THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 12, 2012
Report of the
General Manager
and
Treasurer

MID-YEAR FINANCIAL STATUS REPORT

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

This report provides an overview of Housing York Inc.'s (Housing York) actual revenue and expenditures as of June 30, 2012 compared to the 2012 Budget. The report also includes a year-end operating forecast, capital projections and estimated spending against reserves.

3. BACKGROUND

In accordance with standard business practices, the mid-year report is presented to inform the Board of Housing York's 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. The portfolio is managed as separate housing programs due to differences in funding formulas and program rules. Surplus or deficit positions in these distinct programs cannot be offset against each other and the consolidated statements incorporate the various program rules.

The 39 unit Kingview Court expansion in King Township opened in November 2011 and the 84 unit Mapleglen Residences in the City of Vaughan was added to Housing York's portfolio in the first quarter of 2012. The construction process for both projects was longer than anticipated when the 2012 budget was prepared.

The Kingview Court project included both the construction of new units and extensive renovations to the existing building. In order to relocate tenants temporarily displaced by the renovation work, the additional units were rented to new tenants in phases. As a result of construction delays the rental process was extended into 2012, reducing the revenue and expenses realized during the first quarter.

4. ANALYSIS AND OPTIONS

Mid-year results are slightly below budget primarily due to slower than forecast completion of new buildings

The actual year-to-date revenue and expenses are 2.7% and 2.3% below budget primarily due to the revised construction periods for Kingview Court and Mapleglen Residences.

The total operating expenditure variance of 2.3% also reflects:

- Actual administration and maintenance expenditures 1.5% below budget
- Utility costs 8.2% lower than anticipated
- Insurance premiums increases of 8% more than budgeted
- Adjustments in public housing capital project schedules resulting in 4.8% of expenditures being incurred earlier in the year than originally planned

Tenant rent arrears as a percentage of total rent revenue is commonly used as a key performance indictor. Housing York’s target is to maintain an arrears rate of less than 6.5%. In the first six months of 2012, Housing York has achieved an arrears rate of 5.3%.

Table 1 provides a summary of Housing York’s consolidated year-to-date operating results.

Table 1
Consolidated Operating Results for the Period Ending June 30, 2012 ($000's)

	Budget YTD	Actual YTD	Variance $	Variance %
Revenue				
Tenant Rents	8,627	8,235	-392	-4.5%
Subsidy - York Region	3,838	3,872	34	0.9%
Subsidy – Federal	659	659	-	-
Total Revenue	**13,124**	**12,766**	**-358**	**-2.7%**
Operating Expenditures				
Operating	12,335	12,011	324	2.6%
Public Housing Capital	598	627	-29	-4.8%
Total Expenditures	**12,933**	**12,638**	**295**	**2.3%**
Operating Surplus before Allocations	**191**	**128**	**-63**	**-33.0%**
Strategic Projects	24	13	11	-45.8%
Operating Surplus	**167**	**115**	**-52**	**-31.1%**
Capital Reserves (Provincial Reform				
and Regional Housing)				
Contribution to Reserves	1,729	2,424	696	40.2%
Expenditures	-1,729	-2,424	-696	-40.2%
Internal Reserve Expenditures				
Energy Management	201	71	-130	-64.7%
Emergency Power	220	-	-220	-100.0%
Total Internal Reserve Expenditures	**421**	**71**	**-350**	**-83.1%**

Year-end forecast is a $230,000 operating surplus

Housing York is projecting a year-end operating surplus of approximately $230,000, a decrease of $82,000 from the $312,000 anticipated in the 2012 Budget.

The revised completion time for new buildings accounts for 75% or $538,000 of the $717,000 total revenue forecast variance. The balance of the total revenue forecast variance of $179,000 is due to a reduction in rent-geared-to-income tenant rental revenue which will be offset by subsidies through the year-end settlement process.

Similarly, 75%, or $476,000 out of the $635,000 total expenditures forecast variance, is due to new building delays. The balance of the total expenditures forecast variance of

$159,000 is due to lower administration and maintenance costs and utility savings achieved through the Energy Management Program.

Spending against all of Housing York's reserves is forecast to be on budget with the exception of the Emergency Power Program, discussed later in this report.

Table 2 provides a summary of the year-end operating forecast.

Table 2
Consolidated Operating Forecast for the Period Ending December 31, 2012
($000's)

	Annual Budget	Year-End Forecast	Variance $	Variance %
Revenue				
Tenant Rents	17,511	16,800	-711	-4.1%
Subsidy - York Region	7,676	7,670	-6	-0.1%
Subsidy – Federal	1,319	1,319	-	
Total Revenue	**26,506**	**25,789**	**-717**	**-2.7%**
Operating Expenditures				
Operating	24,951	24,316	635	2.5%
Public Housing Capital	1,195	1,195	-	-
Total Expenditures	**26,146**	**25,511**	**635**	**2.4%**
Operating Surplus before Allocations	**360**	**278**	**-82**	**-22.8%**
Strategic Projects	48	48	-	-
Operating Surplus	**312**	**230**	**-82**	**-26.3%**
Capital Reserves (Provincial Reform				
and Regional Housing)				
Contribution to Reserves	3,457	3,395	-62	-1.8%
Expenditures	-3,457	-3,395	62	1.8%
Internal Reserve Expenditures				
Energy Management	402	360	-42	-10.4%
Emergency Power	440	20	-420	-95.5%
Total Internal Reserve Expenditures	**842**	**380**	**-462**	**-54.9%**

Based on these projections, Housing York will realize a $230,000 operating surplus in 2012.

Major repairs and renovations projected to be within budget

Table 3 summarizes the approved capital budget for 2012 and the year-end forecast compared to budget. It further summarizes the additional multi-year programs that Housing York has undertaken in addition to the typical annual capital upgrades.

Table 3
2012 Major Repairs and Replacement Forecast Compared to Budget ($000's)

Annual Programs	Funding Source	2012 Budget	2012 Forecast	Variance
Public Housing (872 units)	Operating Budget (subsidy)	$1,145	$1,145	-
Provincial Reform (1,038 units)	Capital Reserve	3,386	3,360	$26
Regional Housing (291 units)	Capital Reserve	71	35	36
Blue Door Shelter	Capital Reserve	50	50	-
Total Approved Capital Budget and Forecast		**$4,652**	**$4,590**	**$62**
Board Approved Programs				
Energy Management Strategy	Utility Savings and Borrowing	402	360	42
Emergency Power	Internal Reserve	440	20	420
Total Major Repairs and Renovations – all programs		**$842**	**$380**	**$462**

Expenditures for Housing York's annual major repair program will be within 98% of budget.

The Energy Management Strategy, now in its fifth and final year, is expected to be under budget. Housing York is forecasting that the $770,000 outstanding loan with the Region will be repaid from energy savings in a much shorter timeframe than originally anticipated.

The 2012 Business Plan and Budget anticipated $440,000 in capital spending on the Emergency Power Program this year. However, additional time is needed to investigate project cost reduction opportunities related to changes in servicing by the Town of Georgina. Therefore, expenditures of $20,000 will be used in 2012 from this program reserve, leaving approximately $519,000 at year-end in the reserve account. Project completion is now projected for 2013.

5. FINANCIAL IMPLICATIONS

With a surplus of $230,000, Housing York is anticipating a successful year in relation to the 2012 operating budget. It is recognized that the operating budget is tight and every attempt possible is being made to ensure that Housing York's financial flexibility is maintained.

6. LOCAL MUNICIPAL IMPACT

Housing York provides affordable housing in all nine of the local municipalities. Through prudent operations, an extensive capital repair program, and strategic investments in energy conservation Housing York provides safe, affordable, and increasingly sustainable housing for more than 2,200 York Region households.

7. CONCLUSION

Housing York's operations are within budget with a forecasted 2012 operating surplus of approximately $230,000. The capital repair and energy management programs are also proceeding as planned. The Kingview Court expansion and Mapleglen Residences have been successfully completed and the new residents are transitioning well in their new relationship with Housing York.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager, Housing York Inc. at Ext. 2091.

The Senior Management Group has reviewed this report.

Reviewed by:

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Recommended by:

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August 21, 2012

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