THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 13, 2006
Report of the
General Manager
and
Treasurer

HOUSING YORK INC. MID-YEAR FINANCIAL STATUS

1. RECOMMENDATION

It is recommended that:

1. The Board approve the 2006 Mid-Year Variance Report and Year-End Forecast Report for Operating and Capital for Housing York Inc., including the adjusted draw on reserves for Provincial Reform capital.

2. PURPOSE

This report presents a 2006 Mid-Year Variance and Year End Forecast Report for Operations and Capital Works Expenditures for the Board's review and approval. Housing York Inc. is estimating a year-end surplus in the range of $262,000. The Key Performance Indicator (KPI) relating to financial performance of the buildings is also reported.

3. BACKGROUND

This report provides a consolidated snapshot of the mid-year operating and capital results for Housing York Inc. (HYI) on June 30, 2006 and variance explanations. The year-end forecasts incorporate year-to-date trends and outcomes, as well as emerging management issues.

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

The three funding programs which comprise the HYI portfolio are:

1. Provincial Reform—11 buildings
2. Public Housing—17 buildings
3. Regional Program—1 building (Armitage Gardens)

During the first six months of 2006, the following notable events took place:

- The 2006 Operating and Capital Budgets were approved on March 8, 2006.
- The acquisition of Trinity Square was completed on March 2, 2006 adding 100 family townhouse units to the HYI portfolio.
- HYI entered into a new five-year Lease Agreement with Phelps Apartment Laundries Ltd. consolidating all laundry services into one contract. This will generate an additional $22,000 in laundry income and $44,000 annually thereafter, as well as both reducing energy consumption and improving accessibility for residents.

4. ANALYSIS AND OPTIONS

4.1 2006 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 follow each table.

4.1.1 Mid-Year Results

Table 1
Housing York Inc. 2006 Mid-Year Variance ($/'000's)
Year-To-Date (Consolidated Programs)

	2006 Year To Date Actual	2006 Year To Date Budget	Year To Date Variance $	Year To Date Variance %
Revenue				
Operating	5,700	5,557	143	2.6
Subsidy – York Region	3,189	3,227	(38)	(1.2)
Subsidy – Federal	659	659	-	-
Total Revenue	**9,548**	**9,443**	**105**	**1.1**
Operating Expenditure				
Operating	8,751	8,831	80	0.9
Total Operating Expenditures	**8.751**	**8,831**	**80**	**0.9**
Major Repair & Replacement				
Provincial Reform	459	703	244	34.7
Public Housing	414	575	161	28.0
Regional Program - Armitage	3	5	2	40.0
Total Major Repair & Replacement	**876**	**1,283**	**407**	**31.7**

Total operating income is 1.1% higher than budget at mid-year. Operating revenue is 2.6% higher than budget while subsidy revenue is 1.2% lower than budget. Subsidy advances received in the first half are based on estimates and are recalculated after the approval of the budget during the year.

Mid-year consolidated operating costs are $80,878 or 0.9% below budget. This is comprised of savings of $120,788 from Labour and Related costs, $113,848 for Utilities, $69,707 for Property Taxes offset by higher spending in Materials and Services Operating Expenditures of $225,488.

The following cost pressures contribute to higher spending of Material and Services Operating Costs:

- Maintenance and Service Contracts to backfill for vacant Superintendent positions. Over-expenditures are offset by savings in Labour and Related Costs.
- Mulock Village and Brayfield Manors experienced a high number of unit turnovers with excessive wear and tear requiring major repairs to bring units to market standard. Every effort is made to recover these costs from the outgoing tenant.

Savings from Labour and Related Costs are largely due to position vacancies during the year and delayed hiring. These are offset by relatively higher Maintenance and Service Contract Costs required to provide services in the absence of staff.

Utilities are trending below budget due to decrease in consumption, due to unseasonably mild winter, improvements in energy management and on-going tenant education. Bulk gas purchase also contributed to lower than estimated costs.

Savings in Property Taxes are due to timing lags as payments in the first half are based on interim billings. Final billings are anticipated to be on target.

4.1.2 Year End Forecast

Table 2
Housing York Inc. 2006 Year End Forecast ($/'000's)
Year End (Consolidated Programs)

	2006 Forecast Actual	2006 Annual Budget	Year End Variance ($)	Year End Variance (%)
Revenue				
Operating	11,671	11,412	259	2.3
Subsidy – York Region	6,452	6,575	(123)	(1.9)
Subsidy – Federal	1,319	1,319	-	-
Total Revenue	**19,442**	**19,306**	**136**	**0.7**
Operating Expenditure				
Operating	18,014	18,058	44	0.2
Total Operating Expenditure	**18,014**	**18,058**	**44**	**0.2**
Major Repair & Replacement				
Provincial Reform	1,439	1,406	(33)	(2.3)
Public Housing	1,141	1,150	9	0.8
Regional Program - Armitage	9	9	0	0.0
Total Major Repairs & Replacement	**2,589**	**2,565**	**(24)**	**(0.9)**
Transfers to Provincial Reform Capital Reserve	1,439	1,406	(33)	**(2.3)**
Transfers from Provincial Reform Capital Reserve	1,439	1,406	(33)	**(2.3)**
Transfers to Regional Program Capital Reserve	9	0	(9)	0.0
Transfers from Regional Program Capital Reserve	9	0	(9)	0.0
Net Impact Capital Reserve	**1,448**	**1,406**	**(42)**	**(3.0)**

Total Revenue at year-end is estimated to be $136,000 or 0.7% favourable. The projected Public Housing surplus of $123,000 will be returned to the Service Manager, as per program guidelines.

The consolidated year-end forecast for total operating expenditures is expected to be on target. Savings realized at year-end from Labour and Related Costs of $85,000 and Utilities of $93,000 will offset over-expenditures of $144,000 for Material and Services Operating costs.

The year-end expenses for Material and Services Operating Costs are largely a continuance of the mid-year pressures already noted for all programs. HYI is pursuing new bulk purchasing contracts in areas such as painting and flooring to secure lower maintenance costs.

4.1.3 Financial Comparison to Business Plan KPI

The primary KPI identified in the Business Plan and Budget to measure financial performance of the buildings is "Manageable Cost per Unit". Manageable Cost per Unit is comprised of administration and maintenance costs, which include Labour and Related Costs, insurance and bad debts expense. (See Table 3)

Table 3
Housing York Inc. 2006
Manageable Cost per Unit

	2006 Forecast ($)	2006 Budget ($)	Variance ($)
Provincial Reform	3,052	2,982	(69)
Public Housing	2,765	2,807	43
Regional Program - Armitage	2,988	2,690	(298)*

* The manageable cost KPI for Regional Program – Armitage is significantly over expectation due to several factors. The per unit base for this program is only 58 units and therefore fixed costs have a greater impact on the per unit amount. The forecasted variance results from a need to address several smaller construction deficiencies and a change in the allocation method for our administrative costs.

This calculation complies with the benchmark formulas established by the Ministry of Municipal Affairs and Housing. It should be noted that manageable cost per unit comprises approximately 31% of total expenditures in the portfolio.

4.2 2006 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 shown in Table 2 indicate that the expenditures for Provincial Reform properties are estimated to be 2.3% of the budget at $1,439,000. As usual, during the course of the year, we anticipate having to adjust the Capital Plan as prices and priorities change. The following unanticipated events took place in the first half:

- Changes to the Ontario Fire Code involving smoke detectors led to an unexpected expenditure.

- Site upgrade at Glenwood Mews awarded over budget due to an addition to the scope of the job.
- Elevator Machine Room Cladding/Parapet Masonry job at Rose Town has been deferred to accommodate unplanned foundation repairs at Glenwood Mews.

Capital expenditures in the Public Housing portfolio are tracking very close to budget and are expected to be on budget at year end.

Table 4 identifies the year-end forecast of the major jobs over $50,000 that were identified in the 2006 Business Plan and Budget.

Table 4
2006 Major Repairs/Replacements > $50,000 ($/000's)

Municipality	Property	Description	2006 Forecast	2006 Budget	Variance
Aurora	Hadley Grange	Elevator Upgrade	124	150	26
Aurora	Orchard Heights Place	Roof, Fascia, Soffit Upgrade	24	65	41
Aurora	Orchard Heights Place	Parking Lot Expansion	52	50	2
Georgina	Glenwood Mews	Site Upgrade	342	250	(92)
Georgina	Glenwood Mews	Foundation Repairs	96	0	(96)
King	Kingview Court	Kitchen Upgrade	68	115	47
Newmarket	Heritage East	Front Façade Re-Design	67	75	8
Newmarket	Mulock Village	Roof Replacement	67	50	(17)
Newmarket	Founders Place	Elevator Upgrade	182	210	28
Richmond Hill	Rose Town	Elevator Machine Room Cladding/Parapet Masonry	0	100	100
Richmond Hill	Rose Town	Balcony Masonry Repairs	26	85	59
Richmond Hill	Red Maple Gardens	Bathroom Upgrade	221	252	31

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 higher than planned spending forecast in 2006, the draw on the Reserve fund will be slightly higher than anticipated.

5. FINANCIAL IMPLICATIONS

The current 2006 financial estimates for Housing York Inc. suggest that there may be a modest surplus at year-end. Efforts will continue during the balance of the year to manage expenditures accordingly.

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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