



## Report of the General Manager and Chief Financial Officer

### 2020 Mid-Year Financial Update

#### Recommendation

The Board of Directors receive this report for information.

#### Summary

This report provides an overview of Housing York Inc.'s (HYI's) revenue, expenditures and surplus position as of June 30, 2020 compared to the 2020 approved Budget. This report also includes a 2020 year-end forecast for both operating and capital budgets.

#### Background

The Board of Directors (Board) approved HYI's 2020 Budget in [January 2020](#). The mid-year report is presented to inform the 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. Regular performance monitoring helps ensure HYI's operating and capital funding is delivered in a cost efficient and effective manner.

#### Analysis

##### Facility costs and resident arrears have increased due to COVID-19

The annual COVID-19 costs are projected to be \$386,000. Approximately \$186,000 of this increase is related to the conversion of Leeder Place to an isolation centre. Costs include facility modifications to support conversion to isolation centre use and contracted services for daily facility system monitoring and maintenance. The remaining costs are mostly related to the purchase of personal protective equipment, and an increase in professional cleaning services and disinfecting supplies. The cost to convert Leeder Place to an isolation centre is expected to be offset by the Social Services Relief Fund. The remaining costs will be offset in savings from hiring delays and the cancellation of the summer student positions due to COVID-19. Overall, it is expected the impact of COVID-19 will result in a net neutral position.

As of June 30, 2020, arrears for market residents were \$93,000 and subsidized resident arrears were \$83,000, totalling \$176,000. This is an increase of \$92,000 compared to the 2019 average. The number of tenants in arrears also increased, from 121, on average, to 200 as of June 30, 2020. Although arrears have been relatively stable for the past few months, the impact of federal support programs coming to an end could result in higher arrears for an extended period of time and potentially bad debt in the future.

---

HYI continues to work with residents who report income losses, adjusting subsidized rents where appropriate, and assisting market residents with referrals to income support programs and manageable rent payment plans. As of September, HYI will reinstate the Tenant Management Policy that was suspended due to COVID-19 and begin reissuing N4 Notices, required to start the formal rent collection process. HYI will also begin filing applications for hearings at the Landlord and Tenant Board for those tenants who can pay their rent, but refuse to do so or who have entered into a payment plan but breached the agreement. The Board will be updated on any eviction orders in the monthly Housing York Inc. Activity Update.

### **The majority of units at Woodbridge Lane are leased**

After a slower than anticipated start to the rental process, leasing activities are progressing well. As of July 29, 2020, 87% of units were leased (90 of the 110 subsidized apartments and 51 of the 52 market apartments).

The projected shortfall for the current fiscal year for the Woodbridge Lane property is \$487,000. The shortfall is expected to be offset by higher rental revenue generated in the other portfolios. Rental revenues needed to sustain the building will be achieved over the long term.

### **Mid-year results are favourable with a surplus of \$358,000**

HYI's 2020 approved budget projected a mid-year surplus of \$9,000. The actual mid-year surplus is \$358,000, which is \$349,000 above budget. Table 1 provides a summary of HYI's consolidated year-to-date operating results.

**Table 1**  
**Consolidated Operating Results for the Period Ending June 30, 2020**

	Mid-Year Budget (\$000s)	Mid-Year Actuals (\$000s)	Variance (\$000s)
Rental revenue	11,284	11,280	(4)
Non-rental revenue	598	712	114
Government subsidies	10,394	11,015	621
<b>Total revenue</b>	<b>22,275</b>	<b>23,007</b>	<b>731</b>
Operating expenditures	22,266	22,649	383
Operating surplus before reserve contributions	9	358	349
Contribution to/(from) reserves	9	358	349
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

Mid-year total revenues are \$731,000 higher than expected due to:

- The change in the accounting treatment of investment income and capital projects funded by the Region's reserves.

- Investment income generated from HYI's reserves was previously attributed to the reserves. The investment income now appears on the Statement of Revenue and Expenses as an increase in non-rental revenue and an increase to contribution to reserves.
- Similarly, funding from the Region's reserves for capital projects was directly attributed into HYI's Capital Repair and Replacement Reserve. The funding from the Region now appears on the Statement of Revenue and Expenses as an increase in government subsidies and an increase to contribution to reserves.
- The overall net impact of these changes is zero but they improve the transparency of the financial statements.

Mid-year operating expenditures are \$383,000 higher than projected primarily due to:

- Contributions to reserves being higher due to the change in accounting treatment of investment income and capital projects funded by the Region's reserves noted above

This increase is partially offset by the following:

- Salaries and benefits are \$307,000 below budget due to COVID-19 pandemic related hiring delays and cancelation of summer student positions
- Administration is under budget by \$68,000 due to savings related to consulting services and COVID-19 related deferral of resident engagement costs
- Utilities are \$130,000 below budget. This is mostly related to gas charges being lower than anticipated

### **HYI is projecting an annual surplus of \$1.1 million in 2020**

The surplus projection for year-end is \$1.1 million compared to the budgeted surplus of \$858,000. Similar to mid-year results, the major contributors to the positive variance in operating surplus are labour, administration and utility savings.

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

**Table 2**  
**Consolidated Operating Forecast for the Period Ending December 31, 2020**

	2020 Annual Budget (\$000s)	2020 Year-end Forecast (\$000s)	Variance (\$000s)
Rental revenue	22,881	22,861	(19)
Non-rental revenue	1,222	1,409	187
Government subsidies	17,187	19,072	1,885
Total revenue	41,290	43,342	2,053
Operating expenditures	40,431	42,256	1,825
Operating surplus before reserve contributions	858	1,086	228
Contribution to/(from) reserves	858	1,086	228
Net surplus/(deficit)	0	0	0

## Capital expenditures are expected to be below budget

HYI is forecasting \$6.7 million in capital expenditures at year-end which is 70 per cent of the budget. Due to the COVID-19 pandemic, many 2020 projects have been delayed to the 2021 fiscal year. Table 3 lists the 2020 capital spending by category.

**Table 3**  
**2020 Major Repairs and Replacement Forecast Compared to Budget**

Category	2020 Annual Budget (\$000s)	2020 Year-end Forecast (\$000s)	Variance (\$000s)	% of Completion
Exterior building repairs	2,793	2,688	-105	96%
Site upgrades and grounds	2,500	1,465	-1,035	59%
HVAC, mechanical, electrical	2,115	1,560	-555	74%
Interior building repairs	1,346	826	-520	61%
Energy and Utilities Management Plan initiative	475	0	-475	(100)%
Flooring	288	150	-138	(52)%
Security	96	0	-96	(100)%
Total approved capital budget spending and forecast	9,614	6,689	-2,925	70%

Capital work completed during the first half of 2020:

- Roof replacement (Mapleglen Residences, City of Vaughan)
- Stand by generator replacement (Tom Taylor Place, Town of Newmarket)

Capital work to be completed during the second half of 2020:

- Balcony repairs and railing replacement (Fairy Lake Gardens, Town of Newmarket; Rose Town, City of Richmond Hill)
- Make-up air handling unit replacement (Kingview Court, Township of King; Nobleview Pines, City of Vaughan; Mackenzie Green, City of Richmond Hill; Maplewood Place, Town of Newmarket)
- Roof replacement (Maplewood Place, City of Richmond Hill)
- Window and door replacement (Fairy Lake Gardens, Town of Newmarket)
- Exterior finish insulation system and colour change upgrade (Fairy Lake Gardens, Town of Newmarket)

## Financial Considerations

HYI is anticipating a surplus of \$1.1 million in 2020. The operating surplus will be allocated to reserves in accordance with the Operating Surplus Policy outlined in HYI's Fiscal Plan.

## Local Impact

HYI provides safe, affordable and sustainable housing for 2,762 York Region households through prudent financial stewardship, efficient operations, an extensive capital repair program, and strategic investments in energy conservation, in all nine municipalities.

## Conclusion

HYI is in good financial health with a forecasted operating surplus of \$1.1 million in 2020.

For more information on this report, please contact Michelle Willson, Chief Financial Officer, HYI at 1-877-464-9675 ext. 76064. Accessible formats or communication supports are available upon request.

Recommended by: Michelle Willson  
Chief Financial Officer, Housing York Inc.

Kathy Milsom  
General Manager, Housing York Inc.

Approved for Submission: Katherine Chislett  
President, Housing York Inc.

August 20, 2020

11143650