THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
March 9, 2005
Report of the
General Manager
and
Treasurer

2005 BUSINESS PLAN AND BUDGET

1. RECOMMENDATION

It is recommended that:

1. The 2005 Business Plan and Budget for operating and capital expenditures of Housing York Inc. be approved.

2. PURPOSE

This report presents the annual business plan of Housing York Inc. for the Board's review and approval. It includes the 2005 objectives and key work initiatives for Housing York Inc. as well as planned operating and capital expenditures for the 2005 budget year and two outlook years.

2.1 Business Plan Highlights

The long-term strategic goals continue to be geared towards extending the useful life of housing assets, providing quality property management services, reducing costs, improving productivity, minimizing risk, and legal compliance. In this regard, the 2005 Housing York Inc. Business Plan identifies objectives that promote business leadership, tenant relations, and asset management.

The Business Plan provides Key Performance Indicators (KPI's) as a means of measuring performance in specific, relevant areas of business. With another year of operating history for Housing York Inc., comparatives are offered for year over year results.

The outlook years of 2006 and 2007 have been estimated using an escalation factor of 3.0% except those items related to major repairs and replacement expenditures and associated funding where projections based on the 10-year capital improvement plan have been used. The 2004 results are unaudited estimates.

2.2 Budget Highlights

The 2005 Budget for Housing York Inc. requests an overall budget increase of approximately $299,000 or 1.8% over 2004 budget levels.

Operating revenue will decrease by $137,183 or 1.3% due to changes in unit mix consistent with program requirements. Increases in operating expenses of $305,539 or 2.0% are consistent with recognized escalation factors for the various programs as provided by the Service Manager. The formula-driven results generate an overall increase of subsidy revenue of $436,537 or 7.2%.

Major Repairs and Replacement expenditures will increase by $110,714 or 6% over 2004 budget levels with sufficient funding from the capital reserve or surplus operating funds as specified by program regulations.

Some general highlights to note:

- Revenue and expenditure predictions for 2005 are summarized at the Housing York Inc. level for Board presentation purposes; however, detailed analysis is prepared for the Service Manager for each building and by program.
- Operating expenses in all budget areas continue to be subject to upward pressure, particularly in the area of contracted services for Regional labour costs, and some building maintenance and services. Previous pressures related to utility costs and insurance premiums are less apparent compared to last year but continue to be unpredictable.
- Major Repairs and Replacement expenditures are higher than previous years as additional investment is required in maximizing life expectancy of the buildings as they age, as anticipated in the 10-year capital plan.
- The subsidy estimates are within the planned 2005 program budget contained in the Regional Municipality of York's Budget and Business Plan.

3. BACKGROUND

In 2004, 58 new units were added to the portfolio at Armitage Gardens. Housing York Inc. operates 1,753 units of social housing within 27 housing projects in eight area municipalities in York Region.

The Regional Municipality of York directly manages the operations of Housing York Inc. under a property services agreement. The Region is also the Service Manager for all social housing within the Region under the *Social Housing Reform Act, 2000*.

Housing York Inc. is required to obtain Board approval of their annual budget which is subsequently submitted to the Service Manager in accordance with program requirements.

The Housing York Inc. 2005 Business Plan and Budget is attached to this report (*see Attachment 1*).

4. ANALYSIS AND OPTIONS

Attachment 2 provides a year over year summary for operating and capital expenditures. There are no restatements to prior year results.

The financial results for 2004 are estimates and comparisons to the proposed 2005 Budget in the Business Plan are for preliminary assessment only. A more comprehensive review of the 2004 actual results will be provided in a separate report in June 2005 when the year-end financial statements are submitted for approval.

4.1 All Housing Programs—Operating

4.1.1 Revenue

Total operating revenue is comprised primarily of rent revenue and operating subsidy. Rent revenue represents tenant rental income augmented with minor miscellaneous revenue from laundry and parking facilities.

In 2005, operating revenue will decrease slightly by $137,183 or 1.3% compared to 2004 budget. This is as a result of changes in unit mix where fewer market units are expected. This trend is expected to continue in coming years as the Corporation moves closer to its housing program target plan requirements.

In total, Housing York Inc. subsidy revenue will increase by $436,537 or 7.2% overall. The formula-driven calculations have been endorsed by the Service Manager during the budget preparation process and reflected in the Region's approved budget.

4.1.2 Operating Expenses

Operating expenses increase by $305,539 or 2.0% over 2004 budget levels. This variance is largely attributable to higher costs for Regional labour, building materials and property taxes, partially offset by savings in utilities and mortgage payments.

A thorough review of building costs was undertaken as part of the budget exercise. While the cost pressures in various categories are noted, the budget is viewed to be a realistic representation of business needs for 2005 in order to maintain the buildings in marketable condition.

The Business Plan provides further information on a key performance indicator related specifically to building operating expenses. The Material and Services Average Annual Operating Cost per Unit statistic offers comparative performance for direct spending on the buildings.

4.2 All Housing Programs—Major Repairs and Replacement

The Business Plan identifies three areas of interest:

- Planned expenditures by category for the 2005-2007 period, compared to 2004 budget and estimated results.
- A list of major repairs and replacement projects greater than $50,000 for the period 2005-2007 by municipality and building.
- The expected impact on the capital replacement reserve fund applicable to the Provincial Reform Program and Regional Program.

As anticipated Major Repair and Replacement expenditures are increasing due to the age and condition of the buildings. The 10-year capital improvement plan identifies that expenditures will exceed mandatory contributions to the Capital Replacement Reserve Fund in 2005 and throughout the outlook years. The exception is Armitage Gardens where the new building does not require any major investment at this time. In this case surplus operating funds generated in 2005 and beyond will be contributed to the project's Capital Replacement Reserve fund for future year's spending.

As noted in the Business Plan, Housing York Inc. is interested in pursuing opportunities that generate savings in energy efficiency. The Major Repair and Replacement work program for 2005 and the outlook years does not identify the specific initiatives currently under consideration as these will be tabled in a separate report later in 2005.

5. FINANCIAL IMPLICATIONS

The subsidies incorporated into the Housing York Inc. budget and outlook years have been included within The Regional Municipality of York's budget estimates for Social Housing. The program subsidies have been calculated according to provincial program guidelines and cost factors.

Funding for Housing York Inc. is provided from three sources:

Table 1
Sources of Funding

Source	Amount
Tenant Rents/Operating Revenue	$10,260,000
York Region Subsidy	5,202,000
Federal Subsidy	1,319,000
Total Funding Required	**$16,781,000**

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. is committed to managing its portfolio in a cost effective manner while providing safe, secure, and affordable housing to its residents.

The Senior Management Group has reviewed this report.

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February 17, 2005

Attachments - 2
KC/sd/dm

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