

The Regional Municipality of York

Housing York Inc.
September 10, 2015

Report of the
Chief Financial Officer

Mid-Year Financial Statements Report

1. Recommendation

It is recommended that this report be received for information.

2. Purpose

This report provides an overview of Housing York Inc.'s revenue, expenditures and surplus position as of June 30, 2015 compared to the 2015 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 Options

Mid-year results are favorable and ahead of projections with an estimated \$208,000 operating surplus

When the Budget and Business Plan was presented in February 2015, a mid-year surplus of \$167,000 was anticipated. The actual year-to-date revenue and expenses are 0.8% and 1.2% below budget respectively leading to a projected \$208,000 mid-year operating surplus, which is 24.6% higher than anticipated. See Table 1 for details.

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The actual unit mix includes more revenue than expected by 2.4% or \$239,667. This mix fluctuates on a month-to-month basis depending on the move in/out activity of RGI (rent geared to income) and market tenants. This factor along with the renewal of two mortgages at favourable rates has resulted in Housing York receiving 7.6% or \$365,044 less subsidy than anticipated. Overall net revenue is 0.8% or \$118,102 lower than expected.

Overall the mid-year total operating expenditures are marginally lower than projected by 1.2% primarily due to a combination of:

- Salaries and Benefits are 5.6% or \$169,361 below budget primarily due to hiring delays
- Administration and maintenance expenses are 5.0% or \$106,049 lower than expected primarily due to timing of consulting services that are expected to occur before year end and savings from staff related administration expenses
- Insurance is lower by 4% or \$10,137 mainly due to delays in construction at Belinda's Place
- Utilities are higher than anticipated by 7.7% or \$134,931, with hydro charges as the main driver. Hydro is higher due to a combination of price and consumption increases

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, 2015
(\$000s)

	Budget YTD	Actual YTD	Variance \$	Variance %
Revenue	14,862	14,744	-118	-0.8%
Operating Expenditures	14,388	14,216	172	1.2%
Public Housing Capital *	307	320	-13	-4.2%
Operating Surplus	167	208	41	24.6%

*Included as part of the operating budget

A healthy \$406,000 operating surplus is forecasted for year-end

Housing York is projecting a year-end operating surplus of approximately \$406,000 compared to a budgeted 2015 surplus of \$330,000. This surplus is a result of the same factors described above contributing to the favorable mid-year results.

Total revenue is 1.1% (\$337,299) less than expected primarily due to:

- Lower subsidy needed to service the five mortgages renewed in 2015 at lower rates
- Lower subsidy needed given Housing York's current unit target mix

Total expenditures are forecasted to be 1.4% (\$413,267) lower than expected due to:

- Lower mortgage payments for the five mortgages renewed in 2015 at lower rates
- Deferred hiring of additional staff approved in the 2015 budget

Retained Earnings at year-end are expected to be \$3,055,000

The forecasted balance in the Retained Earnings at year-end is expected to be \$3,055,000 which is \$2,000 more than last year's balance. The \$406,000 contribution to the retained earnings will be offset by the \$404,000 withdrawal used to finance the installation of two power generators at Rose Town and Heritage East as approved in the 2015 Budget and Business Plan. The generators are expected to be complete in 2016. The \$404,000 will be placed in the Emergency Power reserve until the funds are needed.

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

Table 2
Consolidated Operating Forecast for the Period Ending December 31, 2015
(\$000s)

	Annual Budget	Year-End Forecast	Variance \$	Variance %
Revenue				
Tenant Rents	20,109	20,494	385	1.9
Subsidy – York Region	10,373	9,651	-722	-7
Total Revenue	30,482	30,145	-337	-1.1

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	Annual Budget	Year-End Forecast	Variance \$	Variance %
Operating Expenditures				
Operating	28,743	28,330	413	1.4
Public Housing Capital	1,409	1,409	0	0
Total Expenditures	30,152	29,739	413	1.4
Operating Surplus	330	406	76	23
Capital Reserves (Provincial Reform and Regional Housing)				
Contribution from Reserves	2,439	2,439	0	0
Expenditures	-2,439	-2,439	0	0
Internal Reserve Expenditures				
Contribution from Emergency Power Reserve	276	279	0	0
Contributions from Retained Earnings	404	404	0	0
Expenditures	-680	-680	0	0

Contributions to capital reserves are on track while capital expenditures are slightly behind schedule

Contributions to capital reserves are on track with \$941,000 being contributed at mid-year. The combined capital expenditure for the Provincial Reform and Regional Housing is 3.5% under budget due to timing of capital jobs completion.

During the first half of 2015, capital work included asphalt repairs at Tom Taylor Place; replacement of carbon monoxide and smoke detector at various properties; fencing upgrades at Dunlop Pines, Elmwood Gardens and North View Court; and new furnace installations at Thornhill Green.

During the second half of 2015, planned capital work includes kitchen replacements at Rose Town, Springbrook Gardens and Mulock Village; parking lot repairs at Hadley Grange and Fairly Lake Gardens; bathroom upgrades at Brayfield Manor; brick masonry repairs at Founders Place; and siding replacement at Glenwood Mews.

Capital repair reserves continue to grow and serve as a risk mitigation and prudent fiscal management strategy

Forecasted spending against Housing York’s reserves is expected to be \$4,528,000, which is expected to be on budget. The year-end projected contribution to capital reserve is \$1,986,000. This will result in an estimated \$4,447,000 balance in the capital repair reserves.

Major repairs and renovations projected to be within budget

Table 3 summarizes the approved capital budget for 2015 and the year-end forecast compared to budget.

**Table 3
2015 Major Repairs and Replacement Forecast compared to Budget
(\$000s)**

Annual Programs	Funding Source	2015 Budget	2015 Forecast	Variance \$
Public Housing (872 units)	Operating Budget	1,409	1,409	0
Provincial Reform (1038 units)	Capital Reserve	2,152	2,152	0
Regional Housing (531 units)	Capital Reserve	214	214	0
Blue Door Shelter	Operating Budget	73	73	0
Total Approved Capital Budget and Forecast		3,848	3,848	0
Board Approved Project				
Emergency Power	Internal Reserve	276	276	0
Emergency Power	Retained Earnings	404	404	0
Total Board Approved Project		680	680	0
Total Major Repairs and Replacement		4,528	4,528	0

Expenditures for Housing York's annual major repair program are forecasted to be within budget.

5. Financial Implications

With a forecasted surplus of \$406,000 in 2015, Housing York is anticipating another year of strong financial performance. Housing York continues to focus on careful financial stewardship and maintaining sufficient financial flexibility and resiliency to respond to unanticipated program issues.

6. Local Municipal Impact

Housing York provides affordable housing in all nine 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 2,400 York Region households.

7. Conclusion

Housing York is in good financial health with a forecasted operating surplus of approximately \$406,000 in 2015. Retained Earnings is expected to be \$3,055,000, and the capital repairs reserve balance is anticipated to be \$4,447,000.

The capital repair and strategic projects are also proceeding as planned. The Richmond Hill Youth Hub building in the Town of Richmond Hill will be added to Housing York's portfolio early next year which will provide additional affordable housing opportunities for York Region residents.

For more information on this report, please contact Carlene Jackson, Chief Financial Officer, Housing York Inc. at Ext. 76064.

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The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Carlene Jackson
Chief Financial Officer

Adelina Urbanski
President

August 14, 2015

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Accessible formats or communication supports are available upon request