THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
October 19, 2005
Report of the
General Manager
and
Treasurer

MID-YEAR FINANCIAL STATUS

1. RECOMMENDATION

It is recommended that:

1. The Board approve the 2005 Mid-Year Variance Report and Year-End Forecast Report for Operating and Capital for Housing York Inc.

2. PURPOSE

This report presents a 2005 Mid-Year Variance and Year End Forecast Report for Operations and Capital Works Expenditures for the Board's review and approval. It also makes a year-end comparison of the Key Performance Indicator (KPI) relating to financial performance of the buildings as outlined in the 2005 Housing York Inc. Business Plan and Budget.

3. BACKGROUND

This report provides a consolidated snap shot of the mid year operating and capital results for Housing York Inc. on June 30, 2005 and variance explanations. The year-end forecasts incorporate year-to-date trends and outcomes, where known. Emerging management issues are also identified.

Notwithstanding the consolidated financial presentation format used in this report, there is a requirement to manage the portfolios as separate programs due to differences in funding formulas and program rules. These requirements are carefully monitored at the management level. It should be noted from a Service Manager perspective that surplus or deficit positions of either housing program cannot be net against the other.

The three funding programs which comprise the HYI portfolio are:

1) Provincial Reform – 9 buildings
2) Public Housing – 17 buildings
3) Regional Program – 1 building (Armitage Gardens)

During the first six months of 2005, the following notable events took place:

- The 2005 Operating and Capital budgets were approved on February 9, 2005.
- The acquisition of Woodbridge Lane was completed on May 2, 2005 adding 14 stacked apartment units to the HYI portfolio.

For the purpose of this report, financial information concerning Woodbridge Lane has been excluded due to a delay in receiving a final auditors report from the vendor. However, the year end outcome of revenue and expenses for this property will not materially alter the year end forecast for HYI as a whole due to the small size of this property.

4. ANALYSIS AND OPTIONS

4.1 2005 Operating Results and Analysis

The consolidated mid year results and year-end forecast are identified in this report in Tables 1 and 2 respectively. Revenue and expense analysis follows each table.

4.1.2 Mid-Year Results

Table 1
Housing York Inc. 2005 Mid Year Variance ($/'000's)
Year to Date (Consolidated Programs)

	2005 Year To Date Actuals	2005 Year To Date Budget	Year To Date Variance $	Year To Date Variance %
Revenue				
Operating	5,296	5,135	160	3.1
Subsidy – York Region	2,561	2,631	(70)	(2.7)
Subsidy – Federal	659	659	-	-
Total Revenue	**8,515**	**8,425**	**90**	**1.1**
Operating Expenditure				
Operating	7,996	7,892	(104)	(1.3)
Total Operating Expenditures	**7,996**	**7,892**	**(104)**	**(1.3)**
Major Repair & Replacement				
Provincial Reform	281	449	168	37.5
Public Housing	74	533	459	86.1
Total Major Repair & Replacement	**355**	**982**	**627**	**63.9**

Total operating income is 1.1% higher than budget at mid year. Operating revenue is 3.1% higher than budget while subsidy revenue is 2.7% lower than budget due to refinancing of two mortgages with lower interest rates.

Mid-year consolidated operating costs are $104,569 or 1.3% over budget. This is comprised of overspending of $57,529 for Building Materials and Services, $42,503 for Administration, and $78,851 for Utilities partially offset by Property Tax savings caused by timing lags and Contracted Services for Regional staff working in the buildings.

The over spending for Building Materials and Services is largely attributable to the Provincial Reform program where mid-year cost pressures are noted for the following reasons:

- Maintenance and service contracts to backfill for a building superintendent vacancy, and increased furnace and appliance repairs.
- Painting additional units at Keswick Gardens and Mulock Village where move out activity has exceeded expectations.
- Waste removal costs due to increased surcharges at landfill sites.
- Increased third party security patrols at family sites.

Administrative costs are a component of overall Operating expenditures and unforeseen costs associated with office accommodation as well as unanticipated advertising, legal and records management expenses are driving costs higher than planned.

Mid-year results for utility costs are higher than budget in all programs. This is discussed further in Section 4.1.3 of this report.

4.1.3 Year End Forecast

Table 2
Housing York Inc. 2005 Year End Forecast ($/'000's)
Year End (Consolidated Programs)

	2005 Forecast Actuals	2005 Annual Budget	Year End Variance $	Year End Variance %
Revenue				
Operating	10,545	10,271	274	2.7
Subsidy – York Region	5,202	5,261	(59)	(1.1)
Subsidy - Federal	1,319	1,319	-	-
Total Revenue	**17,066**	**16,851**	**215**	**1.3**
Operating Expenditure				
Operating	15,9073	15,784	(189)	(1.2)
Total Operating Expenditure	**15,973**	**15,784**	**(189)**	**(1.2)**
Major Repairs & Replacement				
Provincial Reform	797	898	101	11.2
Public Housing	899	1,067	167	15.7
Total Major Repairs and Replacement	**1,696**	**1,964**	**268**	**13.6**
Transfers to Provincial Reform Capital Reserve	797	898	101	**11.2**
Transfers from Provincial Reform Capital Reserve	797	898	101	**11.2**
Net Impact Capital Reserve	**797**	**898**	**101**	**11.2**

The favourable revenue trend at mid year flows through the balance of the year and improves slightly to 1.3% at year end.

The consolidated year end forecast for operating expenses is over budget by $188,937 or 1.2% unfavourable for the same reasons cited at mid-year. There are over expenditures of $51,859 for Building Materials and Services, $47,780 for Administration, and $124,079 for Utilities, partially offset by savings of $32,533 for Contracted Labour for Regional employees supporting HYI. It is anticipated that the overage attributable to the Provincial Reform program can be managed with surplus operating revenue that will be generated in 2005. The portion attributable to Public Housing will be funded through the subsidy settlement process with the Region.

Energy costs will be $124,079 or 6.7% higher than budget by year end. Efforts are underway to mitigate utility costs to the extent possible. This includes tenant education concerning conservation, energy saving initiatives, and tightening business processes for monitoring costs and paying invoices. HYI has flagged increasing utility costs as a financial concern in preliminary budget discussions for 2006.

4.1.4 Financial Comparison to Business Plan KPI

The primary KPI identified in the Business Plan and Budget to measure financial performance of the buildings is "Material and Services Average Annual Operating Cost Per Unit". For presentation and comparative purposes, this is defined as building expenses related to the upkeep and maintenance of the buildings. Regional labour, utilities, taxes and financing costs are excluded. (See Table 3)

Table 3
Housing York Inc. 2005
Material and Services Average Annual Operating Cost per Unit

	2005 Forecast	2005 Budget	Variance
Provincial Reform	$1139	$1071	($68)
Public Housing	$799	$804	$5
Regional Housing Program	$892	$903	$11
HYI Average	$943	$926	($17)

4.2 2005 Major Repairs and Replacement

The mid year actual results compared to budget are below plan as is typically expected in this program where the early part of the year is spent planning jobs and seeking competitive pricing.

The consolidated financial results for major repairs and replacements by portfolio are identified in Table 1.

Year end projections are shown in Table 2 which indicates the Provincial Reform properties will spend $797,113 or 88.8% of the budget. Year end projections for the Public Housing portfolio indicate that $899,000 or 84.3% will be spent against the budget. Most of the under expenditures are the result of contracts awards that were less than budget although a limited number of jobs have been deferred for business reasons.

There are no major repairs or replacement expenditures planned for Armitage Gardens in 2005.

Table 4 identifies the year end forecast of the major jobs over $50,000 that were identified in the 2005 Business Plan and Budget.

Table 4
2005 Major Repairs/Replacements > $50,000 ($/000's)

Municipality	Property	Description	2005 Forecast	2005 Budget	Variance
Georgina	Glenwood Mews	Roof Replacement Phase III	42	50	8
Georgina	Glenwood Mews	Site Upgrade	8	75	63
King	48 Wilsen Road	Kitchen Upgrade	65	85	20
Newmarket	540 Timothy Street	Balcony Railing Upgrade	36	60	24
Newmarket	Heritage East	Asphalt Parking Upgrade Phase II	50	50	-
Newmarket	Brayfield Manor	Site Drainage Upgrade	61	50	(11)
Richmond Hill	78 Dunlop Street	Bathroom Upgrade	179	200	21
Richmond Hill	76 Dunlop Street	Bathroom Upgrade	179	200	21
Stouffville	325 Elm Road	Parking Lot Expansion	100	120	20

The impact of spending on the Provincial Reform Capital Reserve fund is assessed during the fourth quarter in preparation for year end closing. As a result of the lower than planned spending in 2005, the draw on the Reserve fund will be less than anticipated.

5. FINANCIAL IMPLICATIONS

The current 2005 financial estimates for HYI suggest that there may be a modest budget overrun at year-end, however every effort will be made during the balance of the year to manage expenditures accordingly, reducing expenditures and postponing some repair activities. Should an overrun exist at year end the Board can use retained earnings to cover those costs. Cost overruns are only covered by the Service Manager, The Regional Municipality of York, where they relate to uncontrollable costs such as municipal taxes or amortization.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this mid-year report.

7. CONCLUSION

The Corporation is committed to managing its housing portfolio in a cost effective manner while providing safe, secure and affordable housing to its residents. Current budgetary pressures are being rigorously managed.

The Senior Management Group has reviewed this report.

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September 22, 2005

KC/sd

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