THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 14, 2011
Report of the
General Manager
and
Treasurer

MID-YEAR FINANCIAL STATUS REPORT

1. RECOMMENDATIONS

1. The Board approve an amendment to the 2011 Budget, a total expenditure budget of $24,424,000, to reflect the ownership and operation of the Thornhill Green property, effective March 1, 2011.

2. PURPOSE

This report provides an overview of Housing York Inc.'s (Housing York) actual revenue and expenditures as compared to the 2011 Budget as well as the year-end operating forecast, capital projections and estimated spending against reserves.

Furthermore, this report includes a revised budget reflecting the acquisition of Thornhill Green and provides an update on the transition process for that community.

3. BACKGROUND

In accordance with standard business practices, the mid-year report is presented to apprise 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.

For comparative purposes, the financial analysis for the first six months and the year-end forecast are presented exclusive of the financial results for the Thornhill Green property. An amended operating budget incorporating Thornhill Green is proposed later in the report.

4. ANALYSIS AND OPTIONS

Year-to-date revenue and expenses tracking close to budget

The actual year to date revenue and expenses are within 2% of the budget. Management's focus has been on revenue maximization and cost control measures due to the tight budget. As a result, the mid-year financial results and year-end forecast indicate a stable operating position.

Year-end forecast – marginal operating surplus expected

Exclusive of Thornhill Green, Housing York is projecting a year-end operating surplus of approximately $11,000, marginally lower than the $17,000 identified in the 2011 Business Plan and Budget.

The mid-year variances in revenue and operating expenses are largely a result of construction delays for Mapleglen Residences and the Kingview Court expansion, two new properties to be delivered later this year. As these new buildings are expected to generate modest operating surpluses, the construction delays contribute to the slight reduction in Housing York's projected overall year-end surplus.

Housing York is tracking $553,000 under budget in operating expenses. Approximately $194,000 of this amount represents efficiencies in administration and utility costs. The balance relates to the delayed commissioning of Mapleglen Residences and the Kingview Court expansion. The savings generated from the reduced utility costs are reallocated to fund the Energy Management Program by way of an internal reserve contribution.

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

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

Table 1
Consolidated Year-end Operating Forecast ($000's)

	2011 Budget	2011 Forecast	Variance $	Variance %
Revenue				
Tenant Rents	14,817	14,507	-310	-2.1%
Subsidy - York Region	7,400	7,151	-249	-3.4%
Subsidy – Federal	1,319	1,319	-	
Total Revenue	**23,536**	**22,977**	**-559**	**-2.4%**
Operating Expenditures				
Operating	22,346	21,793	553	2.5%
Public Housing Capital	1,123	1,123	-	-
Total Expenditures	**23,469**	**22,916**	**553**	**2.4%**
Operating Surplus before Allocations	**67**	**61**	**-6**	**-9%**
Strategic Projects	50	50	-	-
Operating Surplus	**17**	**11**	**-6**	**-35.3%**
Capital Reserves (Provincial Reform				
and Regional Housing)				
Contribution to Reserves	1,759	1,650	-109	-6.2%
Expenditures	1,759	1,650	109	6.2%
Internal Reserve Expenditures				
Energy Management	914	914	-	-
Emergency Power Plan	440	20	-420	-95.5%
Total Internal Reserve Expenditures	**1,354**	**934**	**-420**	**-31%**

Based on these projections, Housing York will realize an $11,000 operating surplus in 2011.

Major repairs and renovations projected to be within budget

The Federal/Provincial economic stimulus grants, known as the Social Housing Renovation and Retrofit Program (SHRRP), conclude in 2011. Since SHRRP began in 2009, Housing York has invested over $4,000,000 in SHRRP funded capital improvements throughout the portfolio, $797,000 of which was budgeted for 2011.

Table 2 summarizes the approved capital budget for 2011 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 2
2011 Major Repairs and Replacement Forecast Compared to Budget ($000's)

Annual Programs	Funding Source	2011 Budget	2011 Forecast	Variance $
Public Housing (872 units)	Operating Budget (subsidy)	$1,123	$1,123	-
Provincial Reform (937 units)	Capital Reserve	1,744	1,605	139
Region Housing (118 units)	Capital Reserve	15	45	-30
Blue Door Shelter	Capital Reserve	-	27	-27
Total Approved Capital Budget and Forecast		**$2,882**	**$2,800**	**$82**
Board Approved Programs				
Social Housing Renovation And Retrofit Program	Economic Stimulus Grants	797	797	-
Energy Management Strategy	Utility Savings and Borrowing	914	914	-
Emergency Power	Internal Reserve	440	20	420
Total Major Repairs and Renovations – all programs		**$2,151**	**$1,731**	**$420**

The budget for Housing York's annual major repair program will be fully spent at year end.

The Energy Management Strategy, now in its fourth year, is expected to be on budget. Housing York is forecasting a draw of up to $500,000 on its $3,500,000 approved loan with the Region. This would be repaid in future years from energy savings.

The 2011 Business Plan and Budget anticipated $440,000 in capital spending on the Emergency Power program this year. However, in order to ensure that investments are maximized, Housing York is reviewing the Emergency Power plan and options. Therefore, expenditures of $20,000 will be used in 2011 from this program reserve, leaving approximately $519,000 at year-end. Project completion is now projected for 2012.

Acquisition of Thornhill Green

After a prolonged Receivership and extensive Court proceedings, on March 1, 2011 Housing York acquired Thornhill Green, an existing 101 unit townhouse complex in Markham.

The transition from Receivership to ownership and operation by Housing York has been very successful. Housing York executed a detailed transition plan that included distribution of welcome packages, general information sessions for residents and comprehensive inspections of every unit. Housing York staff met individually with every household to execute leases and to answer any questions residents might have.

Through the initial inspection process a number of outstanding maintenance issues were identified and staff have focussed on addressing these concerns. A number of residents have expressed appreciation for the level of service provided and the resident focus demonstrated by Housing York.

With Regional assistance, the Receiver had identified three phases of priority capital repairs for Thornhill Green. The first two phases, roof replacement and interior repairs (including mould and asbestos remediation), were completed during the Receivership. Housing York is currently preparing to proceed with phase three, site remediation. Housing York hosted a resident meeting July 27, 2011 to discuss progress to date and to provide feedback on the remediation plan. Further updates will be provided to residents as the project proceeds.

Staff are currently assessing the property's long-term capital requirements and will provide further information to the Board through the 2012 business plan and budget process.

Table 3 summarizes the 2011 Thornhill Green budget effective March 1, 2011 and the amended Housing York 2011 Budget that is proposed for the Board's approval.

Table 3
2011 Amended Operating Budget ($000's)

($000)	2011 Total Budget	2011 Thornhill Green Budget	2011 Amended Budget
Revenue			
Tenant Rents	14,817	878	15,695
Subsidy - York Region	7,400	84	7,484
Subsidy - Federal	1,319	-	1,319
Total Revenue	**23,536**	**962**	**24,498**
Operating Expenditures			
Operating	22,346	955	23,301
Public Housing Capital	1,123	-	1,123
Total Expenditures	**23,469**	**955**	**24,424**
Budget Surplus before Strategic Projects	**67**	**7**	**74**
Allocation to Energy Management Reserve			
Strategic Projects	50	-	50
Operating Surplus after Strategic Projects	**17**	**7**	**24**
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	1,759	100	1,859
Expenditures	-1,759	-100	-1,859

Thornhill Green operating results are forecasted to be on budget, resulting in a modest increase to Housing York's projected surplus.

5. FINANCIAL IMPLICATIONS

Consistent with non-profit corporate practices, Housing York's is essentially a break even budget. With a modest surplus of $11,000 before consolidating Thornhill Green financial results, and $18,000 after consolidation, Housing York is anticipating a successful year in relation to the 2011 operating budget.

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 2000 York Region households.

7. CONCLUSION

Housing York's operations are within budget with a forecasted 2011 operating surplus of approximately $18,000. The capital repair and energy management programs are also proceeding as planned. The acquisition of Thornhill Green has been successfully completed and 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.

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Recommended by:

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August 16, 2011

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