THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 12, 2013
Report of the
General Manager
and
Treasurer

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) actual revenue and expenditures as of June 30, 2013 compared to the 2013 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 Board of Housing York's year-to-date budget variances and anticipated year-end outcomes. The year-end forecast incorporates year-to-date trends as well as known emerging issues for the balance of the year.

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

The 140 unit Mackenzie Green in Richmond Hill is the largest addition to date to Housing York's portfolio and opened in March 2013. The marketing strategy and extensive planning used for this project allowed Housing York to bring tenants into their new homes in record time.

4. ANALYSIS AND OPTIONS

Mid-year results ahead of projections with an estimated $491,000 operating surplus

The actual year-to-date revenue and expenses are 1.3% and 3.4% below budget respectively leading to a projected $491,000 operating surplus after strategic project spending.

The tenant rental revenue is tracking on budget and the slight under budget variance is due to a change in funding for the Mapleglen Residence debenture payment that was implemented after approval of the 2013 Budget, at the direction of the Region

The mid-year total operating expenditure was lower than projected by 3.4% due to a combination of:

- Administration and maintenance expenditures are 5.7% below budget primarily due to hiring delays
- Insurance premium increases at 3.8% over projection
- Mortgage and debenture payments lower by 9.2% due to the timing of the implementation of the planned debenture payment for Mackenzie Green, and changes in Mapleglen Residence debenture payment process
- Public Housing capital expenditures are 19.3% lower than originally planned due to revised timing of capital projects

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, 2013
($000s)

	Budget YTD	Actual YTD	Variance $	Variance %
Revenue				
Tenant Rents	9,045	8,917	-128	-1.4%
Subsidy - York Region	4,661	4,605	-56	-1.2%
Total Revenue	**13,706**	**13,522**	**-184**	**-1.3%**
Operating Expenditures				
Operating	13,028	12,657	-371	-2.8%
Public Housing Capital	455	367	-88	-19.3%
Total Expenditures	**13,483**	**13,024**	**-459**	**-3.4%**
Operating Surplus before Allocations	**223**	**498**	**275**	**123.3%**
Strategic Projects	25	7	-18	**-72.0%**
Operating Surplus	**198**	**491**	**293**	**148.0%**
Capital Reserves (Provincial Reform and Regional Housing)				
Contribution to Reserves	450	180	-270	-60.0%
Expenditures	-450	-180	270	-60.0%
Internal Reserve Expenditures				
Emergency Power Plan	260	27	-233	-89.6%
Total Internal Reserve Expenditures	**260**	**27**	**-233**	**-89.6%**

A $743,000 operating surplus is forecast for year-end

Housing York is projecting a year-end operating surplus of approximately $743,000. This surplus is reflective of the revenue and expenditure variances explained below.

Total revenue is 2.2% less than expected due to:

- Redirection of debenture funding from Housing York to the Region, where the payment is done. This financing process change creates inter-company administrative efficiency and has no financial impact
- Lower subsidy from the Region is forecasted due to lower operational costs (mortgages, utilities), plus higher than projected revenue from tenant rents.

Total expenditures are forecasted to be 4.3% lower than expected due to:

- Lower mortgage and debenture payments on four properties including a $400,000 saving related to Mackenzie Green
- Lower capital spending in the Public Housing program due to cancellation of some small upgrade projects.
- Deferred hiring of additional staff approved in the 2013 budget

Spending against all of Housing York's reserves is forecast to be on budget. The final year-end 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.

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

Table 2
Consolidated Operating Forecast for the Period Ending December 31, 2013
($000s)

	Annual Budget	Year-End Forecast	Variance $	Variance %
Revenue				
Tenant Rents	18,641	18,510	-131	-0.7%
Subsidy - York Region	9,321	8,826	-495	-5.3%
Total Revenue	**27,962**	**27,336**	**-626**	**-2.2%**
Operating Expenditures				
Operating	26,236	25,139	-1,097	-4.2%
Public Housing Capital	1,419	1,329	-90	-6.3%
Total Expenditures	**27,655**	**26,468**	**-1,187**	**-4.3%**
Operating Surplus before Allocations	**307**	**868**	561	182.7%
Strategic Projects	155	125	-30	-19.4%
Operating Surplus	**152**	**743**	591	388.8%
Capital Reserves (Provincial Reform and Regional Housing)				
Contribution to Reserves	2,268	2,268	-	0.0%
Expenditures	-2,268	-2,268	-	0.0%
Internal Reserve Expenditures				
Emergency Power Plan	519	227	-292	-56.3%
Total Internal Reserve Expenditures	**519**	**227**	**-292**	**-56.3%**

Based on these projections, Housing York will realize a $743,000 operating surplus in 2013.

Major repairs and renovations projected to be within budget

Table 3 summarizes the approved capital budget for 2013 and the year-end forecast compared to budget.

Table 3
2013 Major Repairs and Replacement Forecast Compared to Budget
($000s)

Annual Programs	**Funding Source**	**2013 Budget**	**2013 Forecast**	**Variance $**
Public Housing (872 units)	Operating Budget	1,319	1,229	90
Provincial Reform (1038 units)	Capital Reserve	2,168	2,168	-
Regional Housing (431 units)	Capital Reserve	100	100	-
Blue Door Shelter	Operating Budget	100	100	-
Total Approved Capital Budget and Forecast		**3,687**	**3,597**	**90**
Board Approved Programs				
Emergency Power	Internal Reserve	519	227	292
Strategic Projects	Retained Earnings	155	125	30
Total Board Approved Programs		**674**	**352**	**322**
Total Major Repairs and Renovations		**4,361**	**3,949**	**412**

Expenditures for Housing York's annual major repair program are forecasted to be within 91% of budget.

5. FINANCIAL IMPLICATIONS

With a forecasted surplus of $743,000, Housing York is anticipating a financially strong year in relation to the 2013 operating budget. Housing York continues to focus on careful financial stewardship and maintaining sufficient financial flexibility to respond to unplanned 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 2,300 York Region households.

7. CONCLUSION

Housing York's 2013 operations are forecasted to generate an operating surplus of approximately $743,000. The capital repair and strategic projects are also proceeding as planned. Mackenzie Green 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 Sylvia Patterson, Assistant General Manager, Housing York Inc. at Ext. 2091.

The Senior Management Group has reviewed this report.

Reviewed by:

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Recommended by:

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August 14, 2013

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