

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
March 11, 2009
Report of the
General Manager
and
Treasurer

HOUSING YORK INC. 2009 BUSINESS PLAN AND BUDGET

1. RECOMMENDATIONS

It is recommended that:

1. The 2009 Business Plan and Budget be approved.
2. The 2009 Business Plan and Budget be presented to the shareholder for its receipt.

2. PURPOSE

This report presents the 2009 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 2009 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 the 2009 phase of the energy management strategy and the emergency power strategy.

3. BACKGROUND

Housing York Inc. annually seeks Board approval of its Business Plan and Budget. The 2008 Budget is used as the basis for calculating the 2009 budget. Amounts for subsidy are driven by benchmark formulas. Revenues and expenses are determined using historical trends. The preliminary results for 2008 suggest that Housing York Inc. met its budget objectives and will generate a higher operating surplus than planned.

2009 Business Plan focuses on three areas: tenant relationships, asset management, and performance

The 2009 Business Plan is consistent with the Housing York Inc. Statement of Principles and its goals are structured in the following business areas:

- Tenants and Community.
- Asset Management Programs.
- Financial Accountability and Performance.

Overall, the Business Plan strategy has traditionally focussed on providing quality property management services, extending the useful life of housing assets, reducing costs, minimizing risk, preparing for growth and ensuring legal compliance. This year, continuous customer service improvement is an additional focus.

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

Budgeted surplus in 2009 provides financial flexibility

Some notable observations about the budget submission include:

- Operating surplus in 2008 is forecasted to be \$342,000.
- Operating surplus in 2009 is estimated at \$169,000.
- A contribution to Retained Earnings is projected at \$144,000.
- Revenue increases 3.8% over 2008 Budget.
- Operating expenses increase 4.7% and reflect realistic building and materials costs.

The Budget Outlook for 2010 and 2011 is estimated using an escalation factor of 2.0%. Costs related to major repairs/replacement expenditures are based on the 10-year capital replacement plan.

4. ANALYSIS AND OPTIONS

Budgeted operating surplus of \$169,000 meets all funding formula requirements

Revenues will exceed operating expenses by \$169,000 of which \$25,000 will be invested in previously approved strategic projects that are carried over from last year. The remaining budgeted surplus of \$144,000 will be contributed to Retained Earnings.

The surplus for the 2009 Budget is compared to the 2008 Budget in Table 1.

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

	2008 Base Budget	2009 Base Budget	Annual- ization	2009 Total Budget	2009 Base vs. 2008 Base		2009 Total vs. 2008 Base	
Total Revenue	\$21,743	\$22,353	\$221	\$22,573	\$610	2.8%	\$830	3.8%
Total Expenditures	21,404	22,184	221	22,404	780	3.6%	1,000	4.7%
Operating Surplus Before Strategic Projects	339	169	-	169	-	-	-	-
Strategic Projects	155	25	-	25	-	-	-	-
Operating Surplus After Strategic Projects	\$ 184	\$ 144	-	\$ 144	-	-	-	-

Revenue is 3.8% higher than 2008 Budget

With the annualization of Tom Taylor Place, (a housing development, located in the Town of Newmarket) in the 2009 Budget, total revenue is \$830,664 or 3.8% higher than the 2008 base budget. Tenant rents and other miscellaneous income fund about two-thirds of Housing York Inc.'s total operating expenses. Table 2 provides comparative summarized revenue information.

Table 2
2009 Revenue Budget Comparisons
(\$000's)

Revenue	2008 Base Budget	2009 Base Budget	Annual- ization	2009 Total Budget	2009 Base vs. 2008 Base		2009 Total vs. 2008 Base	
Tenant Rents	\$13,219	\$13,396	\$221	\$13,616	\$177	1.3%	\$397	3.0%
Subsidy – Region	7,205	7,638	-	7,638	433	6.0%	433	6.0%
Subsidy – Federal	1,319	1,319	-	1,319	-	-	-	-
Total Revenue	\$21,743	\$22,353	\$221	\$22,573	\$610	2.8%	\$830	3.8%

The budget assumes market rents increase 1.8% as per Ministry of Municipal Affairs and Housing (MMAH) guidelines. A modest increase in rent-geared-to-income revenue is also proposed based on estimated tenant incomes on record at the time of budget preparation. Interest income is expected to be lower due to changes in the economy that weakens Housing York Inc.'s return on investments.

There is some risk associated with the Operating Revenue Budget. Historically, in a slower economy, some tenants choose to stay in the social housing system longer or require higher levels of subsidy due to the financial hardships they face.

Under the subsidy formula, the federal share remains constant in 2009 and Regional subsidy increases \$432,736 or 6.0% higher than 2008. The increase in subsidy is mostly due to a higher Public Housing budget, which includes funding for capital jobs.

Operating expenses increase 4.7% largely due to higher administration costs but are offset by rent revenue

Operating costs are \$1,000,000 or 4.7% higher than 2008. Approximately \$637,000 or 64% of this is attributable to higher maintenance and administration costs. A further \$181,000 or 13.3% reflects a higher Public Housing capital budget.

The largest budget pressure is higher salary and benefit costs. The impact resulting from organizational change related to growth is the primary driver, however these costs are offset by higher rent revenue. There are other small, typical economic cost increases in all other operating categories. Table 3 provides year over year operating costs.

Table 3
2009 Operating Expense Comparisons
(\$000s)

Operating Expenditures	2008 Base Budget	2009 Base Budget	Annual-ization	2009 Total Budget	2009 Base vs. 2008 Base		2009 Total vs. 2008 Base	
Operating	\$20,040	\$20,639	\$221	\$20,859	\$599	3.0%	\$819	4.1%
Public Housing Capital	1,364	1,545	-	1,545	181	13.3%	181	13.3%
Total Expenditures	\$21,404	\$22,184	\$221	\$22,404	\$780	3.6%	\$1,000	4.7%

Major repairs/replacement budget is \$245,028 higher in 2009

The total 2009 budget for capital is \$3,092,350 which is \$245,028 or 8.6% higher than last year. The main reason for the higher budget this year is related to environmental assessment requirements for the pond dredging at Fairy Lake Gardens, a seniors complex, located in the Town of Newmarket.

As noted in Table 4 below, funding for major repairs is accomplished through operating subsidy for the Public Housing Program and the capital reserve for the other programs.

Table 4
2009 Funding Sources for Major Repairs
(\$000s)

Funding from Reserves	\$1,547	50%
Funding from Operating	\$1,545	50%
Total Funding	\$3,092	100%

The expenditures from the Capital Reserve continue to exceed contributions to the reserve creating a gradual diminishing balance over time. The balance in the Capital Reserve at the beginning of 2009 is estimated at \$4,770,000. At the end of the business planning period in 2011 the balance is projected to be \$2,877,000.

MULTI-YEAR STRATEGIES FUNDED FROM OTHER SOURCES CONTINUES IN 2009 AND OUTLOOK YEARS

Five buildings will be retrofitted in 2009 in second year of energy management strategy

The Board and Regional Council have approved a loan from regional reserves for up to \$3.5 million over five years to fund energy upgrades in Housing York Inc. buildings. The budget estimate for the second year of the program is \$541,800 including project management and administration. The pay back period for the total investment is 13 years but it should be noted that tenants pay their own utilities at Glenwood Mews in the Town of Georgina making them the direct beneficiary of the energy retrofit investment.

One new fixed generator will be installed in 2009 and the balance of the emergency power program will be reviewed

Approximately \$250,000 will be spent to install a permanent generator at Keswick Gardens in the Town of Georgina and to obtain an updated technical assessment of the remaining work in the program.

Sixteen buildings have already seen various enhancements for emergency power in the last four years.

Key performance indicator—anticipated increase in manageable cost per unit

The Manageable Cost per Unit will increase to \$3,492 or 8.4% in 2009 from the 2008 Budget. Most of the increase is the flow-through of administration costs discussed earlier. A small portion is attributable to the annualization of Tom Taylor Place.

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. Even with the full year impact of 50 new units at Tom Taylor Place, no significant change is expected in unit turnover ratios. The recession will limit opportunities for existing social housing tenants to find other housing accommodations, thereby extending tenancies in Housing York Inc. Tenant arrears are expected to increase in 2009 largely due to the declining economy.

5. FINANCIAL IMPLICATIONS

Despite the weakened economy, this budget reflects favourable financial performance for Housing York Inc. in the upcoming budget and outlook years. A surplus is anticipated for every year during the planning period. Tenant rents and minor miscellaneous income covers nearly two thirds of operating costs.

Subsidy of \$8.9 million is included in the Region's 2009 Budget estimates for the Social Housing Program. Housing York Inc. subsidies have been calculated according to provincial program benchmarks and escalation factors endorsed by the Service Manager.

The Region receives federal subsidy in the amount of \$1.3 million to offset the total subsidies paid to Housing York Inc.

6. LOCAL MUNICIPAL IMPACT

Housing York Inc. 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 take advantage of its financial performance by generating a surplus that will contribute approximately \$144,000 to Retained Earnings.

Housing York Inc. is committed to continuous customer service improvement with the implementation of enhanced communications, maintenance standards and staff development. These activities will be balanced with delivering asset management programs and meeting financial objectives.

This report recommends that the 2009 Business Plan and Budget for operating and capital expenditures of Housing York Inc. be approved, and that the 2009 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:

Approved for Submission:

Lloyd Russell
Treasurer

Joann Simmons
General Manager

February 26, 2009

Attachment – 1

KC/hf

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