI's five-year total energy management investment from \$3,500,000 to \$2,300,000. Some borrowing is expected in 2010 under the terms that were previously agreed to by the Board and Regional Council.

Key performance indicator—modest increase to manageable cost per unit

The Manageable Cost per Unit will increase to \$3,608 or 3.2% in 2010 from the 2009 budget. This amount will be higher if any of the proposed contingency is used.

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.

Other indicators reported in the Business Plan include unit turnover and tenant arrears. No significant change from 2009 is anticipated.

Information technology recommendation is forthcoming

HYI's technology platform was reviewed in 2009 as part of a branch-wide assessment. It concluded that HYI's current software is insufficient to meet current needs. A report will be brought forward in 2010, which will discuss a software upgrade that will enable HYI to manage its growing business.

5. FINANCIAL IMPLICATIONS

The 2010 budget has been compiled within the funding formula guidelines and a \$97,000 surplus is estimated. Budget pressures are probable. Rental income and investment revenue remain constant. Additionally, the benchmark factors used to escalate operating costs are viewed to be insufficient in certain categories based on current trends.

Therefore, an economic contingency, equal to approximately 1% of operating costs, has been proposed to provide some financial flexibility.

The impact of the recession will be monitored closely. HYI can withstand a short-term cyclical downturn. However, if financial pressures were prolonged, relief would be sought by appealing the benchmark funding formula with the Province and seeking additional funding from the Service Manager.

HYI subsidies have been calculated according to provincial program benchmarks and escalation factors endorsed by the Service Manager. HYI's subsidy requirement is included in the Region's 2010 budget estimates for the Social Housing Program. Subsidy covers about one third of HYI's operating costs. Tenant rents along with minor miscellaneous income covers two thirds of HYI's revenue requirement.

The Region receives federal subsidy in the amount of \$1,319,000 to offset the total subsidies paid to HYI.

6. LOCAL MUNICIPAL IMPACT

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

7. CONCLUSION

Housing York Inc. will operate under a very tight operating budget in 2010 while at the same time double its annual capital investment as a result of new funding programs. A surplus of \$97,000 is estimated, some of which will be allocated to fund strategic projects which are not part of the operating budget. A \$230,000 economic contingency is proposed.

This report recommends that the 2010 Business Plan and Budget for operating and capital expenditures of Housing York Inc. be approved and that the 2010 Business Plan and Budget be presented to the shareholder for its receipt.

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

The Senior Management Group has reviewed this report.

Recommended by:

Sylvia Patterson
Assistant General Manager

Approved for Submission:

Joann Simmons
General Manager

Lloyd Russell
Treasurer

November 26, 2009

Attachment - 1

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2010 Business Plan and Budget



INTRODUCTION

Housing York Inc. (HYI) is York Region's largest non-profit housing provider and the eighth largest in the province. We own and manage 1,977 units in 32 locations in all nine of York's municipalities.

The Regional Municipality of York is responsible for the management of Housing York Inc. The 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 1,395 senior's units and 582 family/single's units. Approximately 73% of the units are rent-geared-to-income and the balance of the portfolio is market rent units. We are positioned to grow the portfolio with two new buildings scheduled to come on board in 2011.

The current value of our housing communities is estimated at \$165,000,000. We use a ten-year capital plan and preventative maintenance programs to provide a clean, safe and secure environment at every location.

With the introduction of the Social Housing Renovation and Retrofit Program in 2009, we are positioned to use as much economic stimulus funding as possible. Every part of the organization is engaged to deliver approximately \$4,000,000 of additional funds over the next two years.

Many of HYI's tenants encounter complex living experiences. A growing multicultural population adds to the challenge of effective service delivery. Our business plans already include a strategic element of customer focus aimed at maintaining quality service to a diverse tenant population spread across a large geographic area. We're elevating our efforts to a new level in 2010 to support further communications activity during the intensified capital program.

The 2010 budget is based on conservative estimates during a challenging economic period. We will continue to monitor the impact of rising costs across the sector as it pertains to our operations and the funding formula.

Our Statement of Principles is the underpinning of our service delivery model. We remain committed to **"building strong communities"** in York Region.



1.0 OUR GROWING COMMUNITY

1.1 Focus on Growth

The next two years is a period of total commitment to capital intensification and preparing for new buildings to be added to the portfolio. The Social Housing Renovation and Retrofit Program (SHRRP) doubles our capital program in 2010 and 2011.

All parts of the HYI organization are involved in the take-up plans and delivery of the program. Our involvement in SHRRP will:

- Improve the health and safety of tenants living in HYI communities.
- Provide enhanced accessibility for seniors and persons with disabilities.
- Contribute to the reduction of operating costs through energy improvements.
- Add about two years to our capital reserve capacity.

Goal: Deliver more than \$6,000,000 of capital enhancements in 2010, representing a blend of traditional annual capital repairs, SHRRP initiatives, and the energy management strategy.

Goal: Prepare for the delivery of at least 124 new units in two buildings early in 2011.

1.2 Focus on Customer Service

The magnitude of our growth and major repairs creates a potential disruption to tenants in many buildings. Strengthening our customer service and communications strategy becomes ever more important. We are introducing leading-edge communication opportunities which make our services easier for tenants to understand and allow us to evaluate our effectiveness.

Goal: Obtain and measure ongoing feedback about HYI's customer service and tenant living experiences.

Goal: Develop and implement operational policies and statistical reporting of maintenance standards.

Goal: Enhance staff education opportunities for customer service and tenant communications.



2.0 OUR ASSET MANAGEMENT PROGRAMS

2.1 Focus on Sustainability

Another LEED (Leadership in Energy and Environmental Design) certified building was added to the portfolio in 2009 when the Leeder Family Shelter became operational. This gives HYI three state-of the-art buildings with sophisticated operating systems that support energy efficiency. The older buildings will be retrofitted over a five-year period at a cost of \$3,500,000.

Goal: Proceed with Year 3 of the program by retrofitting five sites, including a family townhouse community where tenants benefit directly from the investment.

Goal: Build in capacity during the design phase of new buildings for resident-friendly, three stream waste recycling.

3.0 OUR ACCOUNTABILITY AND PERFORMANCE

3.1 2010 Operating Budget

Despite the challenging economic uncertainty, HYI is estimating a budget surplus of approximately \$97,000. A portion of this surplus will be used for organizational strategizing related to growth and branding.

Conservative assumptions were used for 2010 revenues and costs based on fourth quarter consumer information and benchmark cost factors. However, cost pressures are apparent and expected to continue. An economic contingency has been set aside to provide flexibility for delivery services and programs during the recession. It would be used for unforeseen building costs and potentially higher bad debts, if needed.

The following table compares the 2010 budget submission to the 2009 budget. For informational purposes, the 2009 estimated results are preliminary and do not include final subsidy settlement calculations. The final results will be identified in the audited financial statements. Any operating surplus generated in 2009 will be allocated to Retained Earnings or the Capital Reserve, as allowed by the Service Manager.



2010 Operating Budget

<u>(\$000)</u>	<u>2009 Total Budget</u>	<u>2009 Estimate</u>	<u>2010 Total Budget</u>
Revenue			
Tenant Rents	13,616	13,735	13,696
Subsidy - York Region	7,638	7,121	8,201
Subsidy - Federal	1,319	1,319	1,319
Total Revenue	22,573	22,175	23,216
Operating Expenditures			
Operating	20,859	20,541	21,239
Public Housing Capital	1,545	1,280	1,880
Total Expenditures	22,404	21,821	23,119
Budget Surplus before Strategic Projects	169	354	97
Allocation to Energy Management Reserve		-231	
Strategic Projects ⁽¹⁾	25	25	50
Economic Contingency ⁽²⁾	-	-	230
Operating Surplus after Strategic Projects	144	98	-183
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	1,547	1,457	1,190
Expenditures under 10 Year Capital Plan	-1,547	-1,457	-1,190
New Funding Programs (Yr 1)			
Social Housing Renovation and Retrofit Program			1,900
Provincial Social Housing Repair Revenue	-	-	500
Expenditures under New Funding Programs	-	-	-2,400
Energy Management Reserve			
Contribution to Reserve	542	491	661
Expenditures	-542	-491	-661
Emergency Power reserve			
Contribution to Reserve	250	395	0
Expenditures funded by Utility Savings or Borrowing	-250	-395	0

(1) Includes expenditures primarily related to strategic initiatives not normally funded by operating revenue or subsidy. The 2010 budget relates to organizational planning for growth and branding.

(2) The budget assumptions for building costs were held at 2009 levels. Due to aging stock, typical emergency maintenance and the possibility of increased bad debts associated with the economy, approval to establish a contingency fund of \$200,000 from retained earnings is recommended.



3.2 2011 and 2012 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 impact of two new buildings in 2011.
- Contributions to and from the capital reserves are based on the 10-year capital plan.
- Revenues and expenditures for the stimulus funds are based on preliminary submissions to the Service Manager.
- Contributions to and from the energy management reserve are based on previously approved Board decisions.

Operating Outlook

<u>(\$000)</u>	<u>2010 Total Budget</u>	<u>2011 Total Budget</u>	<u>2012 Total Budget</u>
Revenue			
Tenant Rents	13,696	14,988	16,673
Subsidy - York Region	8,201	8,048	7,750
Subsidy - Federal	1,319	1,319	1,319
Total Revenue	23,216	24,355	25,742
Operating Expenditures			
Operating	21,239	22,617	24,318
Public Housing Capital	1,880	1,608	1,275
Total Expenditures	23,119	24,225	25,593
Budget Surplus before Strategic Projects	97	130	149
Strategic Projects ⁽¹⁾	50	0	0
Economic Contingency ⁽²⁾	230	0	0
Operating Surplus after Strategic Projects	-183	130	149
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	1,190	1,494	1,483
Expenditures under 10 Year Capital Plan	-1,190	-1,494	-1,483
New Funding Programs			
Social Housing Renovation and Retrofit Program	1,900	2,204	0
Provincial Social Housing Repair Revenue	500	0	0
Expenditures under New Funding Programs	-2,400	-2,204	0
Energy Management Reserve			
Contribution to Reserve	661	467	504
Expenditures funded by Utility Savings or Borrowing	-661	-467	-504



3.3 Major Repairs/Replacement (Capital) Program

The take up of the SHRRP program adds another significant element to an already strong capital work program. All capital jobs fall into one of four funding streams. A summary of each for 2010 is as follows:

Summary of 2010 Capital Investments

	<u>(\$000)</u>
Annual Planned Capital Budget	3,070
SHHRP Grants	1,900
Provincial Social Housing Repair	500
Energy Management Strategy	661
	<u><u>6,131</u></u>

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

3.3.1 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 2010-2012 that are part of the annual planned capital budget.

2010 Major Repairs by Category

<u>(\$000)</u>	<u>2009 Budget</u>	<u>2009 Estimate</u>	<u>2010 Budget</u>	<u>2011 Budget</u>	<u>2012 Outlook</u>
Planned Expenditures					
Roofing	116	317	430	0	0
Building	1,253	1,315	786	1,094	1,129
Flooring	478	442	387	447	420
Elevator	150	135	0	125	311
Electrical	62	68	84	304	0
Equipment	0	0	157	135	22
Grounds	654	451	901	388	467
Life Safety Systems	41	44	90	190	15
Heating, Ventilation and Plumbing	215	169	235	127	356
Painting	123	80	0	292	38
Total Major Repairs/Replacements	<u><u>3,092</u></u>	<u><u>3,021</u></u>	<u><u>3,070</u></u>	<u><u>3,102</u></u>	<u><u>2,758</u></u>



The funding breakdown for 2010 major repairs/replacement budget is as follows:

2010 Major Repairs/Replacement Budget

	(\$000)	
<u>Program</u>	<u>2010 Budget</u>	<u>Funding Source</u>
Public Housing Operating	1,880	Operating Budget
Capital Reserves	<u>1,190</u>	Capital Reserve
Total	<u>3,070</u>	

3.3.2 New Funding -Social Housing Renovation and Retrofit Program and Provincial Social Housing Repair Program

The two-year SHRRP program is the result of economic action plans funded by the federal and provincial governments. The grants allocated to HYI significantly enhance capital investments in our housing stock.

The allocations made available to HYI are shown below. These amounts could be adjusted depending on take-up plans across the Region and HYI's capacity to further maximize available funding.

Summary of Two-Year Stimulus Funding

	(\$000)	<u>2010</u>	<u>2011</u>
Social Housing Renovation and Retrofit Program		1,900	2,204
Provincial Social Housing Repair Program		500	-
		<u>2,400</u>	<u>2,204</u>

The work plan submitted by HYI is ambitious but achievable. We are targeting jobs that were in advanced stages of planning from both the 10-year capital plan and the energy management program so that we could accomplish the work in the two-year window.

3.3.3 Energy Management Strategy

HYI is investing 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 recent availability of SHRRP grants will significantly reduce the borrowing requirement.

We are forecasting that by the end of Year 5, the net cost of the program will be \$2,300,000.



This is about 66% of original estimates which will be funded from internal utility savings and borrowing. Approximately \$1,200,000 or 34% will now be funded through free, third party financing, including SHRRP and energy conservation incentives.

The following table identifies the buildings that will be retrofitted in 2010.

2010 Energy Management Work Plan

Year 3 of five year plan		(\$000)	
<u>PROPERTY</u>	<u>2010 ENERGY MANAGEMENT BUDGET</u>	<u>ANNUAL ESTIMATED SAVINGS</u>	<u>PAY BACK PERIOD (YRS)</u>
Trinity Square, Markham	60.0	22.7	-
East Court, Georgina	21.1	3.6	-
Evergreen Terrace, Richmond Hill	150.0	8.9	16.9
Dunlop Pines, Richmond Hill	195.4	8.8	22.2
Hadley Grange, Aurora	86.0	9.3	9.2
Direct Retrofit Investment in Buildings	512.5	53.3	16.0
Contracted Services and Administration	148.5	-	-
Total 2010 Retrofit Investment	661.0	-	-

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

3.4 2010-2012 Major Repairs/Replacement Projects Greater Than \$100,000

The following listing includes jobs that are funded from both the annual capital budgeting process as well as SHRRP grants. There are no jobs greater than \$100,000 being funded from the Energy Management Reserve in 2010. The larger conservation jobs were transferred to new funding programs to lessen borrowing requirements for energy retrofits.



Three Year Summary of Jobs Greater than \$100,000

			(\$000)		
<u>Municipality</u>	<u>Property</u>	<u>Description</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Aurora	Orchard Heights Place	Bathroom upgrade	250		
	Orchard Heights Place	Link building to 57 Orchard Heights Place *		225	
	Hadley Grange	parking lot replacement (north and south)			100
East Gwillimbury	Oxford Village	Improve site drainage and parking lot repairs *		135	
Georgina	Glenwood Mews	Bathroom Upgrade		225	
	Glenwood Mews	High efficiency furnace replacements *	115		
	Glenwood Mews	Curb and asphalt replacement *	330		
	Keswick Gardens	Partial asphalt resurfacing		150	
	Keswick Gardens	Elevator upgrade			200
	Keswick Gardens	Roof replacement *		200	
	North View Court	Window/balcony door upgrade		140	
	North View Court	Bathroom upgrade			160
	North View Court	Bathroom upgrade			130
	Pineview Terrace	Window/balcony door upgrade			132
King City	Kingview Court	Bathroom upgrade *	110		
	Nobleview Pines	Bathroom upgrade *	100		
	Kingview Court	Sanitary Sewer Connection to municipality *		100	
Markham	Trinity Square	Landscape upgrades *		290	
Newmarket	Brayfield Manor	Playground upgrade/parking lot expansion			120
	Fairy Lake Gardens	Pond re-channelling and consulting	600		
	Fairy Lake Gardens	Suite & Distribution panel breaker upgrade		160	
	Fairy Lake Gardens	Roof replacement *	175		
	Fairy Lake Gardens	Replacement of heating boilers and pumps *	100		
	Founders Place	Roof Replacement	175		
	Founders Place	Emergency Generator Upgrade		150	
	Heritage East	asphalt parking upgrade			114
	Heritage East	Ramp and retaining wall replacement *		325	
	Mulock Village	Kitchen Upgrade		325	
Richmond Hill	Mulock Village	Higher efficiency furnace replacement *	286		
	Evergreen Terrace	Roof replacement *	175		
	Rose Town	Parking lot replacement *		105	
	Springbrook Gardens	Roof replacement	135		
	Springbrook Gardens	Furnace replacement			242
Whitchurch-Stouffville	Elmwood Gardens	Bathroom Upgrade *		200	
Total Projects Greater Than \$100,000			2,551	2,730	1,198

* Jobs funded from SHRRP grants.



3.5 Capital Reserve Outlook

The use of reserves differs by program as specified in our various subsidy formulas. For presentation purposes they are consolidated but the individual reserves are managed separately. The Public Housing program does not maintain a Capital Reserve.

Most of the capital reserve is invested in the Social Housing Services Corporation 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.

Because of the additional SHRRP funding that has been made available, the longevity of the capital reserve has been extended by about two years to 2016 based on current funding and spending models.

Three Year Forecast of Capital Reserve Impacts

<u>(\$000)</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Budget</u>	<u>2011 Outlook</u>	<u>2012 Outlook</u>
Provincial Reform and Regional Housing Programs					
Balance, Beginning of Year	5,444	5,109	4,361	3,904	3,146
Contribution to Reserves	671	633	646	659	672
Annual Investment Income	324	102	87	78	63
Annual Capital Expenditures	-1,330	-1,483	-1,190	-1,495	-1,483
Net Activity for the Year	-335	-748	-457	-758	-748
Balance, End of Year	5,109	4,361	3,904	3,146	2,397

3.6 Emergency Power Strategy

Originally launched in 2004 with an approved budget of \$910,500, this program is about 90% spent. A summary report will be issued to the Board of Directors in 2010 highlighting the outcomes of the strategy and the final plans for wrapping up residual provisions.

3.7 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, corporate overheads, insurance, and bad debts expense.

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.

Manageable Cost Per Unit

<u>(\$000)</u>	<u>2009 Budget</u>	<u>2009 Estimated</u>	<u>2010 Total Budget</u>
HYI Average	3,492	3,464	3,608

Unit Turnover – identifies the number of units where a tenant vacates during the year divided by the total units in the portfolio. Our ratio is not expected to change much in 2010.

Total Number of Tenant Vacancies

	<u>2009 Goal</u>	<u>2009 Estimated</u>	<u>2010 Goal</u>
Total Number of Move-outs	230	234	235
As a percent of Total Units	11.6	11.9	11.9

Tenant Arrears – All activities pertaining to collecting tenant accounts follow relevant legislative requirements or Board approved policies. The percentage of Current Tenant Arrears greater than 30 days/Rent Revenue is a measurement to determine effectiveness of collection performance.

Percentage of Current Tenant Arrears

2009 Goal	8%
2009 Estimated	8%
2010 Goal	8%



In a weak economy it is typical for some tenants to require higher Rent-Geared to-Income (RGI) subsidy levels, stay in social housing units longer, or default on rent payments. We are experiencing challenges with rent collection for family tenants but remain consistent in our collection efforts. We intend to review our Collection of Tenant Accounts Policy for the recovery of former tenant arrears in 2010.

4.0 INFORMATION TECHNOLOGY (IT) STRATEGY

Following a review of our property management and financial systems in 2009, it is apparent that our current enterprise-wide software will not sustain operations as the corporation grows. A solution will be tabled in 2010.

5.0 BUSINESS PLAN SUMMARY

Despite external economic pressures, the financial outlook for HYI remains favourable. We expect to generate an operating surplus in 2010 as required under the *Social Housing Reform Act, 2000*, but it will be smaller than past history. Pressures on maintenance and administration costs are probable because building budgets have been held at 2009 levels. A contingency line has been incorporated into the budget to accommodate economic uncertainty.

The new capital funding programs have touched points on every aspect of service delivery. The organization welcomes the significant investment in the buildings and is focussed on taking up as many major repair projects as possible during the two year economic action plan.

The strategic focus for customer service, communications and internal staff training becomes critically important during the period of capital infusion and growth. Our communications strategy will be augmented to address the tenant impacts while buildings are under repair.

Housing York Inc. will continue to monitor the impact of the economy on the portfolio. Investment income is expected to remain relatively low and RGI subsidy requirements may exceed budget estimates. The latter scenario would affect the Service Manager through the funding formula.

