

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 4, 2014
Report of the
President
and
Chief Financial Officer

MID-YEAR FINANCIAL STATUS 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 (Housing York) revenue, expenditures, and surplus position as of June 30, 2014 compared to the 2014 Budget. The report also includes a year-end operating forecast, capital projections and estimated spending against reserves.

3. BACKGROUND

In accordance with standard business practices, 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.

The portfolio is managed as separate housing programs due to differences in funding formulas and program rules; however, a consolidated financial reporting format is used for this report. Surplus or deficit positions in these distinct programs cannot be offset against each other and the consolidated statements incorporate the various program rules.

The 97-unit Lakeside Residences in the Town of Georgina (Keswick) was added to Housing York's portfolio this year and tenants started to move into their homes in June 2014. The construction process was longer than anticipated when the 2014 budget was prepared.

4. ANALYSIS AND OPTIONS

Mid-year results are favorable and ahead of projections with an estimated \$950,000 operating surplus

When the budget and business plan was presented in December 2013, the mid-year surplus of \$673,000 was anticipated.

The actual year-to-date revenue and expenses are 0.7% and 2.8% below budget respectively leading to a projected \$950,000 operating surplus, which is 41.1% higher than anticipated.

The tenant rental revenue is generally tracking on budget and the slight unfavorable variance is due to the delay in construction at Lakeside Residences. It was anticipated that most of the tenants would move in by April 2014, but this didn't occur until June 2014 due to a construction delay. Rental revenue is anticipated to increase in the second half of this fiscal year as Lakeside occupancy increases.

The mid-year total operating expenditure was lower than projected by 2.8% due to a combination of:

- Administration and maintenance expenditures are 0.5% below budget primarily due to hiring delays.
- Insurance premiums lower by 3.1% and property taxes lower by 0.9% due to the Lakeside Residences construction delay.
- Public Housing capital expenditures are 55.5% lower than originally planned due to revised timing of capital projects. These projects are delayed until the second part of the year, so the financial impacts will occur at that time.

Contributions to capital reserves are on track while capital expenditure behind schedule

Contributions to capital reserves are on track at mid-year. The Provincial Reform program contributions are 100% on budget while the Regional Housing program contributions are 86% on budget. The capital expenditure for each of the Provincial Reform and Regional Housing programs is 69% and 36% under budget, respectively.

The distribution of capital expenditures recorded at mid-year is:

- Roofing 3%
- Flooring 26%
- Building 14%
- Overhead 57% (salaries and office expenses for technical services staff)

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, 2014 (\$000s)

	Budget YTD	Actual YTD	Variance \$	Variance %
Revenue				
Tenant Rents	9,796	9,765	-31	-.3%
Subsidy - York Region	4,650	4,574	-76	-1.6%
Total Revenue	14,446	14,339	-107	-.7%
Operating Expenditures				
Operating	13,234	13,149	85	0.6%
Public Housing Capital	539	240	299	55.5%
Total Expenditures	13,773	13,389	384	2.8%
Operating Surplus before Allocations	673	950	277	41.1%
Strategic Projects	30	-	30	100.0%
Operating Surplus	643	950	307	47.7%
Capital Reserves (Provincial Reform and Regional Housing)				
Contribution to Reserves	820	267	-553	-67.4%
Expenditures	-820	-267	553	67.4%
Internal Reserve Expenditures				
Emergency Power Plan	-	21	-21	-100.0%
Total Internal Reserve Expenditures	-	21	-21	-100.0%

A healthy \$593,000 operating surplus is forecast for year-end

Housing York is projecting a year-end operating surplus of approximately \$593,000 compared to a budgeted 2014 surplus of \$572,000. This surplus is reflective of the revenue and expenditure variances explained below.

Total revenue is 1.4% less than expected due to:

- Lower rental revenue resulting from the delay in Lakeside Residences completion
- Lower subsidy from the Region being forecasted due to lower operational costs that affect Public Housing programs subsidy funding

Total expenditures are forecasted to be 1.5% lower than expected due to:

- Lower utilities costs driven by past investments in energy saving building retrofits
- Reprioritization of capital projects to achieve efficiencies resulting in lower capital spending in the Public Housing program
- Deferred hiring of additional staff approved in the 2014 budget

The actual 2013 surplus was \$667,369, which is 12.5% higher than the 2014 projected year-end surplus. This is primarily due to delayed staffing in 2013 as well as lower than expected capital expenditures and debenture payments.

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 on budget. The final year-end operating surplus, net of any subsidy repayments due to the Region, will be allocated to capital repair reserves and retained earnings in accordance with program requirements and Housing York's approved accounting policies. This will result in an estimated \$4,452,000 balance in the capital repair reserves.

Contribution to Retained Earnings at year-end is expected to be \$374,000

The forecasted balance in the Retained Earnings at year-end is expected to be \$2,970,000 which is a \$374,000 increase from last year balance. The \$374,000 is the residual operating surplus for 2014 once the \$194,000 contribution to capital reserve, as per Provincial Reform Surplus Sharing Agreement, and \$25,000 contribution to the insurance reserve are deducted from the forecasted \$593,000 operating surplus.

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

Table 2
Consolidated Operating Forecast for the Period Ending December 31, 2014
(\$000s)

	Annual Budget	Year-End Forecast	Variance \$	Variance %
Revenue				
Tenant Rents	19,855	19,674	-181	-0.9%
Subsidy - York Region	9,331	9,110	-221	-2.4%
Total Revenue	29,186	28,784	-402	-1.4%
Operating Expenditures				
Operating	27,153	26,749	404	1.5%
Public Housing Capital	1,401	1,382	19	1.4%
Total Expenditures	28,554	28,131	423	1.5%
Operating Surplus before Allocations	632	653	21	3.3%
Strategic Projects	60	60	-	0.0%
Operating Surplus	572	593	21	3.7%
Capital Reserves (Provincial Reform and Regional Housing)				
Contribution to Reserves	2,252	2,237	-15	-0.7%
Expenditures	-2,252	-2,237	15	0.7%
Internal Reserve Expenditures				
Emergency Power Plan	-	21	-21	100.0%
Total Internal Reserve Expenditures	-	21	-21	100.0%

Based on these projections, Housing York will realize a \$593,000 operating surplus in 2014.

Major repairs and renovations projected to be within budget

Table 3 summarizes the approved capital budget for 2014 and the year-end forecast compared to budget.

Table 3
2014 Major Repairs and Replacement Forecast Compared to Budget
(\$000s)

Annual Programs	Funding Source	2014 Budget	2014 Forecast	Variance \$
Public Housing (872 units)	Operating Budget	1,401	1,382	19
Provincial Reform (1038 units)	Capital Reserve	2,122	2,107	15
Regional Housing (531 units)	Capital Reserve	120	120	-
Blue Door Shelter	Operating Budget	10	10	-
Total Approved Capital Budget and Forecast		3,653	3,619	34
Board Approved Programs				
Emergency Power	Internal Reserve	-	21	-21
Strategic Projects	Retained Earnings	60	60	-
Total Board Approved Programs		60	81	-21
Total Major Repairs and Renovations		3,713	3,700	13

Expenditures for Housing York's annual major repair program are forecasted to be within 99% of budget.

5. FINANCIAL IMPLICATIONS

With a forecasted surplus of \$593,000, Housing York is anticipating a financially strong year in relation to the 2014 operating budget. 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's 2014 operations are in good financial health with a forecasted operating surplus of approximately \$593,000. Retained Earnings is expected to be \$2,970,000, and the capital repairs reserve balance is anticipated to be \$4,452,000.

The capital repair and strategic projects are also proceeding as planned. Lakeside Residences has been successfully completed and the new residents are transitioning well in their new relationship with Housing York.

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

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Carlene Jackson
Chief Financial Officer

Adelina Urbanski
President

August 13, 2014

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