



Report of the General Manager and Chief Financial Officer

2021 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, 2021 compared to the 2021 approved budget. This report also includes a 2021 year-end forecast for both operating and capital budgets.

Background

The Board of Directors (the Board) approved HYI's 2021 budget in [November 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 used in a cost efficient and effective manner.

Analysis

Expenses related to COVID-19 are within budget

HYI's 2021 budget includes \$228,000 for costs related to COVID-19 response. These costs are primarily for the purchase of personal protective equipment, an increase in professional cleaning services and disinfecting supplies. The year-to date costs and the annual forecast are within budget.

Resident arrears have increased due to COVID-19

As of June 30, 2021, arrears continue to be higher than the pre COVID-19 average. Resident arrears are currently \$251,000, an increase of \$167,000 when compared to the 2019 average of \$84,000. Arrears have been fairly steady over the last six months, fluctuating between \$232,000 and \$268,000, the highest level being the month of May.

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. Over time, some of these arrears may be transferred to

collections as tenancies end. Former tenant arrears that are not recovered through collections will ultimately be written off as bad debts.

Mid-year results are favourable with a surplus of \$548,000

HYI's 2021 approved budget projected a mid-year deficit of \$280,000. The mid-year deficit reflects the timing of the debenture payments for Woodbridge Lane in the City of Vaughan with \$426,000 being paid in the first half of the year and \$88,000 in the second half of the year. The actual mid-year surplus is \$548,000, which is \$828,000 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, 2021

	Mid-Year Budget (\$000s)	Mid-Year Actuals (\$000s)	Variance (\$000s)
Rental revenue	11,619	11,616	(3)
Non-rental revenue	683	709	26
Regional subsidies	10,536	10,675	139
Total revenue	22,838	23,000	162
Operating expenditures	23,118	22,452	(666)
Operating surplus before reserve contributions	(280)	548	828
Contribution to/(from) reserves	(280)	548	828
Net surplus/(deficit)	0	0	0

Mid-year total revenues are \$162,000 higher than expected mainly due to:

- Regional subsidies being \$139,000 above budget. The primary driver for this variance is additional capital subsidies for the emergency housing portfolio. Of this amount, \$50,000 is a one-time contribution to the Emergency Housing Reserve to offset future capital expenditures. The remaining \$89,000 is to offset the cost of the interior renovations at the Sutton Youth Shelter

Mid-year operating expenditures are \$666,000 lower than projected primarily due to:

- Salaries and benefits are \$492,000 below budget due to COVID-19 pandemic related hiring delays, staff turnover and cancelation of summer student positions
- Administration is under budget by \$306,000 due to savings related to:
 - Temporary decrease in office lease charges related to the move from 1091 Gorham St. to 17150 Yonge Street in the Town of Newmarket
 - Partial reallocation of consulting costs related to the 2021 strategic initiative goal of implementing a Yardi maintenance module from the administration budget to

facility costs. In lieu of one consolidated consulting contract, portions of the project will be completed by firms with expertise in specific building components

- Utilities are \$308,000 below budget. These savings are directly related to initiatives introduced by the provincial government to reduce consumer electricity costs. The first initiative was the mandate of fixed electricity pricing of 8.5¢/kWh regardless of the time of day consumed. This program expired on February 22, 2021. The second initiative was the introduction of the Ontario Energy Rebate, effective May 1, 2021 and provides a rebate of 18.9% on HYI's electricity bills

This increase is partially offset by the following:

- Facility costs \$257,000 over budget. This increase is related to increasing contract and materials costs, discretionary site improvements such as new property entrance signs, fencing, enhanced landscaping and touchless entry systems at multiple properties and a one-time expense of \$107,000 for an emergency repair at Thornhill Green in the City of Markham. Issues with the sewer lines resulted in sewage backing up into 12 townhouse basements at Thornhill Green. Expenses included the excavation and replacement of 200 feet of sewer lines as well as basement repairs
- Contribution reserves \$172,000 above budget. As mentioned above, this increase is mostly related to the additional capital subsidies for the emergency housing portfolio

Housing York Inc. is projecting an annual surplus of \$1.5 million in 2021

The surplus projection for year-end is \$1.5 million compared to the budgeted surplus of \$380,000. 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, 2021

	2021 Annual Budget (\$000s)	2021 Year-end Forecast (\$000s)	Variance (\$000s)
Rental revenue	23,237	23,240	3
Non-rental revenue	1,365	1,418	52
Government subsidies	17,471	18,031	510
Total revenue	42,074	42,689	565
Operating expenditures	41,694	41,165	(529)
Operating surplus before reserve contributions	380	1,524	1,094
Contribution to/(from) reserves	380	1,524	1,094
Net surplus/(deficit)	0	0	0

Capital expenditures are expected to be below budget

HYI is forecasting \$7.8 million in capital expenditures at year-end which is 68% of the budget. Capital projects in 2020 and 2021 were delayed due to COVID-19 and are planned to be completed throughout 2022 and 2023.

Table 3 lists the 2021 capital spending by category.

Table 3
2021 Major Repairs and Replacement Forecast Compared to Budget

Category	2021 Annual Budget	2021 Year-end Forecast	Variance (\$000s)	% of Completion
Exterior building repairs	3,011	2,103	(908)	70%
Site upgrades and grounds	3,637	2,278	(1,359)	63%
HVAC, mechanical, electrical	2,296	1,760	(536)	77%
Interior building repairs	1,581	1,666	84	105%
Energy and Utilities Management Plan initiative	1,000	0	(1,000)	0%
Total approved capital budget spending and forecast	11,525	7,807	(3,719)	68%

Capital work completed during the first half of 2021:

- Natural gas generator replacement at Oxford Village, Town of East Gwillimbury
- Fire alarm system replacement at Heritage East, Town of Newmarket

Capital work to be completed during the second half of 2021:

- Fire Alarm System Upgrades at Nobleview Pines, Township of King
- Balcony repairs and railing replacements at Maplewood Place, City of Richmond Hill
- Interior renovations and building upgrades at the Sutton Youth Shelter, Town of Georgina
- Foundations repair and waterproofing at Armitage Gardens, Town of Newmarket
- Sanitary septic system upgrades at Brayfield Manors, Town of Newmarket
- Roof replacement at Northview Court, Town of Georgina
- Siding replacement at Trinity Square, City of Markham
- Sanitary sewage, well water and fire pond upgrades at Leeder Place, Town of East Gwillimbury

Financial Considerations

HYI is anticipating a surplus of \$1.5 million in 2021. 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.

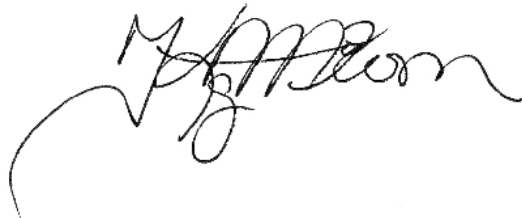
Conclusion

HYI is in good financial health with a forecasted operating surplus of \$1.5 million in 2021, without compromising the safety and quality of accommodations for residents.

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.



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