



Report of the General Manager and Chief Financial Officer

Housing York Inc. 2019 Budget

Recommendation

It is recommended that:

1. The Board of Directors approve Housing York Inc.'s 2019 Budget as summarized in Attachment 1.

Summary

This report seeks the Board's approval of Housing York Inc.'s (HYI) 2019 Budget as summarized in Attachment 1.

Background

The Board approved a new long-term fiscal plan for HYI

In [November 2017](#), the Board of Directors approved a new long-term fiscal plan for HYI. The fiscal plan was developed to ensure HYI remains fiscally responsible, safeguards its assets and is accountable for effectively managing its resources. The fiscal plan includes a reserve strategy that sets goals and objectives for HYI's reserves, a new Operating Surplus Policy that establishes a framework for the allocation of operating surpluses and an updated Investment Policy to ensure prudent management of HYI's working capital and reserves.

Analysis

The 2019 budget supports implementation of Housing York's 2017 to 2020 Plan

The budget enables HYI to implement strategic directions, manage increasing service demands and maintain existing service levels. In 2019, HYI will focus on implementing the third year of Housing York's 2017 to 2020 Plan, [Achieving New Heights Through Innovation and Sustainability](#). Actions to be accomplished in year three of the Plan are highlighted in Attachment 1. Implementing the key actions are primary drivers determining the revenue, expenditures and reserves captured in HYI's 2019 budget.

HYI's 2019 budget summary is presented in Table 1. The budget details are outlined in Attachment 1.

Table 1
Housing York 2019 Budget Summary

	2018 Budget (\$000)	2019 Budget (\$000)	Budget Variance	
			(\$)	(%)
Rental revenue	20,030	21,041	1,011	5.1%
Non-rental revenue	1,033	1,192	159	15.4%
Regional subsidies	17,312	17,718	406	2.3%
Total revenue	38,375	39,951	1,576	4.1%
Operating expenditures	37,242	39,470	2,228	6.0%
Operating surplus before reserves	1,133	481	(652)	-57.5%
Contribution to reserves	1,133	481	(652)	-57.5%
Net surplus/(deficit)	0	0	0	0%

HYI continues to grow

York Region is redeveloping an affordable housing site located on Woodbridge Avenue in the City of Vaughan. The new 162 unit, six story affordable housing building will include one, two, three and four bedroom units (including some that are accessible) for seniors, singles, couples and families with a mix of incomes. It will also offer a street front commercial or community space and incorporate sustainable green building practices. Housing York will assume responsibility of the building once the Region has completed development.

The Region funds construction of new buildings from a variety of sources including federal and provincial funding, Regional equity contributions and a Regional debenture serviced from tenant revenues. As the building is expected to be ready for occupancy this fall, the budget assumes HYI will become responsible for operating costs in September and the move in process will take place over several months. Rental revenues are assumed to be the equivalent of two full months of rent. The Woodbridge budget does not include operating subsidies or capital reserve contributions from the Region.

HYI's budget was refined to better align with actual expenditures

The 2019 budget was adjusted with the goal of better aligning expenses with actual expenditures, particularly for utility and facility costs. Fluctuations in utility costs are difficult to predict and in the past, have resulted in utility expenditures being under budget. The 2019 budget was decreased to align with 2018 trends in utility costs. Facility costs were adjusted in the 2019 budget to reflect actual spending, and to include resident focused enhancements such as refreshing resident common areas, improving security and enhancing curb appeal.

Financial Considerations

HYI's revenue increases are driven by additional rental income and Regional subsidies

Total revenue is projected to increase by \$1.6 million or 4.1 per cent over 2018. This increase is spread over all sources of revenue including rental revenue (market and subsidized rent), non-rental revenue, and Regional subsidies.

- Market rent revenue is projected to increase by \$375,000 largely due to the anticipated 48 new market units available at the Woodbridge Lane development and a rent increase of 1.8 per cent for all other HYI market rent units based on the Ontario Rent Increase Guideline.
- Rent revenue from subsidized units is projected to increase by \$636,000 due to the subsidized rental income for the Woodbridge Lane development being included in the 2019 budget and higher incomes for current and new tenants of existing housing units.
- Non-rental revenue is projected to increase by \$159,000 due to several factors including the laundry and parking revenue estimated to be generated from the Woodbridge Lane development.
- Regional subsidies are projected to increase by \$406,000 largely due to:
 - An increase in subsidies in the emergency housing portfolio (\$0.7 million) due to the addition of Porter Place and Leeder Place (East Gwillimbury) to the HYI portfolio
 - A decrease in subsidies (\$0.4 million) in the Provincial Reform portfolio (buildings are typically 23 to 37 years old) as more rent is being collected from subsidized tenants
 - A 2.5 per cent inflationary subsidy increase (\$81,000) in the Public Housing portfolio (buildings are 38 to 51 years old) to cover operating and capital expenditures

HYI's increase in expenditures is driven by the addition of the Woodbridge Lane property and increased emergency housing responsibilities

Total expenditures are projected to increase by \$2.2 million or 6 per cent over 2018. The main drivers are:

- A \$248,000 increase in salaries and benefits related to an additional 3.5 full-time equivalent (FTE) positions is included in the 2019 budget. This growth is necessary to support addition of the Woodbridge Lane development and increased emergency housing responsibilities. The budget also includes standard salary increases for non-union and union employees, as per collective agreements.
- A \$1.1 million increase in facility expenses due to inclusion of the Woodbridge Lane development, an aging portfolio, and the addition of Porter Place and Leeder Place. Currently, HYI's emergency housing portfolio includes Sutton Youth Services

(Georgina), Belinda's Place (Newmarket) and 360 Kids Youth Hub (Richmond Hill). Starting in 2019, HYI will also be responsible for facility operations at Porter Place and Leeder Place (East Gwillimbury).

- An \$887,000 increase in budgeted contributions to capital reserves largely due to a one-time contribution of \$500,000 to the emergency housing reserve.

HYI is committed to keeping its assets in a good state of repair

HYI plans to invest \$9.9 million in capital repairs and upgrades during 2019, an increase of \$1.4 million over 2018. In 2018, the operating surplus was higher than anticipated resulting in an additional capital reserve contribution in accordance with the Board approved Operating Surplus Policy. This allowed for three capital projects scheduled initially for completion in 2020 to be moved forward to 2019.

More than 70 per cent of the capital expenditures will go towards interior and exterior building repairs such as window and door replacements, roof replacements, kitchen and bathroom upgrades, and balcony restorations. This significant investment would confirm HYI's commitment to provide residents with access to affordable housing units that are well maintained.

Operating surplus allocated to reserves

The 2019 budget projects an operating surplus, before reserve contributions of \$481,000. The surplus will be allocated to the reserves according to the Operating Surplus Policy to support long-term sustainability. A breakdown of the projected reserve balances at the end of 2019 is provided in Attachment 1.

Local Impact

HYI operates 35 housing properties in all nine municipalities housing over 4,000 residents. The 2019 budget gives HYI the fiscal stability and sustainability it needs to continue to provide quality affordable housing to York Region residents.

Conclusion

Overall, a net increase of 1.9 per cent is proposed to the 2019 operating budget, and 18 per cent to the capital budget. Capital expenditures are anticipated to return to 2018 levels in 2020 and beyond. The proposed budget will enable HYI to implement strategic directions, manage increasing service demands and maintain existing service levels. HYI will continue to operate and manage its housing portfolio in a financially prudent manner throughout the period covered by the proposed budget.

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

Recommended by: Rick Farrell
General Manager

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Chief Financial Officer

Approved for Submission: Katherine Chislett
President

January 31, 2019
Attachment
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