

THE REGIONAL MUNICIPALITY OF YORK

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

RISK MANAGEMENT UPDATE

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

This report provides the Board with an overview of Housing York Inc.'s (Housing York) approach to risk management as well as an update on a number of risk management initiatives undertaken by Housing York since the first risk management report in September 2012.

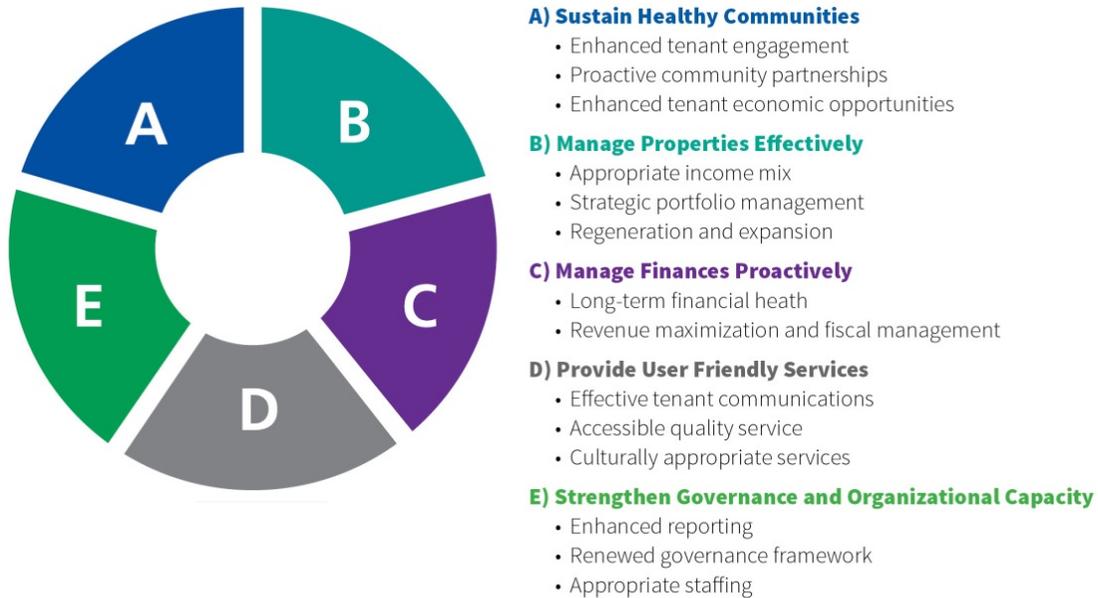
3. BACKGROUND

The risk management report supports the enhanced reporting objective in the Housing York Inc. Strategic Plan

In October 2012, the Board of Directors approved the Housing York Inc. Strategic Plan 2012 -2016 (the Plan). Figure 1 provides an overview of the Plan's five strategic directions and accompanying objectives. This risk management report supports the enhanced reporting objective of the Plan's fifth strategic direction - strengthen governance and organization capacity.

Figure 1 provides an overview of the Housing York Strategic Plan.

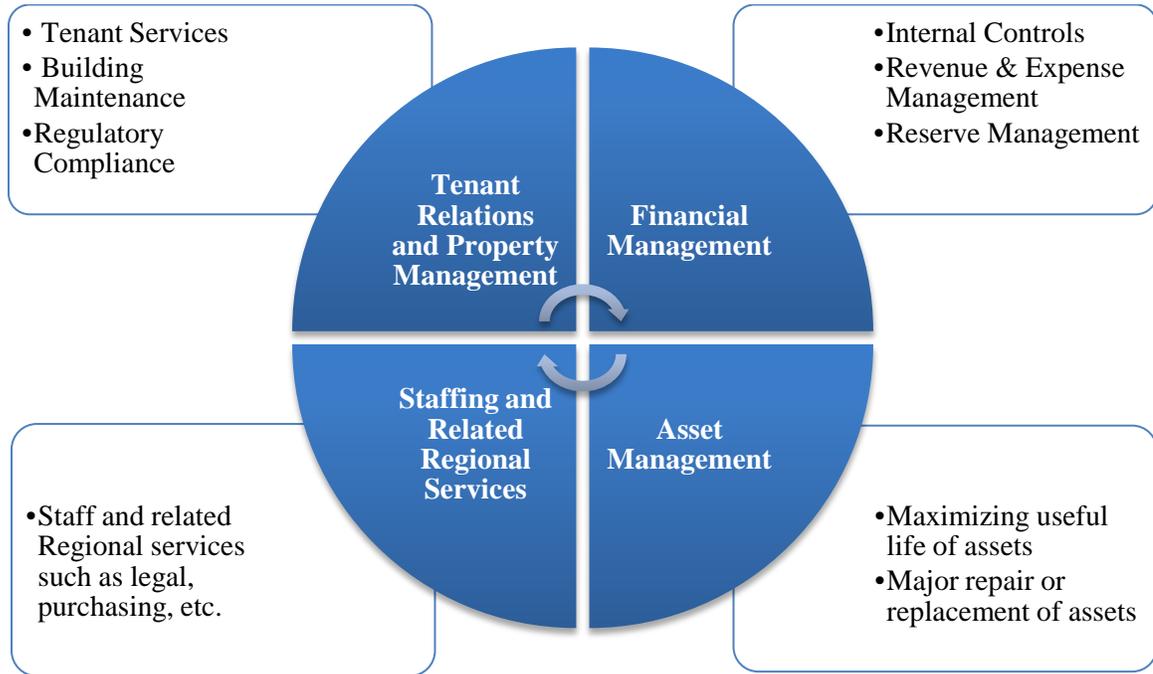
Figure 1 – Housing York Inc. Strategic Plan 2012-2016



Housing York manages risk in all aspects of the organization

Housing York identifies and manages risk in each area of its business activities. Figure 2 provides an overview of the key business areas and related risk considerations.

Figure 2 – Housing York Business Functions & Risk Considerations



4. ANALYSIS AND OPTIONS

HOUSING YORK WORKS CLOSELY WITH TENANTS AND EFFECTIVELY MANAGES ITS BUILDINGS

Effective operational practices ensure appropriate building maintenance

Housing York employs preventative maintenance plans to ensure regulatory compliance and to maximize the life span of building components. Technical staff regularly inspects assets to prevent premature equipment failure, avoid costly emergency repairs, and ensure compliance with numerous legislative and regulatory requirements. Periodic inspections by external agencies such as the Technical Standards and Safety Authority and the Electrical Safety Authority reaffirm that regulatory requirements are met.

Housing York is strengthening tenant engagement

Housing York connects with tenants through direct interaction with staff in the buildings, regularly scheduled tenant meetings, communication materials and through Housing York’s website. Staff also meets regularly with the tenant reference group to hear their concerns and to seek feed-back on policy initiatives and operating practices.

In response to tenant feed-back, Housing York has implemented Maintenance and Repair Service Standards and a Complaint Management Process. The Maintenance and Repair Service Standards Policy was designed in consultation with tenants to create a set of published response time standards for the various types of building repairs. For example, a broken window will be repaired within 24 hours. The Complaint Management Process provides transparency and assures tenants of confidentiality if they have a concern or complaint.

Housing York tenants are becoming more diverse with increasingly complex needs such as mental health, aging and increasing barriers to accessing services. Housing York works with Regional partners and community agencies to provide on-site services, such as after-school programs, and to connect tenants with appropriate support services.

Housing York is enhancing emergency management plans

Housing York has fire plans for each building with 24-hour monitoring of life safety systems. All tenants regularly receive safety information and are encouraged to participate in annual fire drills. Housing York's new smoke free building policy that takes effect November 2014 will further enhance fire prevention measures by prohibiting smoking in new tenants' units.

During the 2013 ice storm, 12 Housing York buildings experienced power disruptions. Housing York reviewed its response to the ice storm and identified opportunities to strengthen future responses. As a first step, the Region's Emergency Management staff attended tenant meetings to discuss how to remain safely in their homes for the first 72 hours of an emergency. "Ready boxes" with emergency response supplies for staff have also been installed in each building. Staff are revisiting capital plans to increase emergency generator capacity so that over time, all buildings will have basic building systems continually operating during outages. Housing York is currently working with the Community and Health Services and Corporate emergency planning staff to align its emergency plans with Departmental and Regional response strategies.

HOUSING YORK MANAGES FINANCIAL RISKS

Housing York has processes in place to ensure effective revenue and cost management, as well as robust financial controls

Housing York's approach to maintaining financial health includes vacancy management and rent collection processes to maximize rent revenues as well as bulk purchasing initiatives that reduce costs. Procurement processes are consistent with Regional standards and are currently being updated through a separate report that proposes a new Housing York purchasing bylaw that aligns with the recently adopted Regional purchasing bylaw.

Internal control procedures meet Regional standards and are independently reviewed by the Region's external auditor. The Region's internal auditor also assesses controls as

needed. Processes are enhanced as needed. For example, Housing York recently revised its receivable policy to promote on-line payments and eliminate cash payments.

Financial risks are identified and addressed as part of the business plans and budget process. The 10-year repair and replacement budget is updated annually to prioritize repairs and allocation of available reserves and Regional funding. This process will be enhanced as Housing York transitions to a 20-year planning horizon.

Housing York is developing a long term financial strategy

As an action under the Housing York Strategic Plan, staff assessed the fiscal sustainability of Housing York's new buildings. Analysis of revenue models in relation to expected major repairs over the next 30 years indicate that the buildings completed through the Regional program that began in 2007 are financially sustainable. The older buildings in the portfolio do not have the reserves required to fund them throughout their useful life. Staff are developing a long-term financial strategy to address these needs in alignment with the Region's fiscal strategy.

Insurance premiums are mitigated through claims management and an insurance reserve

Housing York is required to participate in the Housing Services Corporation's social housing group insurance program. Regional risk management review annual insurance renewals to ensure adequacy of coverage and consistency with Regional standards. The real estate portfolio currently has an insured value of approximately \$500 million which is reviewed regularly to ensure that insurance coverage keeps pace. Housing York also maintains an insurance reserve to cover deductibles and settle small claims.

The Region's Legal and Risk staff work with Housing York to ensure standard contract language meets Regional standards with respect to matters such as Workplace Safety and Insurance Board coverage and performance and material bonds for major repair projects.

Insurance claims have remained relatively stable, with about four claims per year and average annual settlements of approximately \$63,000. Slip and falls, minor fires and water damage make up a majority of the claims.

In 2013, the Board approved a policy requiring all new tenants to obtain insurance for claims that are not covered by Housing York's insurance, such as replacement of personal belongings, tenant caused damage and temporary accommodation.

Implementation of the tenant insurance policy is ongoing. With the opening of Housing York's newest building, Lakeside Residences in the Town of Georgina, 100% of tenants moved into the building with tenant insurance. Housing York will be upgrading the property management software system to track and generate reports on the number of tenants who have insurance. Staff will provide the Board with more information on take-up once the policy has been fully implemented and an evaluation is complete.

HOUSING YORK EMPLOYS A STRATEGIC ASSET MANAGEMENT APPROACH

Housing York's buildings are in a good state of repair

The Community and Health Services Department recently completed its first state of infrastructure report which included Housing York. The report provides a third party assessment of Housing York's buildings based on three criteria: current condition of the assets, reliability, and ability to meeting current and future needs of the organization. Housing York has a rigorous preventative maintenance program and makes on-going investments in rehabilitation or replacement of aging building components as needed. Buildings in the portfolio range in age from brand new buildings to buildings that are more than 50 years old. Housing York achieved an overall "B, good" portfolio rating.

Technology enhancements and increased staff capacity enables Housing York to take a strategic approach to asset management

Housing York recently implemented Asset Planner, a software application that uses building condition and engineering data to project long-term asset replacement and repair schedules and costs for the housing portfolio. The technical services staff group that supports Housing York has been enhanced to include more specialized expertise. Staff will analyse Asset Planner data to identify opportunities for cost reduction, bulk purchasing, and risk based prioritization of future assets rehabilitation and replacement.

Housing York's asset management strategy includes asset replacement to maintain high operational standards, integrated planning to group work by location or work type to gain efficiencies and reduce tenant impact, updated common design standards, bulk purchasing to achieve economies of scale on acquisition, operation and maintenance. The asset management strategy also includes planning for replacement of assets at end of their useful life, as illustrated in the reports the Board has received with respect to the Woodbridge Redevelopment Project.

HOUSING YORK'S RISK MANAGEMENT CAPACITY IS STRENGTHENED THROUGH ITS RELATIONSHIP WITH THE REGION

The Region is Housing York's sole shareholder. Housing York's operations are guided by the Shareholder Direction with staffing and related supports provided by the Region through the Management Services Agreement. Under the agreement, Housing York benefits from the support of other Regional services such as human resources, legal, risk, procurement, and finance. Staff also benefit from a range of training options to meet the specific needs of Housing York's portfolio. Building superintendents, for example, receive training beyond the regulatory health and safety requirements, including training in areas dealing with electrical safety and hazardous material handling.

Link to key Council-approved plans

Understanding risks and implementing policies and practices protects and sustains Housing York's communities. The information in this report supports the Region's Strategic Plan 2011-2015 objective "supporting healthy communities through a broad range of housing choices and supports to meet the diverse needs of residents."

5. FINANCIAL IMPLICATIONS

Risk management strategies mitigate financial liability. Through the identification of risk and the development of policies and practice to manage and mitigate risk events, Housing York is able to use financial resources with maximum benefit. Associated costs are incorporated in the business plan and budget process.

6. LOCAL MUNICIPAL IMPACT

Housing York owns and operates affordable rental housing in each of nine local municipalities. Risk management initiatives enhance protection of the business assets which our tenants call home.

7. CONCLUSION

The risk management framework adopted by the Board provides a planned and strong systemic approach to managing risk exposures. The approach has served Housing York well in managing risks appropriately. Housing York continues to build on its existing practices and policies to manage its risk exposure. Tenant engagement and effective day-to-day operations ensures that Housing York residents have a reliable and safe home. Strategically focused financial and asset management provide the long-term vision to protect Housing York's housing portfolio.

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

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Carlene Jackson
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Adelina Urbanski
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August 13, 2014

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