



Report of the General Manager and Chief Financial Officer

2019 Mid-Year Financial Update

Recommendation

It is recommended the Housing York Inc. (HYI) Board of Directors receive this report for information.

Summary

This report provides an overview of HYI's revenue, expenditures and surplus position as of June 30, 2019 compared to the 2019 approved Budget. This report also includes a 2019 year-end forecast for both operating and capital budgets.

Background

The Board of Directors (Board) approved HYI's 2019 Budget in [February 2019](#). 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

Operating Results

Mid-year results are favourable with a surplus of \$1.1 million

HYI's 2019 approved Budget projected a mid-year surplus of \$438,000. The actual mid-year surplus is \$1.1 million, which is \$630,000 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, 2019

	Mid-Year Budget (\$000s)	Mid-Year Actuals (\$000s)	Variance (\$000s)	Variance (%)
Rental revenue	10,384	10,457	73	0.7%
Non-rental revenue	585	662	77	13.2%
Government subsidies	8,859	10,759	1,900	21.4%
Total revenue	19,828	21,878	2,050	10.3%
Operating expenditures	19,390	20,810	1,420	7.3%
Operating surplus before reserve contributions	438	1,068	630	143.8%
Contributions to reserves	438	1068	630	143.8%
Net surplus/(deficit)	0	0	0	0

Mid-year total revenues are 10.3 per cent or \$2.1 million higher than expected mainly due to:

- Non-rental revenues \$77,000 above budget. The commercial unit at the Richmond Hill Hub was occupied in December 2018 and therefore not captured in the 2019 budget.
- Government subsidies are \$1.9 million higher than projected. The primary driver for this variance is the timing of the budgeted \$3.6 million annual capital contribution from the Region for HYI's Provincial Reform and Public Housing portfolios. The total amount was received from the Region in May 2019 whereas the budget anticipated the amount would be received in 12 equal monthly payments.

Mid-year operating expenditures are 7.3 per cent or \$1.4 million higher than projected primarily due to:

- A higher than budgeted transfer to reserves due to the timing of the Region's \$3.6 million annual capital contribution discussed above.

This increase is partially offset by the following:

- Salaries and benefits are \$43,000 below budget due to a combination of staff turnover and hiring delays.
- Facility costs are \$170,000 below budget. It is expected facility costs will be on budget at year-end as project expenses are weighted more towards the latter half of the year.
- Administration is under budget by \$64,000 due to savings related to IT and tenant engagement costs.

- Property taxes are \$145,000 below budget. In 2019 (excluding the Woodbridge Development in the City of Vaughan) the budget was decreased by \$110,000 compared to the 2018 budget. A further decrease is expected in the 2020 budget.

HYI is projecting a surplus of \$1.7 million in 2019

The surplus projection for year-end is \$1.7 million compared to the budgeted surplus of \$481,000. Similar to mid-year results, the major contributors to the positive variance in operating surplus are labour, administration, and property tax savings. Utilities are also projected to be under budget at year-end due to electricity costs being lower than anticipated. Year-to-date electricity costs are 6.3 per cent lower compared to 2018 costs. These savings will be reflected in the 2020 budget.

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

Table 2
Consolidated Operating Forecast for the Period Ending December 31, 2019

	2019 Annual Budget (\$000s)	2019 Year-end Forecast (\$000s)	Variance (\$000s)	Variance (%)
Rental revenue	21,041	21,187	146	0.7%
Non-rental revenue	1,192	1,305	113	9.5%
Government subsidies	17,718	17,494	(224)	-1.3%
Total revenue	39,951	39,986	35	0.0%
Operating expenditures	39,470	38,239	(1,231)	-3.1%
Operating surplus before reserve contributions	481	1,747	1,266	263.2%
Contributions to reserves	481	1,747	1,266	263.2%
Net surplus/(deficit)	0	0	0	0

Capital Results

Capital expenditures are on track with budget

Housing York is forecasting \$9.4 million in capital expenditures at year-end which is 95 per cent of the budget. Table 3 lists the 2019 capital spending by category.

Table 3
2019 Major Repairs and Replacement Forecast Compared to Budget

Category	2019 Annual Budget (\$000s)	2019 Year-end Forecast (\$000s)	Variance (\$000s)	% of Completion
Exterior building repairs	3,576	3,555	(21)	99.4%
Interior building repairs	3,485	3,256	(229)	93.4%
HVAC, mechanical, electrical	1,038	829	(209)	79.8%
Elevators	605	771	166	127.4%
Site upgrades	582	434	(148)	74.6%
Flooring	325	309	(16)	95.0%
Security	91	87	(4)	95.6%
Emergency Housing	225	194	(31)	86.2%
Total approved capital budget spending and forecast	9,927	9,435	(492)	95.0%

Capital work completed during the first half of 2019:

- Kitchen and Bathroom upgrades (Heritage East, Town of Newmarket; Rose Town, City of Richmond Hill)
- Stand by Generator Replacement (Tom Taylor Place, Town of Newmarket)
- Elevator replacements (Dunlop Pines, City of Richmond Hill; Fairy Lake Gardens, Town of Newmarket; Oxford Village, Town of East Gwillimbury)
- Window and door Replacements (Elmwood Gardens, Town of Whitchurch-Stouffville; Springbrook Gardens, City of Richmond Hill; Brayfield Manors, Town of Newmarket)
- Roof Replacement (Tom Taylor Place, Town of Newmarket; Northview Court, Town of Georgina)

Capital work to be completed during the second half of 2019:

- Make up air handling unit replacements (Hadley Grange, Town of Aurora)
- Kitchen and Bathroom upgrades (Trinity Square, City of Markham)
- Window and door replacements (Mulock Village, Town of Newmarket)
- Elevator replacement (Heritage East, Town of Newmarket)

Financial Considerations

HYI is anticipating a surplus of \$1.7 million in 2019. 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 more than 2,600 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 \$1.7 million in 2019.

For more information on this report, please contact Rick Farrell, General Manager at 1-877-464-9675 ext.72091. Accessible formats or communication supports are available upon request.

Recommended by: Michelle Willson
Chief Financial Officer

Rick Farrell
General Manager, Housing York Inc.

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

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