



2018 Housing York Inc. Budget



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Housing York Inc. at a glance

Housing York Inc. (Housing York) is the Regional Municipality of York's housing corporation. Housing York was formed in 2003 through the amalgamation of the York Regional Housing Corporation and the Region of York Housing Corporation. Since then, Housing York has grown by more than 945 units and is now the seventh largest housing provider in Ontario.



The Housing York Inc. Plan 2017 to 2020: Achieving New Heights Through Innovation and Sustainability

In November 2016, the Housing York Board of Directors approved the [2017 to 2020 Housing York Plan: Achieving New Heights Through Innovation and Sustainability](#). The Plan sets the course for future growth and sustainability through the following five strategic directions:

1. Strengthening community health
2. Building long-term financial sustainability
3. Effectively managing assets
4. Providing good governance and strengthening organizational capacity
5. Supporting and informing Regional housing initiatives

In 2018, Housing York will focus on implementing the second year of the 2017 to 2020 Plan. Actions to be accomplished in year two of the Plan are highlighted below.



Strengthen community health

- Develop a strategy to support diversity and inclusion for residents
- Develop and implement a communication plan that leverages technology to encourage greater interaction between residents and Housing York



Build-long term financial sustainability

- Develop a program framework to manage Housing York's role in emergency housing facilities



Effectively manage assets

- Develop a portfolio management strategy (retention, divesture, acquisition, development) that optimizes the number of quality affordable homes within the projected financial resources
- Create an energy management plan that will guide future energy initiatives



Provide good governance and strengthen organizational capacity

- Develop a performance management framework that encourages efficiency and measures operational effectiveness
- Upgrade the information technology system to enhance services for residents and vendors



Inform and implement Regional housing initiatives

- Leverage Housing York's expertise to inform York Region's affordable housing policies and initiatives, such as providing Housing York Board advice on income and asset rent subsidy policy options for Regional Council consideration
- Explore financing and equity-leveraging opportunities, such as the Canadian Housing Finance Authority

Housing York's Long-Term Fiscal Plan

In November 2017, Housing York's Board of Directors approved a new long-term fiscal plan for the corporation. The fiscal plan was developed to ensure Housing York remains fiscally responsible, safeguards its assets and is accountable for effectively managing its resources. The fiscal plan includes:

- A reserve strategy that sets goals and objectives for Housing York's reserves
- A new Operating Surplus Policy that establishes a framework for the allocation of operating surpluses
- An updated Investment Policy to ensure prudent management of Housing York's working capital and reserves

The reserve strategy will ensure Housing York can effectively and efficiently respond to capital and operating needs. A significant change was consolidation of the Capital Repair and Replacement Reserve to fund planned capital repairs for the entire Housing York portfolio – eliminating spikes in demand for capital reserves and capital funding requests needed from York Region. Under the consolidated reserve fund, reserve contributions for newer buildings will be used to fund more immediate capital expenses needed for older buildings, smoothing pressures on the reserve over time while ensuring that funds are available in the future when the newer buildings are older. Capital expenditures could be higher than contributions in a specific year; however, each program will contribute enough funding to cover all of its capital needs over the long-term. The strategy is supported by detailed analysis of each programs capital repair needs and reserve contributions over the next forty years.

Housing York’s Capital Repair and Replacement Reserve will be funded from a variety of funding sources including:

- An annually budgeted allocation from Housing York’s operating budget
- Regional subsidies
- Fifty per cent of annual operating surpluses
- An annual draw of \$3.6 million from the Regionally Owned Housing Reserve

Historically, Housing York has not required funds from the Region’s reserves because it had sufficient funds in its own capital reserves. As the buildings have aged, the annual cost of repairs has become significantly greater than the annual mandatory reserve contributions, depleting the reserves. As a result, Housing York will be requesting an annual reserve draw of \$3.6 million from the Regionally Owned Housing Reserve beginning in 2018.

2018 Operating budget

2018 Operating budget overview

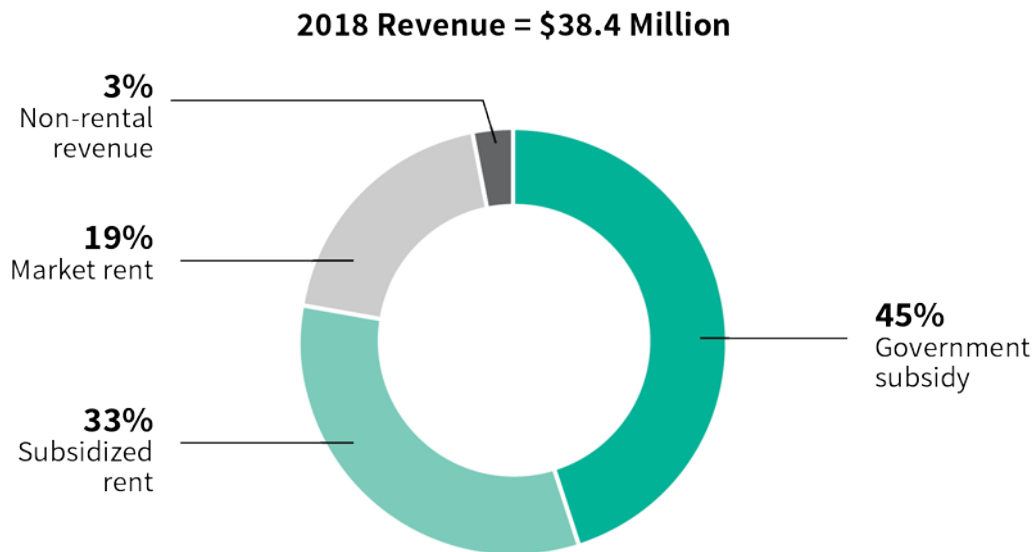
Housing York’s 2018 budget reflects a surplus of \$1.1 million before contributions to reserves. The budget enables Housing York to implement strategic directions, manage increasing service demands and maintain existing service levels. Housing York’s 2018 budget summary is presented below. The details of the operating budget are shown in Appendix 1.

2018 Operating budget summary

| | 2017 Budget | 2018 Budget | 2018 Budget Variance | |
|--|------------------------|------------------------|-----------------------------|--------------|
| | (\$000) | (\$000) | (\$000) | (%) |
| Rental revenue | 19,917 | 20,030 | 113 | 0.6% |
| Non-rental revenue | 1,022 | 1,033 | 11 | 1.1% |
| Government subsidies | 15,996 | 17,312 | 1,316 | 8.2% |
| Total revenue | 36,935 | 38,375 | 1,440 | 3.9% |
| Operating expenditures | 35,758 | 37,242 | 1,484 | 4.2% |
| Operating surplus before reserve contributions | 1,177 | 1,133 | (44) | -3.7% |
| Contributions to reserves | 714 | 1,133 | 419 | 58.7% |
| Net surplus/(deficit) | 463 | 0 | (463) | -100% |

Revenue

Total revenue is projected to be \$38.4 million in 2018. Rental revenue from residents make up more than half of total revenue with the remainder coming from government subsidies and a small portion from non-rental revenue.

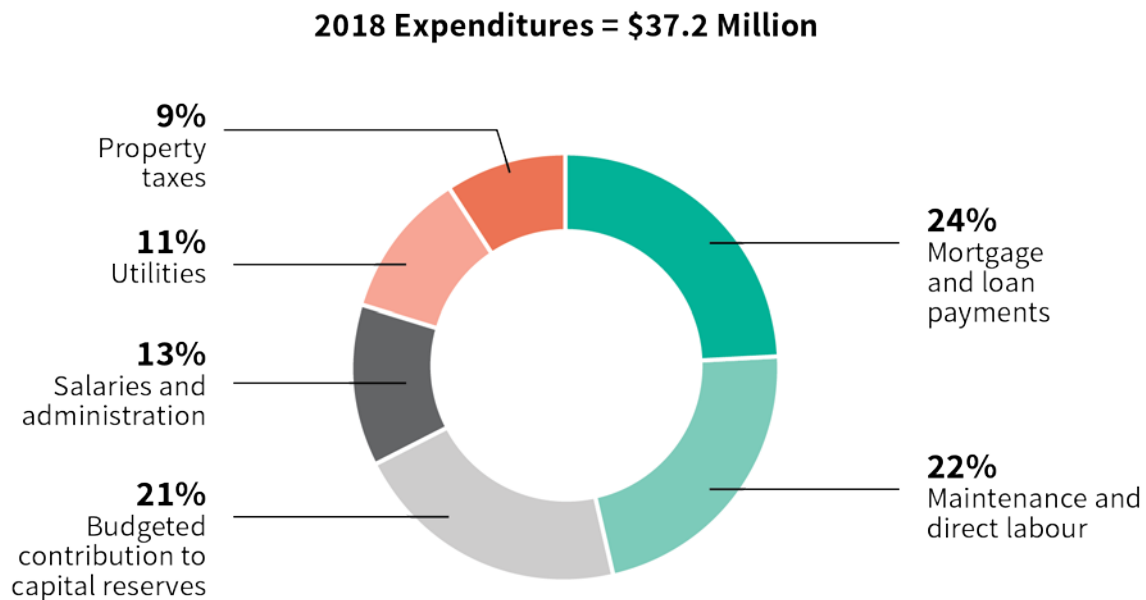


Total revenue is projected to increase by \$1.4 million or 3.9 per cent over 2017 due to increases in rental revenue, non-rental revenue and government subsidies. Rental revenue is the portion of rent that is collected directly from residents; this includes market rent and the portion of rent a subsidized tenant pays.

- Market rent, set at the low end of private market rent, is projected to increase by \$56,000 largely driven by a rent adjustment of 1.8 per cent as per the 2018 Ontario Rent Increase Guideline, offset by a shift in the unit mix from market to subsidized rent
- Rent for subsidized units was held constant but the conversion of market rent units into subsidized rent units resulted in an increase in subsidized rental revenue of \$57,000
- Housing York generates non-rental revenue through parking charges, coin laundry and rental of commercial space. Non-rental revenue is projected to increase by \$11,000 due to minor increases in parking fees and antenna licenses
- Government subsidies are projected to increase by \$1.3 million due largely to:
 - An increase in subsidies for capital repairs (\$0.4 million)
 - Additional rent assistance for two properties in the Regional Housing program (\$0.6 million)
 - Additional subsidies for emergency housing including the Sutton Youth Shelter (\$0.3 million)

Expenditures

Total expenditures are projected to be \$37.2 million in 2018. Maintenance, direct labour, mortgage and loan payments make up almost half of total expenditures.



Total expenditures are projected to increase by \$1.5 million or 4.2 per cent over 2017. The main drivers are:

- An increase of 1.6 per cent or \$130,000 in maintenance and direct labour due to inflationary pressures forecasted in building maintenance
- A decrease of 1.1 per cent or \$104,000 in mortgage payments resulting from a full year of savings from two mortgages that renewed in 2017 at lower interest rates. Housing York is expecting to benefit from lower rates for two more mortgages renewing in 2018
- An increase of 21 per cent or \$1.4 million in budgeted contributions to capital reserves:
 - In 2017, \$700 per unit was contributed to capital reserves for properties in the Regional Housing program. Since this amount is insufficient to meet capital needs over the longer term, the amount was increased to \$2,000 per unit beginning in 2018. This increases the contribution to capital reserves by almost \$1 million per year
 - An additional contribution of \$416,000 for capital repairs for properties in the Public Housing program, in line with Housing York's new reserve fund strategy
- An increase in natural gas and water rates offset by a decrease in hydro rates leading to an overall decrease of \$120,000 in utilities. Hydro rate assumptions are determined by the province for the majority of Housing York properties. The province uses the change in the Consumer Price Index for electricity to determine the hydro rate
- An increase of \$176,000 in property taxes based on updated property value assessments. Although property taxes increased on average by 5.2 per cent, some property values will increase by over 10 per cent in 2018

Property management system software upgrade

Housing York currently uses Yardi as its property management software system. A key deliverable in the 2017 to 2020 Plan and the 2017 Business Plan and Budget recommended upgrading Yardi to a newer version and purchasing new modules to modernize service delivery, measure customer service level standards, and analyze costs more efficiently and comprehensively.

Housing York completed the upgrade to the newer version of the property management software in 2017. In 2018, Housing York plans to implement the second phase of the system upgrade as approved in the 2017 to 2020 Plan. This will include new modules and functionalities like:

- Tenant portal – allowing tenant access to manage their accounts, make rent payments, create maintenance requests, and encourage interaction between residents and Housing York.
- Construction module – allowing workflow integration between technical services, operations and finance resulting in improved data quality, process flow and streamlined vendor/client transactional process
- Preventative maintenance – streamlining the unit inspection process and automating the preventative maintenance schedule resulting in increased operational efficiency

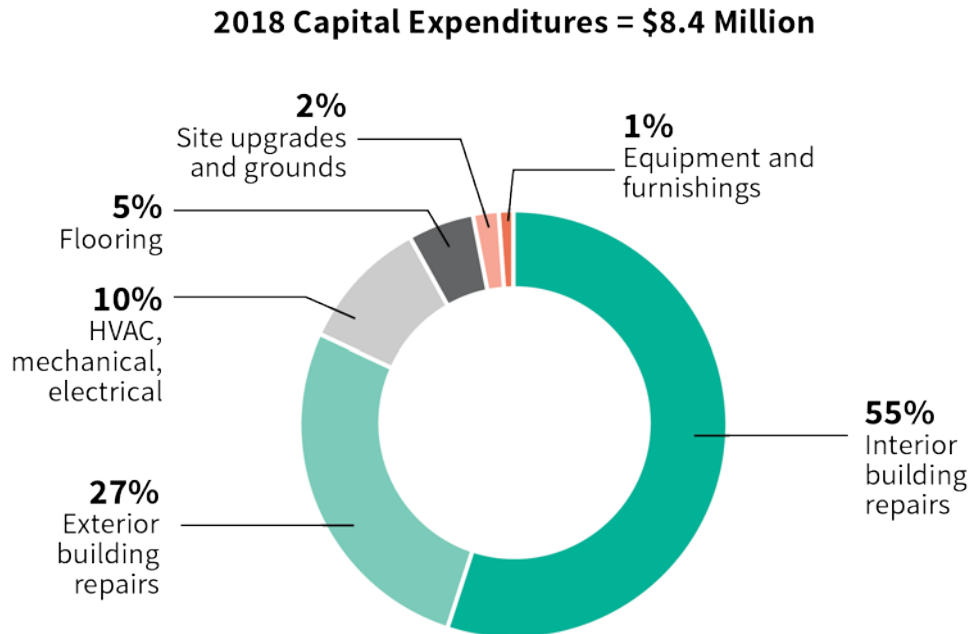
The cost of the licenses for the additional modules was factored into the 2017 budget. Although the contract for the additional modules still needs to be negotiated, 2018 costs are estimated at \$100,000. Implementation costs will decrease in 2018 as the majority of the consultation work was completed in 2017. Table 1 outlines the projected costs of the property management system software upgrade.

Table 1
Yardi upgrade costs

| | 2017 Budget (\$) | 2018 Budget (\$) |
|---------------------------|------------------|------------------|
| Current system | 83,640 | 87,741 |
| Additional modules | 105,435 | 100,000 |
| Total annual license fees | 189,075 | 187,741 |
| Implementation costs | 172,600 | 46,250 |
| Total cost | 361,675 | 233,991 |

2018 Capital expenditures

Housing York plans to invest \$8.4 million in capital repairs and upgrades during 2018. More than half of the expenditures will go towards interior building repairs such as kitchen and bathroom upgrades, and elevator modernization. Another 25 per cent will be spent on exterior building repairs (mainly for roof replacements).



2018 Reserves

Housing York's 2018 budget projects a net surplus, before reserve allocations, of \$1.1 million. It is important for Housing York to continue to generate surpluses to support long-term sustainability. Table 2 shows how the projected surplus will be allocated to the reserves according to the Operating Surplus Policy. The projected 2018 ending balances for all of Housing York's reserves are detailed in Appendix 2.

Table 2
Allocation of operating surplus to reserves

| | Surplus Allocation (\$000) |
|--|-------------------------------|
| Capital Repair and Replacement Reserve | 530 |
| Insurance Reserve | 50 |
| Operations Reserve | 50 |
| Strategic Initiatives Reserve | 430 |
| Emergency Housing Reserve | 73 |
| Total | 1,133 |

Appendix 1

2018 Housing York operating budget

| | 2017 Budget (\$000) | 2018 Budget (\$000) | 2018 Variance | |
|--|---------------------------|---------------------------|---------------|----------------|
| | | | (\$000) | (%) |
| Revenue | | | | |
| Market rent | 7,230 | 7,286 | 56 | 0.8% |
| Subsidized rent | 12,687 | 12,744 | 57 | 0.4% |
| Non-Rental revenue | 1,022 | 1,033 | 11 | 1.1% |
| Government subsidies | 15,996 | 17,312 | 1,316 | 8.2% |
| Total revenue | 36,935 | 38,375 | 1,440 | 3.9% |
| Expenditures | | | | |
| Maintenance and direct labour | 7,970 | 8,099 | 129 | 1.6% |
| Mortgages/Lease Payments | 9,063 | 8,959 | (104) | -1.1% |
| Budgeted contribution to Capital Reserves | 6,509 | 7,876 | 1,367 | 21.0% |
| Salaries and administration | 4,750 | 4,786 | 36 | 0.8% |
| Utilities | 4,075 | 3,955 | (120) | -2.9% |
| Property taxes | 3,391 | 3,567 | 176 | 5.2% |
| Total expenditures | 35,758 | 37,242 | 1,484 | 4.2% |
| Operating surplus before reserve contributions | 1,177 | 1,133 | (44) | -3.7% |
| Contributions to reserves | 714 | 1,133 | 419 | 58.7% |
| Net surplus/(deficit) | 463 | - | (463) | -100.0% |

Note: Market rent only includes the portion of rent that is collected directly from residents. Any subsidy that Housing York receives for market residents, including rent supplements, are now included in government subsidies. The 2017 budget has been restated to reflect this change.

Appendix 2

2018 Estimated reserve balances

| | Capital Reserves (\$000) | Working Capital Reserve (\$000) | Insurance Reserve (\$000) | Operations Reserve (\$000) | Strategic Initiatives Reserve (\$000) | Emergency Housing Reserve (\$000) |
|---------------------------------------|--------------------------|---------------------------------|---------------------------|----------------------------|---------------------------------------|-----------------------------------|
| Projected 2018 opening balance | 6,077 | 3,500 | 180 | 500 | 834 | 521 |
| Budgeted contribution | 7,669 | | 25 | | | 237 |
| Projected reserve interest income | 69 | | | | | 6 |
| Projected expenditures | (8,300) | | (75) | (50) | | (101) |
| Contribution from operating surplus | 530 | | 50 | 50 | 430 | 73 |
| Projected 2018 ending balance | 6,045 | 3,500 | 180 | 500 | 1,264 | 736 |