THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
December 8, 2004
Report of the
General Manager

PROVISION OF LAUNDRY SERVICE AND RATE TRANSITION PLAN

1. RECOMMENDATIONS

It is recommended that:

1. A Request for Proposal be prepared for the provision of laundry services in Housing York Inc. properties and the General Manager be authorized to execute the agreement on the Corporation's behalf, subject to the prior review of the Corporation's Solicitor.

2. A phased-in laundry rate increase reflected in *Table 4* be implemented to achieve consistency of laundry rates for residents in Housing York Inc. properties.

2. PURPOSE

The purpose of this report is to seek approval for the standardization of laundry services for Housing York Inc. (HYI) residents and the creation of a wash/dry laundry rate equalization plan.

3. BACKGROUND

Housing York Inc. properties provide residents with on-site coin operated laundry rooms.

Laundry revenue is important to the financial position of HYI. Funding provided through the housing program anticipates each housing corporation will receive revenue and therefore offset the cost of its operations. It is incumbent upon HYI to maximize its revenue generation in all areas of operation.

The transition to one housing company brought together properties with different methods for providing resident laundry services. Creating a single service model will improve administrative efficiency and strengthen HYI's purchasing power, enabling maximum revenue generation.

Additionally, with the transition HYI residents are currently paying varying laundry rates for the same service therefore there is a need to establish a consistent rate to ensure equity across the HYI portfolio.

3.1 Provision of Laundry Services

3.1.1 Concession Laundry Equipment

Often landlords will enter into an agreement with a private company specializing in the provision of laundry services. These companies provide the laundry equipment, collect the revenues, maintain accounting and inventory equipment records and are responsible for the ongoing equipment maintenance. In return they receive a share (approximately 35%) of the laundry revenues collected.

Emerging from the transition, HYI has three different concessionaire laundry service agreements.

Nine properties (823 units) are covered by an agreement with Coinamatic Canada Inc. The agreement expired on December 1, 2003 and continues on a month to month basis. In 2004, HYI expects to generate total revenue of $101,000 ($123 per unit). Rates for washing and drying are $1.25 per cycle.

Two properties (197 units) are covered by a similar agreement originally with Harco Leasing Inc. This agreement expired on December 1, 2002 and continues on a month to month basis. In 2004, HYI expects to generate total revenue of $8,500 ($43 per unit). Rates for washing and drying are $0.50 and $0.75 per cycle respectively.

One property (58 units, Armitage Gardens) recently opened and there is an agreement with Coinamatic until February 28, 2008. In 2004 the laundry is expected to generate $5,000 ($86 per unit). Rates for washing and drying are $1.50 per cycle, a rate considered to be an average market rate across York Region.

3.1.2 HYI Owned Laundry Equipment

Fourteen properties (665 units) have five year old equipment owned and maintained by HYI. There is an agreement with Coinamatic for the collection and accounting of the coins for which they receive 5% of revenue approximately $2800 per year. However, Coinamatic have indicated they no longer wish to perform the coin collection only service. This one-year agreement’s next renewal date is February 1, 2005 and may be cancelled upon 30 days notice prior to the expiry date. In 2004, HYI expects to generate total revenue of $56,000 ($85 per unit) from these properties. Rates for washing and drying are $1.00 per cycle.

3.2 Wash/Dry Cycle Rates

With the transition from two housing companies to HYI the portfolio has properties where residents receive the same laundry services but pay different rates and laundry rates have not increased for several years.

Twelve percent of HYI residents are paying an exceptionally low washing and drying rates of $0.75 and $0.50 per cycle respectively.

Thirty-nine percent of residents are paying $1.00 per cycle, while forty-nine percent are paying $1.25 per cycle.

4. ANALYSIS AND OPTIONS

4.1 Provision of Laundry Services

Essentially HYI may decide between providing services through a private concessionaire or providing it directly by purchasing its own equipment. *Tables 1* and *2* provide a detailed financial cost of the two service delivery options. *Table 3* provides a cost comparison between the two service delivery methods.

Table 1
Annual Cost for Private Concessionaire Option

Annual Laundry Revenue	$171,000
Estimated Concessionaire Share	35%
Estimated Total Annual Service Cost	**$60,000**

Table 2
Annual Cost for HYI Equipment Ownership Option

Annualized Capital Cost	170 machines @ $1000 each and amortized over a 5 year replacement cycle	$34,000
Annual Maintenance Cost	70 repair calls/year @ $200 per repair	$14,000
Annual Administration Costs	40 hours/month (collection of 57,000 coins per month, double counting, accounting, banking)	$18,700
Allowance for Damaged Clothing		$1,000
Estimated Total Annual Service Cost		**$67,700**

Table 3
Cost Comparison of Options

	Ownership	Concessionaire
Estimated Annual Revenue	$171,000	$171,000
Forecasted Service Cost	($67,700)	($60,000)
Net Revenue	$103,300	$111,000
Net Benefit		**$7,700**

4.1.1 Benefits of the Concessionaire Service Option

Table 3 demonstrates there will be an additional $7,700 in annual revenue received using the private concessionaire service option. Aside from the monetary benefit there are numerous intangible benefits derived from a concessionaire service. Concessionaire companies provide industry expertise in maximizing services to residents and revenues to HYI. They also possess the latest in technological advances like “Smart Cards”. The card system eliminates the coin-operated washers and dryers and offers residents a safer, more convenient and economical laundry room. The “Smart Card” also allows for smaller incremental laundry rate increases than the typical $0.25 minimum in coin-operated equipment.

Before pursuing the “Smart Card” feature staff will consult with residents, in particular our seniors since each resident would require a bank card to use the laundry equipment.

Concessionaire services will ensure we avoid underutilizing our management staff to collect and count coins. Also, the private service prevents HYI from taking on an unacceptable security risk of our staff routinely transporting cash.

Concessionaire companies provide an immediate and prompt repair telephone number for residents, thereby avoiding the involvement of our operational staff.

As well, with the establishment of a new service contract the Request for Proposal will allow HYI to specify more energy efficient equipment, resulting in reduced energy consumption.

4.2 Wash/Dry Cycle Rates

The majority of HYI residents have fixed incomes from either pensions or social assistance and therefore the impact of increases in service cost is a concern. However, HYI is experiencing increases in the cost of providing the services primarily due to increased utility rates. Reasonable service rates encourage residents to maximize the use of the equipment and also discourages non-residents from using the equipment and benefiting from below-market rates.

As part of the ongoing transition work HYI should establish consistent and reasonable service rates to ensure residents have equitable service rates and maximize the use of the equipment and utilities. *Table 4* details a proposed rate transition plan over a three-year period. The plan balances the need to set fair and consistent rates with the appreciation that many residents are accustomed to the below market rates and require time to absorb rate increases.

Table 4
Wash/Dry Cycle
Three-year Proposed Rate Transition Plan

Number of Properties	Number of Units	Current Per Cycle Rate	2005 Per Cycle Rate	2006 Per Cycle Rate	2007 Per Cycle Rate
2	197	$0.50/$0.75	$1.00	$1.25	$1.50
14	665	$1.00	$1.25	$1.25	$1.50
9	823	$1.25	$1.25	$1.25	$1.50

The 2005 rate increase would take effect coincident with the new concessionaire service contract.

5. FINANCIAL IMPLICATIONS

The housing program funding formula expects HYI to generate laundry revenue to assist in offsetting operating costs. Providing resident laundry services through a private company will reduce the cost by an estimated $7,700 annually.

Accepting the proposed rate increase will generate estimated additional revenue of $8,000 in 2005, $3,700 in 2006, and $36,000 in 2007.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact as a result of this report.

7. CONCLUSION

Establishing a unified concessionaire laundry service will establish a consistent service delivery model and ensures HYI maximizes revenues while providing service through an experienced private company.

Also approving a plan to equalize laundry rates to HYI residents will create fairness in the service charges across the portfolio.

The Senior Management Group has reviewed this report.

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