

The Regional Municipality of York

Housing York Inc.
September 6, 2018

Report of the
General Manager
and
Chief Financial Officer

Mid-Year Financial Update

1. Recommendation

It is recommended that the Board receive this report for information.

2. Purpose

This report provides an overview of Housing York Inc.'s revenue, expenditures and surplus position as of June 30, 2018 compared to the 2018 approved Budget. This report also includes a year-end operating forecast and capital projections for 2018.

3. Background

The mid-year report is presented to inform the Housing York Board of any year-to-date budget variances and anticipated year-end financial outcomes. The year-end forecast incorporates year-to-date trends as well as known emerging issues for the remainder of the year.

4. Analysis and Implications

Mid-year results are favourable with a surplus of \$ 1.3 million

Housing York's 2018 approved Budget projected a mid-year surplus of \$631,000. The actual mid-year surplus is \$1.3 million, which is \$640,000 above budget. The variance will be smaller by the end of the year because revenue tends to be stable while project expenses are weighted more towards the latter half of the year as the projects end.

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

Table 1
Consolidated Operating Results for the Period Ending June 30, 2018
(\$000s)

	Budget Year-to- date	Actual Year-to- date	Variance \$	Variance %
Rental revenue	9,983	10,243	260	2.6%
Non-rental revenue	499	546	47	9.4%
Government subsidies	6,890	6,746	(144)	-2.1%
Total revenue	17,372	17,535	163	0.9%
Operating expenditures	16,741	16,264	(477)	-2.8%
Operating surplus before reserve contributions	631	1,271	640	101.4%
Contributions to reserves	631	1,271	640	101.4%
Net surplus/(deficit)	0	0	0	0

The mid-year total revenue is slightly above budget:

- Rental revenues are 2.6 per cent or \$260,000 above budget largely due to subsidized rent increasing more than anticipated.
- The majority of government subsidies are provided by the Region except for \$165,000 that Housing York receives directly from the Province. Government subsidies are lower than projected by 2.1 per cent or \$144,000. The primary driver for this variance is additional rent from subsidized tenants, lowering the amount of subsidy provided by the Region.

The mid-year operating expenditures are 2.8 per cent lower than projected primarily due to:

- Lower than budgeted salaries and benefits, and property taxes. Salaries and benefits are 8.2 per cent or \$280,000 below budget due to a combination of staff turnover, retirements, and hiring timelines. Property taxes are 14.7 per cent or \$261,000 below budget due to higher property rate increases assumed at the time the budget was prepared.

Housing York is projecting a surplus of \$1.4 million in 2018

The surplus projection for year-end is \$1.4 million compared to the budgeted surplus of \$1.1 million. Similar to the mid-year results, the major contributors to the positive variance in operating surplus are labour and property tax savings.

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

Table 2
Consolidated Operating Forecast for the Period Ending December 31, 2018
(\$000s)

	2018 Budget	2018 Year-end Forecast	Variance \$	Variance %
Rental revenue	20,030	20,400	370	1.8%
Non-rental revenue	1,033	1,102	69	6.7%
Government subsidies	17,312	16,793	(519)	-3.0%
Total revenue	38,375	38,296	(79)	-0.2%
Operating expenditures	37,242	36,869	(373)	-1.0%
Operating surplus before reserve contributions	1,133	1,426	293	25.9%
Contributions to reserves	1,133	1,426	293	25.9%
Net surplus/(deficit)	0	0	0	0

Capital expenditures are on track with budget

Housing York is forecasting \$8.0 million in capital expenditures at year-end which is 95 per cent of the budget for all programs. Table 3 lists the 2018 capital spending by program.

Table 3
2018 Major Repairs and Replacement Forecast Compared to Budget
(\$000s)

Annual Programs	2018 Annual Budget	2018 Year-end Forecast	Variance \$	Variance %
Public housing (840 units)	1,992	1,892	100	95%
Provincial reform (1025 units)	5,457	5,140	317	94%
Regional housing (734 units)	824	824	0	100%
Emergency housing	103	101	2	98%
Total approved capital budget spending and forecast	8,376	7,957	419	95%

During the first half of 2018, capital work began on:

- Kitchen upgrades (Keswick Gardens, Brayfield Manors)
- Elevator replacements (Keswick Gardens, Northview Court)
- Roof replacement (Hadley Grange)
- Window replacements (Mulock Village, Brayfield Manors, Maplewood Place)

During the second half of 2018, capital work will begin on:

- Roof replacements (Glenwood Mews, Tom Taylor Place, Thornhill Green, Kingview Court, Northview Court)
- Kitchen and Bathroom upgrades (Heritage East, Rose Town, Trinity Square)
- Window and door replacements (Elmwood Gardens, Springbrook Gardens, Mulock Village)
- Elevator replacements (Heritage East, Dunlop Pines, Fairy Lake Gardens, Oxford Village)
- Make Up Air Units (Armitage Gardens, Hadley Grange)

5. Financial Considerations

Housing York is anticipating a surplus of \$1.4 million in 2018. The operating surplus will be allocated to reserves in accordance with the Operating Surplus Policy outlined in Housing York's Fiscal Plan.

6. Local Municipal Impact

Housing York provides safe, affordable and sustainable housing for more than 2,600 York Region households through prudent financial stewardship, efficient operations, an extensive capital repair program, and strategic investments in energy conservation, in all nine municipalities.

7. Conclusion

Housing York is in good financial health with a forecasted operating surplus of \$1.4 million in 2018.

For more information on this report, please contact Rick Farrell, General Manager at 1-877-464-9675 ext.72091.

The Senior Management Group has reviewed this report.

Recommended by:

Rick Farrell
General Manager

Michelle Willson
Chief Financial Officer

Approved for Submission:

Katherine Chislett
President

August 8, 2018

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Accessible formats or communication supports are available upon request