

The Regional Municipality of York

Housing York Inc.
October 6, 2016

Report of the
General Manager

Mid-Year Financial Statements Report

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, 2016 compared to the 2016 Budget. This report also includes a year-end operating forecast, capital projections and estimated spending against reserves.

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 an estimated \$183,000 operating surplus

The Budget and Business Plan was presented in December 2015 and a mid-year surplus of \$76,000 was anticipated. The actual year-to-date revenue and expenses are 3.3% and 3.6% below budget respectively leading to a projected

\$183,000 mid-year operating surplus, which is \$107,000 higher than anticipated. See Table 1 for details.

The actual combined rental and non-rental revenue is on target with a minor 0.04% or \$4,573 positive variance. The Regional subsidy is lower than projected by 10.8% or \$528,000. This is primarily due to timing issues related to subsidy transfers for Belinda's Place and the emergency housing portion of Richmond Hill Hub from Social Services, as well lower operating expenditures during the first six months of 2016. Overall net revenue is 3.3% or \$524,000 lower than expected.

The mid-year total operating expenditures are 3.6% lower than projected due to a combination of:

- Salaries and Benefits are 7.8% or 242,901 below budget primarily due to hiring delays; some of them relating to the changes in the housing operations structure
- Insurance premiums are lower by 24% or \$72,000 mainly due to an increase in deductible limit from \$10,000 to \$25,000. In addition, the actual insurance premium for Richmond Hill Hub is lower than originally projected
- Utilities are lower by 11.8% or \$270,640 due to milder weather conditions experienced during the back-end of the winter and early spring
- Property tax is lower by 17.4% or \$305,289. The actual property tax for Belinda's Place and Richmond Hill Hub is lower than originally projected and represents half of the variance. The other half is due to the timing of the interim billing for various properties

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, 2016
(\$000s)

	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Revenue	15,793	15,269	- 524	- 3.3
Operating Expenditures	15,292	14,748	544	3.6
Public Housing Capital *	425	338	87	20.5
Operating Surplus	76	183	107	140.8

* Included as part of the operating budget

An operating surplus of \$555,000 is forecast for year-end

The operating surplus projection for year-end is \$555,000 compared to the budgeted operating surplus of \$445,000. The factors contributing to the favourable mid-year results have the same favourable effect to the year-end forecast.

Retained Earnings at year-end are expected to be \$3,738,000

The balance in the Retained Earnings is expected to reach \$3,738,000 through the allocation of the \$555,000 forecasted operating surplus as shown in Table 2.

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

Table 2
Consolidated Operating Forecast for the Period Ending December 31, 2016
(\$000)

	2016 Annual Budget	2016 Year-End Forecast	Variance (\$)	Variance (%)
Revenue				
Tenant Rents	22,357	22,418	61	0.3
Subsidy – York Region	12,723	11,511	-1,212	-9.5
Total Revenue	35,080	33,929	-1,151	-3.3
Operating Expenditures				
Operating	33,049	31,794	1,255	3.8
Public Housing Capital	1,586	1,580	6	0.4
Total Expenditures	34,635	33,374	1,261	3.6
Operating Surplus	445	555	110	24.7
Retained Earnings - Beginning of Year	3,183	3,183	0	0.0
Retained Earnings - End of Year	3,628	3,738	110	3.0
Capital Reserves (Provincial Reform, Emergency Housing and Regional Housing)				
Contribution from Reserves	3,903	3,726	177	4.5
Expenditures	-3,903	-3,726	-177	4.5

Capital expenditures are on track with budget

Housing York is forecasting \$5,306,000 in capital expenditures at year-end which is 97% of the budget. Capital expenditures are projected to be on track for Public Housing while Provincial Reform, Regional Housing and Emergency Housing are expected to be slightly below budget.

During the first half of 2016, capital work began on: upgrades of parking lots and lighting at Fairy Lake Gardens and Hadley Grange; replacement of the garage ramp and retaining wall at Heritage East; bathroom upgrades at Brayfield Manor; appliance replacement at Pineview Terrace; and public space upgrades at Founders Place.

During the second half of 2016, capital work will begin to: replace 190 kitchens at Rose Town, Springbrook Gardens and Mulock Village; elevator upgrades at Evergreen Terrace and Fairy Lake Gardens; and window replacements at Orchard Heights.

The year-end projected contribution to Capital Reserve is \$4,489,517. This will result in an estimated \$5,483,635 balance in the Capital Repair Reserve. Table 3 summarizes the approved capital budget for 2016 and the year-end forecast compared to budget.

Table 3
2016 Major Repairs and Replacement Forecast Compared to Budget
(\$000)

Annual Programs	Funding Source	2016 Budget	2016 Forecast	Variance (\$ F/U)
Housing:				
Public Housing (872 units)	Operating Budget	1,586	1,580	6
Provincial Reform (1,039 units)	Capital Reserve	3,730	3,581	149
Regional Housing (734 units)	Capital Reserve	94	89	5
Emergency Housing:				
Porter Place	Capital Reserve	40	28	12
Leeder Place	Capital Reserve	35	23	12
Belinda's Place	Capital Reserve	5	5	0
Total Approved Capital Budget and Forecast		5,489	5,306	183

5. Financial Implications

Housing York is anticipating 2016 to be another year of strong financial performance with a forecasted surplus of \$555,000. Continuous focus on revenue realization, expenditure control, and assets stewardship ensures that Housing York is maintaining sufficient financial flexibility and resiliency to respond to unanticipated program issues.

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 local municipalities.

7. Conclusion

Housing York is in good financial health with a forecasted operating surplus of approximately \$555,000 in 2016. Retained Earnings is expected to be \$3,738,000, and the capital repairs reserve balance is anticipated to be \$5,483,635.

Additional affordable emergency housing units, added in 2016 through Richmond Hill Hub and Belinda's Place, allows Housing York to deliver on its mission of providing safe and affordable housing opportunities for York Region residents.

For more information on this report, please contact Rick Farrell, General Manager at ext. 72091.

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Rick Farrell
General Manager

Adelina Urbanski
President

September 22, 2016

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Accessible formats or communication supports are available upon request