THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
June 2, 2004
Report of the
General Manager
and
Treasurer

2003 FINANCIAL STATEMENTS

1. RECOMMENDATIONS

It is recommended that:

1. The 2003 Financial Statements and explanatory notes for Housing York Inc. along with the Auditor's Report (*see Attachment 1*) be received by the Board and submitted to The Regional Municipality of York, Service Manager and Shareholder.

2. The 2003 Annual Information Report for the Provincial Reform (Municipal Non-Profit) properties (*see Attachment* 2) be received by the Board and submitted to The Regional Municipality of York, Service Manager and Shareholder.

2. PURPOSE

The first annual financial statements for Housing York Inc. are presented to the Board of Directors for approval. The 2002 results of the former housing corporations have been restated in a consolidated format in order to facilitate a year-over-year comparison.

The financial statements are presented to the Board of Directors in accordance with the requirements of the *Business Corporations Act (Ontario).* Board approval of audited financial statements is also required as an annual submission to The Regional Municipality of York in its role as Service Manager and for inclusion in the Region's overall financial results.

3. BACKGROUND

The 2003 audit for Housing York Inc. (HYI) was completed in March 2004 by the audit firm of KPMG. The HYI audit falls under the umbrella of the full York Region audit to ensure that inter-company transactions, such as subsidy, are fully examined on both sides.

In 2003, HYI operated housing properties with two separate housing programs. Seventeen properties fall under the Public Housing Program and nine properties under the Provincial Reform Housing Program.

An Annual Information Return has also been prepared for the Provincial Reform properties as required for the Service Manager.

The program delivery and funding formulas for both portfolios have remained the same as those that were in place prior to the transfer of administrative responsibilities to York Region in November 2001.

3.1 Provincial Reform (Municipal Non-Profit)

HYI operated 823 units of affordable housing under the Municipal Non Profit Housing program. This portfolio maintains a capital reserve replacement fund and retained earnings. Under program rules, certain surplus operating funds may be retained at year-end and contributed to retained earnings. There are nine buildings in this program, all of which are financed by mortgages and identified on the balance sheet of HYI.

3.2 Public Housing

HYI operated 872 units of affordable housing under the Public Housing Program. A Capital Reserve Replacement Fund and retained earnings are not currently maintained in this portfolio. There are 17 buildings in this Program which are financed by Provincial debenture through York Region and no balance sheet values are identified at the HYI level, as a result.

3.3 New Projects

There is no financial statement activity to report in 2003 as a result of the delayed opening of Armitage Gardens until February 2004.

4. ANALYSIS AND OPTIONS

4.1 Financial Summary

The financial statements are comprised of a Balance Sheet, Statement of Revenue and Expenditures and Retained Earnings, Statement of Cash Flows and supplementary notes and schedules. All statements are consolidated at the corporate level of HYI, however, revenue and expenditure results for the programs are also provided as schedules in the notes to the financial statements.

It should be noted that while York Region provides distinct formula-driven funding for both housing programs, the Province legislates the program administration requirements for both the Provincial Reform and Public Housing portfolios.

4.2 Financial Analysis

HYI improved its financial position in 2003 as a result of an operating surplus of $342,788 and an increase in Retained Earnings to $2,917,254. On December 31, 2003 the Capital Replacement Reserve amounted to $5,838,000.

4.2.1 Balance Sheet

As at December 31, 2003, HYI has total assets of $100,130,212 of which 86% was in property holdings, net of accumulated depreciation. Restricted cash items include tenant rental deposits and the reserve fund. For informational purposes, $5,611,282 or 96% of the reserve fund is invested in the Social Housing Services Corporation (SHSC) mandatory investment program.

As at December 31, 2003, HYI has liabilities of $91,374,958 of which 95% or $86,646,184 is attributable to mortgages on the Provincial Reform properties. The current portion of mortgages payable is significantly less than 2002 as the mortgage at Hadley Grange matured in 2003 and was subsequently renegotiated, compared to two mortgage renewals in the prior year.

The equity is solely attributable to the Provincial Reform portfolio. On December 31, 2003 it was $8,755,254, an increase of $587,343 over the prior year. The increase is due to a net increase in the Provincial Reform (MNP) Capital Replacement Reserve Fund of $244,555 and as noted earlier, an operating surplus of $342,788.

4.2.2 Statement of Revenue and Expenditures and Retained Earnings

The Statement of Revenue and Expenditures and Retained Earnings is a new presentation format for HYI. It incorporates results by program as well as general and administrative revenues and expenditures.

Total revenues were approximately $125,000 or 1% lower than budget. Operating revenue, which includes rental income as well as sundry revenue generated from parking, laundry and non-shelter sources accounts for about 65% of the revenue flow compared to budgeted levels of about 63%. Higher than planned operating revenue combined with lower than expected operating costs reduced subsidy eligibility by $584,759 or 10.3% less than budget. Property Management Fees and Program Administrative Recoveries were essentially on budget. Other and Interest Revenue of $342,784 is comprised of final subsidy settlement calculations and interest earned on investments. Due to the nature of the final annual adjustments, this item is typically not budgeted.

Total actual expenses were $467,710 less than budgeted expenses. Approximately 50% of this favourable variance or $225,000 is attributable to a large elevator replacement job in the Public Housing portfolio, which is funded through operating funds. The complex nature of the work necessitates a long planning cycle and while some prepatory work took place in 2003, the expenditure portion of the job was deferred until 2004 and has been re-budgeted accordingly. The remaining savings in the building categories is reflective of under spending in all areas, offset by overspending in Building Materials and Services. Ongoing cost pressures that directly support the maintenance and marketability of the buildings resulted in overspending $122,871 or 11.1% more than budget. While HYI was able to absorb this through managed spending in other areas, it is recognized that rising costs in the market place for commodities such as contracted services, insurance and utilities will continue to stress the Corporation.

It should be noted that the expenses of $75,357 pertaining to landlord subsidies in 2002 reflects activity around the administration of the Rent Supplement Program which the Public Housing Program formerly managed locally. There is no activity in 2003 as a result of this program being transferred to York Region to be administered at the Service Manager level.

The excess of revenue over expenditures was $760,730 of which $417,942 was transferred to the Capital Reserve Replacement Fund as mandatory contribution under program rules for the Provincial Reform properties. In 2003 the calculated operating surplus of $342,788 is recognized as Retained Earnings for HYI.

4.2.3 Statement of Cash Flows

This statement monitors the movement of funds in and out of HYI throughout the year. The balance of $6,767,968 at the end of 2003 reconciles to the bank balance identified on the balance sheet.

4.2.4 Major Repairs/Replacement Expenditures (Capital)

As noted earlier, major repairs and replacement expenditures from the Provincial Reform portfolio are funded from the capital reserve. The value of the reserve increased by $244,555 in 2003 as a result of mandatory contributions of $417,942 and interest earned of $170,240, offset by expenditures of $343,627.

Major repairs and replacement expenditures in the Public Housing portfolio are funded through the subsidy payment process. In 2003 major repairs and replacement expenditures were $805,435 which is 78.2% of the 2003 budget of $1,030,045. A deferred job has been re-budgeted for 2004.

5. FINANCIAL IMPLICATIONS

There are no new financial implications for this report; however, the following are notable indicators of the net financial position of HYI as at December 31, 2003:

- Current Value Assessment of all properties in 2003 is approximately $135 million based on 2003 Municipal Property Assessment information.
- Provincial Reform (MNP) mortgage value of properties is $86,646,184.
- Provincial Reform (MNP) retained earnings is $2,917,254.
- Provincial Reform (MNP) Capital Replacement Reserve is $5,838,000.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal impacts associated with this report.

7. CONCLUSION

Housing York Inc. has continued to operate its programs in accordance with program requirements and funding formula expectations. Major repairs and replacements have been made within the limits of the budget and capital improvement plan.

The Senior Management Group has reviewed this report.

Prepared by:

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Reviewed by:

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Recommended by:

Joann Simmons General Manager	Sandra Cartwright Treasurer

Approved for Submission:

Michael R. Garrett
President

May 27, 2004

Attachments - 2
KC/dm

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