THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 12, 2007
Report of the
General Manager
and
Treasurer

MID-YEAR FINANCIAL STATUS REPORT- 2007

1. RECOMMENDATION

It is recommended that:

1. This report be received by the Housing York Inc. Board of Directors for information.

2. PURPOSE

This report provides the status of year-to-date spending against the 2007 Budget for operating costs, as well as the year-end operating forecast, capital projections and estimated spending against reserves.

This report also confirms that year-end spending variances against the operating budget can be managed from 2007 surplus operating funds. Spending against the capital reserve and the Corporation's three discretionary reserves are within approved limits.

3. BACKGROUND

It is good business practice for housing providers to provide an interim financial report to their Board to account for year-to-date budget variances and anticipated year-end outcomes. The year-end forecast incorporates year-to-date trends as well as known emerging issues for the balance of the year.

A consolidated financial reporting format is used for this report. However, the portfolio is managed as separate programs due to differences in funding formulas and program rules. Surplus or deficit positions in these distinct programs cannot be netted against each other and this report reflects this assumption.

The funding programs which comprise the Housing York Inc. (HYI) portfolio are:

- Provincial Reform – 11 buildings.
- Public Housing – 17 buildings.
- Regional Housing – 2 buildings (Armitage Gardens and Blue Willow Terrace) Transitional and Supportive Housing – emergency shelter.

During the first six months of 2007, the following notable events took place:

- The 2007 Operating and Capital budgets were approved on February 14, 2007.
- Results of the tenant survey conducted in late 2006 were analyzed and communicated.
- The pilot phase of the Energy Management Strategy approached completion at Founders Place in the Town of Newmarket and Elmwood Gardens in the Town of Whitchurch-Stouffville.

4. ANALYSIS AND OPTIONS

This section addresses YTD operating results, the year-end operating forecast, capital projections and spending against reserves

4.1 Year-to-date operating revenue better than expected; expenses on budget

Rent and miscellaneous revenue is approximately $224,000 or 3.7% ahead of plan and operating expenses are about $61,000 or 0.6% higher than expected. This places HYI in a favourable position for the second half of the year.

The increased revenue stream is largely due to the mix of market to rent-geared-to-income units in the Provincial Reform program being higher than budget estimates. The higher market rent revenue, expected to continue throughout the year, provides some financial flexibility to the Corporation as the surplus revenue can be used to offset unplanned costs. It also lowers the amount of subsidy funding needed to sustain operations.

With respect to the Public Housing mid-year results, major repair work typically ramps up for completion during the last half of 2007 as shown in Table 2 in Section 4.2. The budget variance of $61,000 related to operating costs will be accommodated from the increased revenue stream identified earlier.

Table 1 provides a high level summary of year-to-date results.

Table 1
Housing York Inc. Mid-Year Variance ($/'000's)

Year to Date (Consolidated Programs)

	2007 YTD Actual	2007 YTD Budget	YTD Variance $	YTD Variance %
			F/(U)	F/(U)
Revenue				
Rent and Other	6,338	6,114	224	3.7
Subsidy – York Region *	3,013	3,515	(502)	(14.3)
Subsidy – Federal	659	659	-	-
Total Revenue	**10,010**	**10,288**	**(278)**	**(2.7)**
Operating Expenditures				
Operating	9,718	9,657	(61)	(0.6)
Public Housing Capital	161	575	414	72.0
Total Operating Expenditures	**9,879**	**10,232**	**353**	**3.4**
*2007 Actual subsidy is based on YTD calculated eligibility.				

The revenue and expense patterns at mid-year are remarkably similar to mid-year 2006 suggesting a stable operating environment.

4.2 Year-end forecasts estimate $249,000 operating surplus

Overall, HYI is forecasting that year-end results will generate approximately $249,000 in surplus operating funds. This is about $137,000 better than forecast in the 2007 Budget. The higher mid-year trends for operating costs will continue in the second half with the variance being funded from surplus market rent revenue generated this year.

Table 2 summarizes the 2007 financial forecast.

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

	2007 Forecast	2007 Budget	Variance $	Variance %
			F/(U)	F/(U)
Revenue				
Rent and Other	12,696	12,228	468	3.8
Subsidy – York Region *	6,729	7,029	(300)	(4.3)
Subsidy – Federal	1,319	1,319	-	-
Total Revenue	**20,744**	**20,576**	**168**	**0.8**
Operating Expenditures				
Operating	19,412	19,314	(98)	(0.5)
Public Housing Capital	1,083	1,150	67	5.8
Total Operating Expenditures	**20,495**	**20,464**	**(31)**	**(0.2)**
Operating Surplus/(Deficit)	**249**	**112**	**137**	**121.7**
*2007 Subsidy forecast is based on calculated eligibility.				

4.2.1 Unexpected events included in forecast

There are three unanticipated events during 2007 totalling $101,256 that were not known at the time of the budget submission. These are noted below and have been incorporated into the financial forecast. Funding for these unforeseen expenses will be managed from surplus operating funds generated this year.

1. With prior Board approval, HYI negotiated a multi-year shared services agreement for road access into a townhouse site at a cost of $44,445. This has been charged to 2007 operating costs contributing to the budget variance.

2. Following a legal interpretation under the *Municipal Act*, HYI settled a utility account with the Town of Georgina for $31,811 related to aged water arrears owing by tenants. Recovery of this payment is underway from the various tenants who defaulted but many of them have left the site making it difficult to fully recapture the cash outlay. This has affected the bad debts forecast. Full disclosure will be made available when the annual bad debts report is presented in December 2007.

3. Following the results of the Tenant Survey conducted in 2006, a temporary position will be implemented during the last quarter of 2007 to action responses. The financial forecast incorporates $25,000 for this expenditure in 2007 and the 2008 budget will reflect the balance. Further details will be provided in a Board report scheduled for October 2007.

4.3 Major repairs and replacement (capital) projected to be within budget

Capital spending will be 94.3% of budget at year-end. Projected savings of $189,000 shown in Table 3 result from various jobs costing less than budget estimates. With the exception of Public Housing, which is treated as operating funds, the rest of the major repair and replacement costs are funded from capital reserves.

Table 3
2007 Major Repairs/Replacements by Program
($/000's)

Program	2007 Forecast	2007 Budget	Variance $	Variance %
			F/(U)	F/(U)
Public Housing	1,083	1,150	67	5.8
Provincial Reform	2,025	2,157	132	6.1
Regional Housing	21	21	-	-
Transitional and Supportive Housing	10	-	(10)	-
Total	3,139	3,328	189	5.7

Although capital jobs are sometimes advanced or deferred to address emerging priorities their costs are managed within the approved budget.

4.4 Spending against all reserves is on target

At this time there are no unfavourable variances to report and no anticipated events having a negative impact on the reserves. Table 4 is an estimated summary of inflows and outflows for the reserves at year end.

Table 4
Summary Estimate of Reserve Activity
($/000's)

	Capital Reserve	Energy Management Reserve	Emergency Power Plan Reserve	Insurance Reserve
Balance January 1, 2007	6,228	428	834	152
Mandatory Contribution	593	-	-	-
Transfer-In/Incentive Funding	-	168	-	-
Approved Contributions	-	-	-	50
Estimated Expenditures in 2007	(2,056)	(477)	(225)	(20)
Balance December 31, 2007	4,765	119	609	182

Detailed reports to the Board concerning the Emergency Power Reserve and the Insurance Reserve are scheduled for fall 2007. The Energy Management Reserve activity will be updated in January 2008. These reserves were approved at the discretion of the Board and have a specified reporting requirement. Financial activity against the Capital Reserve is reported annually with the year-end audited financial statements.

5. FINANCIAL IMPLICATIONS

With a projected operating surplus of approximately $249,000, HYI is anticipating a financially successful year against its 2007 Operating Budget.

5.1 Higher market revenue reduces annual subsidy requirement

As a result of generating higher than planned rent revenue in the Provincial Reform Program, the need for subsidy funding from York Region will be lower than expected by approximately $300,000 or 4.3%.

5.2 2008 Budget pressures expected for building materials and services

For both 2006 and 2007, HYI was able to accommodate higher building costs from savings in the utility budget and surplus market rent revenue. However, this is not viewed to be a prudent financial strategy for the long term because:

- Starting in 2008 utility budgets will be affected by the implementation of time-of-use rates, the financial impact of which is not known at this time.
- Market rent revenue is expected to decrease as the Corporation moves closer to the target plan set by the Region.
- Operating standards and expenditures will require further scrutiny during upcoming budget cycles to assess the financial impacts of rising building expenses against the funding formula.

6. LOCAL MUNICIPAL IMPACT

HYI provides affordable housing throughout the local municipalities in York Region. In addition to maintaining the buildings in a comfortable and safe condition, HYI is making significant investment in its Energy Management Program, and is working on strengthening tenant relationships consistent with the findings of the 2006 Tenant Customer Service Survey.

7. CONCLUSION

HYI is forecasting an operating surplus of approximately $249,000 in 2007 and no unfavourable budget variances against any of its reserves.

For more information on this report contact Sylvia Patterson, Assistant General Manager, Housing Services Branch, Community Services and Housing Department.

The Senior Management Group has reviewed this report.

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SP/EW/sv

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