Toronto Community Housing

May 16/05
Finance Committee
Item 3

Date: May 4, 2005

To: **Finance Committee**

From: Chief Executive Officer

Attachment

Subject: **2005 FIRST QUARTER PERFORMANCE REPORT – FINANCE COMMITTEE (FC:2005-17)**

PURPOSE:

To provide the Finance Committee with an update on 2005 first quarter financial performance outlined in the Community Management Plan 2005-2007.

RECOMMENDATION:

That the Finance Committee receive the report for information and forward to the Board of Directors through the submission of the 2005 First Quarter Performance Report.

BACKGROUND:

The Mandate for the Finance Committee includes the review of the financial performance of Toronto Community.

Attached is the quarterly financial performance report for the TCHC. The report reflects key results of operations for the first quarter of 2005. The report is intended to provide the Committee with information on the corporation's financial performance against identified targets and benchmarks.

LEGAL IMPLICATIONS:
N/A

COMMUNICATION IMPLICATIONS:
N/A

CONCLUSION:

The attached report highlights key indicators for the first quarter ended March 31, 2005 pertaining to the Toronto Community Housing Corporation financial performance.

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Derek Ballantyne
Chief Executive Officer

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Attachment 1: 2005 First Quarter Financial Performance Report

FC:2005-17 Report

Item 3

Attachment

Toronto Community Housing

Quarterly Performance Report - Financial

First Quarter

Ended March 31, 2005

Toronto Community Housing

Revenue

Tenant Rent revenue is 1.1% ($0.8M) lower than budget due to lower rent geared-to-income (RGI). RGI rent is budgeted to increase 0.75% but has decreased by 0.5%, and also is reduced due to vacancies held for Regent Park redevelopment relocations. Market rents are marginally above budget by 0.1% above the 1.5% budgeted increase.

Rental Revenue	Q1 Actual	Q1 Target	Variance (%)
RGI Tenant Rent **($M)**	$53.0m	$53.8m	-1.5%
Market Tenant Rent **($M)**	$11.9m	$11.8m	0.8%
Tenant Rent ($M)	**$64.9m**	**$65.6m**	**-1.1%**

Bad Debt Allowance for tenant rent is lower than budget by 51.8% ($245K) due to lower rent arrears. The provision for bad debt is calculated quarterly based on the aged receivables and offset by collection of former tenants arrears.

Revenue generation per unit is a measure of both TCHC commercial revenues and tenant services revenues. Commercial revenues include areas such as commercial leases, third-party signage, non-tenant parking and commercial antennas. Tenant services revenues are revenues generated that offset the cost of providing services to tenants in the area of laundry, parking and cable. For 2005, the Revenue Generation target for TCHC is $533 per unit.

Target Area	Q1 Actual	Q1 Target	Variance (%)
Commercial Revenues ($M)	**$2.8m**	**$2.7m**	**3.7%**
Non-Rental Revenues ($M)	**$3.9m**	**$4.3m**	**-9.4%**
Revenue Generation ($M)	**$6.6m**	**$7m**	**-4.7%**
Revenue Generation $/unit	**$114**	**$120**	**-4.7%**

Variance Legend:	**On Track**	**Requires Monitoring**	**Requires Action**

Revenue generation per unit is below the budget at $114/unit compared to the budget of $120/unit because of delayed revenue generation initiatives in lower tenant parking, laundry, and cable TV revenue. (see notes under Non-rental Revenue below)

Subsidy revenues are 3.2% ($2.2M) less than budgeted due delayed city adjustment for 2005 escalations in the operating agreement.

Non-rental Revenue is lower than budget by 4.7% ($0.3M) due to delayed revenue generation initiatives in lower laundry, cable TV, and tenant parking revenues.

Delays in implementing Parking and Laundry increases have resulted in lost revenue of $0.27M. Cable Increases were not all realized as anticipated in January 2005 resulting in additional revenue loss in the quarter.

Bulk Cable charges have been increased for approximately 19,000 households. This represents 93% of households in developments with bulk cable agreements. The remainder of the increases will occur on the anniversary date of tenancy for the market rent tenants through the remainder of 2005.

At the end of the first quarter price adjustments were made 136 or 30% of TCHC's 450 Laundry Facilities. These facilities have been assessed against TCHC laundry standards, tenant communication has taken place and notices of increases have been posted. The price increases will impact approximately 640 pairs of machines which represent approximately 27 % of the machines in the portfolio bringing them in line with low end of marketing for laundry facilities in the area.

The remainder of the laundry rooms have been assessed and plans are being developed to bring them to the established TCHC standards. Notice of price increases will be communicated for the remainder of the facilities once they meet the established standards.

Parking charge increases have been delayed across TCHC. Implementation plans are being developed that will identify tenants who will have an increase in parking charges and when that will take place. Most increases will be implemented by the fourth quarter of 2005. Of the remaining households that will have an increase approximately 15%, previously impacted by Cable Increases will see increases in the first quarter of 2006 and the remaining households will have increases on the anniversary date of tenancy for the market rent tenants. Parking facilities will be brought to standard during the year.

Expenditures

Toronto Community Housing (TCHC) is committed to achieving operating costs comparable to similar housing organizations. Manageable cost per unit is a measure that is used by social housing providers to ensure that service costs are comparable to the private and non-profit sectors. This is a well-understood measure which allows comparisons to other housing providers. For 2005, the manageable cost target for TCHC is $2,418 per unit .

Manageable cost per unit in the first quarter is $530, which is 4.0% below the budget amount of $553/unit. All categories are below budget with Corporate Services the most favourable.

Target Area	Annual Budget	Year-to-Date Budget	Year-to-Date Actual	Variance (%)
MANAGEABLE COSTS PER UNIT				
Building Operations & Maintenance	1,366	325	322	0.9%
Tenancy Management	368	87	81	6.4%
Community Support Services	103	19	17	7.7%
Community Security Services	163	42	39	6.3%
Corporate and Shared Services	351	80	71	11.9%
Manageable Cost $/unit	**2,418**	**553**	**530**	**4.0%**

Variance Legend: On Track | Requires Monitoring | Requires Action

Building Operations and Maintenance was under budget by 0.9% ($0.2M),

Tenancy Management was under budget by 6.4% ($323K) due to position vacancies.

Community Support Services was under budget by 7.7% ($84K) due to delay in staffing positions.

Community Security Services was under budget by 6.3% ($154K) due mainly to reductions in external guard services.

Corporate & Shared Services was below budget by 11.9% ($555K) mainly due to delayed training and professional services.

Utilities were under budget by 4.8% ($1.0M), mainly on lower gas costs partly due to price increases budgeted but not occurring in the first quarter.

Property Taxes were marginally under budget by 0.2% ($50K) as interim bills are based on 2004.

Mortgage Payments slightly under budget by 0.4% ($91K). Savings on lower interest rates on renewals may be offset by subsidy budget reductions.

Access Housing Connections administration was under budget by 5.1% ($54K).

Rent Supplement Program landlord payments are under budget by 4.9% ($300K). Payments to landlords increase during the year as rent increases are phased in. Any unused subsidy will be returned at the end of the year.

The overall **Manageable Cost** being the sum of building operations, tenancy management, community support, security and corporate services is under budget by 4.0% ($1.3M).

☐ Investment Performance

ACTUAL RETURN		BENCHMARK	
Investment	**Q1 2005**	**Name**	**Q1 2005**
McLean Budden			
- Canadian Equity	3.39%	TSE 300 Index	4.36%
- Fixed Income	1.18%	SCM Universe Index	1.09%
- Money Market	2.63%	91-day T bills	2.38%
ABN Amro			
- Global Equity	-0.65%	MSCI World Index	-0.61%
TD Asset Mgmt			
- International Equity	0.81%	MSCI EAFE	0.81%
- US Market	-1.23%	S&P 500 Total Return	-1.26%
Total Pooled Fund (Weighted)	1.20%		1.16%

Long Term Investments

The Canadian stock market remained strong in the first quarter posting 4.36% growth boosted by rising energy prices. Our Canadian Equity Fund's actual return of 3.39%, like in the previous two quarters, has been performing below S&P/TSE 300 index. This is primarily due to the Fund's underweight positions in the energy and IT sectors. During the same three quarter period, fixed income portfolio has been outperforming the established benchmark. The term of the Fund was reduced throughout the first quarter in anticipation of further flattening of the yield curve due to relative stability of short-term interest rates. Actual yield of 1.18% surpassed the index by 0.09%.

The US stock market experienced a modest decline - S&P 500 shrinking by 1.26%. Our index fund values necessarily decreased by almost the same pace. International equities lost the momentum gained in the fourth quarter of 2004. From an impressive growth of 4% in the previous quarter, we now see our Global equity fund with negative growth of 0.65% and International equity up by just 0.81%.

Overall, the portfolio’s performance stayed in the positive territory with weighted actual of 1.20% versus the benchmark's average of 1.16%. The first quarter of 2005 was not as robust compared to what we had in the first quarter of 2004 when returns were over 3.0%

Short Term Investments

The first quarter performance of short-term investment was 0.06% higher than the 91-day T-bill benchmark. The Money market was pretty much stable during the quarter with Bank of Canada policy rate unchanged since October 2004. Currently, the Bank of Canada's rate of 2.50% is 25 basis points lower than US Federal rate after the latter's increase on March 22. The market expects the Bank of Canada will keep its policy rate at its current level until May as long as the inflation rate falls within the 2% mid-point target. This would potentially widen the rate differential as US Federal Policies continue to remove monetary stimulus by further increasing its rate.

About 93% of the portfolio is managed by external professional managers, UBS Global Asset Management. At the end of the first quarter, the weighted average term of the UBS Fund was 115 days, somewhat longer than the fourth quarter of 2004. Non-government issues, primarily from banks, account for 52% of the total or 8% below the maximum allowed. UBS increased its government holdings both in values and duration where the spread remains higher than non-government papers.

☐ Financial Statements

The **Line of Business Report** breaks our financial statements into “business units” based on the Community Model – a network of community housing units, shared services, corporate and other services. The Line of Business Report complements the **Operating Statement** providing additional information as to how resources are used within these business units.

The Lines of Business report breaks company operations into the following business units:

☐ **Community Housing Unit Operations**

- Building Operations and Maintenance
- Tenancy Management
- Commercial Operations

☐ **Shared Services**

- Maintenance and Call Centre
- Community Support Services
- Community Security Services
- City Programs
- Housing Connections
- Rent Supplement Program

☐ **Corporate and Other**

The Operating Statement provides a breakdown of budget, actual and variances for:

- Rental and non-rental revenues;
- Housing subsidies, grants and program revenues;
- Manageable cost expenditures;
- Other housing costs;
- Other program costs;
- Capital expenditures; and
- Net operating revenue.

Lines of Business Report for the 3 months ending March 31, 2005

	Community Housing Unit			Property Mangement		HSI
	Bldg Oper. Maint.	Tenancy Mgmt	Commercial Operations	Community Support Services	Community Security Services	Maintenance & Call Centre
Revenue / Source of Funds						
RGI Tenant Rent	52,854,712					
Market Tenant Rent	11,838,024					
Bad Debt Allowance	(245,847)		-			
Parking			1,427,894			
Laundry			710,867			
Commercial Rent			1,070,943			
Shared Cost Chargeback			472,168			
Other Commercial Revenue			261,821			
Other Revenue	340,792					
Interest Income			614,298			
Cable TV			1,720,159			
Service Revenue						7,868,648
Municipal & GTA Pooling Subsidy	34,656,086	4,798,625		1,002,811	2,483,258	
TOTAL REVENUES	99,443,767	4,798,625	6,278,150	1,002,811	2,483,258	7,868,648
Expenditures / Use of Funds						
Salaries & Benefits	7,133,894	3,184,485	205,915	398,755	2,058,642	3,591,647
Recurring Maintenance & Building Materials & Services	5,391,871	874,876	256,122	122,959		1,655,343
Service Charges	5,734,216	242,735				
Insurance	1,196,383					
Social & Recreation Programs				428,792		
Security Operations			158,769		233,841	
Office & Administration Expense	325,721	413,447	264,638	59,782		504,668
Cable TV			1,262,964			
Utilities	19,041,324					
Municipal taxes	27,012,555					
Mortgage Payments	23,789,041					
Capital Expenditures						1,878,304
Net Contribution to Reserve	2,226,052					
Rent Supp. Landlord Payments						
TOTAL EXPENDITURES	91,851,057	4,715,543	2,148,407	1,010,288	2,292,483	7,629,963
Transition Expenditures	271,056	83,082		(7,477)	190,775	
NET REVENUE	**7,321,654**	**0**	**4,129,743**	**0**	**0**	**238,685**

Lines of Business Report for the 12 months ending March 31, 2005

	Access Housing Connections		Corporate and Other			
	Housing Connections	Rent Supplement Landlord	Corporate & Common Services	Capital Expenditures	Donmount Court	**YTD Actuals Total**
Revenue / Source of Funds						
RGI Tenant Rent					189,811	53,044,523
Market Tenant Rent						11,838,024
Bad Debt Allowance						(245,847)
Parking					4,596	1,432,490
Laundry					1,426	712,293
Commercial Rent						1,070,943
Shared Cost Chargeback					3,691	472,168
Other Commercial Revenue					14,671	276,492
Other Revenue					383	340,792
Interest Income						614,298
Cable TV						1,720,159
Service Revenue						7,868,648
Municipal & GTA Pooling Subsidy	1,009,307	11,666,224	4,856,186	4,680,202	477,463	65,630,162
TOTAL	1,009,307	11,666,224	4,856,186	4,680,202	692,041	144,775,145
Expenditures / Use of Funds						
Salaries & Benefits	730,313		2,939,193	492,267		20,735,111
Recurring Maintenance & Building Materials & Services					67,441	8,368,612
Service Charges				1,878,304	13,393	7,868,648
Insurance						1,196,383
Social & Recreation Programs						428,792
Security Operations						392,610
Office & Administration Expense	278,994		1,160,978	94,311	34,368	3,136,907
Cable TV						1,262,964
Utilities					134,407	19,175,731
Municipal taxes					214,320	27,226,875
Mortgage Payments						23,789,041
Capital Expenditures				2,215,320		4,093,624
Contribution to Reserve						2,226,052
Rent Supp. Landlord Payments		5,833,112				5,833,112
TOTAL	1,009,307	5,833,112	4,100,171	4,680,202	463,929	125,734,462
Transition Expenditures			756,015			1,293,451
NET REVENUE	**-**	**5,833,112**	**0**	**0**	**228,111**	**17,747,232**

Operating Statement for the three months ending March 31, 2005

	Annual Budget	YTD Budget	YTD Actual	YTD Variance (Un-Favourable)	
REVENUES - Housing Operations				$	%
Tenant Rent Revenue	264,615,000	65,635,379	64,882,547	(752,832)	(1.1)
Non-Rental Revenue	30,972,000	6,967,489	6,639,636	(327,853)	(4.7)
Bad Debt Allowance	(2,040,000)	(510,000)	(245,847)	264,153	51.8
Other Revenue (TCHC Rent Supp.Buildings)	3,282,000	820,500	738,278	(82,222)	(10.0)
Total Housing Operations	296,829,000	72,913,368	72,014,614	(898,754)	(1.2)
Housing Program Subsidies	260,490,000	59,893,275	57,803,725	(2,089,550)	(3.5)
Access Housing Connections	4,165,000	1,041,250	916,034	(125,216)	(12.0)
Rent Supplement Program Landlord Payments	24,533,000	6,133,250	6,172,125	38,875	0.6
Total Subsidies	289,188,000	67,067,775	64,891,884	(2,175,891)	(3.2)
TOTAL REVENUES	**586,017,000**	**139,981,143**	**136,906,498**	**(3,074,645)**	**(2.2)**
EXPENDITURES - Housing Operations					
Manageable Cost					
Building Operations & Maintenance	79,376,000	18,875,470	18,700,904	174,566	0.9
Tenancy Management	21,372,000	5,038,564	4,715,543	323,021	6.4
Community Support Services	5,996,000	1,094,130	1,010,288	83,842	7.7
Community Security Services	9,476,000	2,446,722	2,292,483	154,239	6.3
Corporate Services	20,389,000	4,655,080	4,100,171	554,909	11.9
Total Manageable Cost	**136,609,000**	**32,109,966**	**30,819,389**	**1,290,577**	**4.0**
Other Cost					
Insurance	4,961,000	1,240,250	1,196,383	43,867	3.5
Utilities	101,406,000	20,135,485	19,175,731	959,754	4.8
Property Taxes	115,550,000	27,276,875	27,226,875	50,000	0.2
Mortgage payments	95,520,000	23,880,000	23,789,041	90,959	0.4
Commercial Operations	9,764,000	2,214,266	2,148,407	65,859	3.0
Total Other Housing Operations Cost	**327,201,000**	**74,746,876**	**73,536,437**	**1,210,439**	**1.6**
Access Housing Connections (AHCI)					
Wait List Management & Administration	4,165,000	1,063,545	1,009,307	54,238	5.1
Rent Supplement Program Landlord Payments	24,533,000	6,133,250	5,833,112	300,138	4.9
Total Access Housing Connections	28,698,000	7,196,795	6,842,419	354,376	4.9
TOTAL OPERATING EXPENDITURES	**492,508,000**	**114,053,637**	**111,198,245**	**2,855,392**	**2.5**
NET OPERATING CASHFLOW	**93,509,000**	**25,927,506**	**25,708,253**	**(219,253)**	**(0.8)**

Sources & Application of funds for the twelve months ended March 31, 2005

	Annual Budget	YTD Budget	YTD Actual	YTD Variance (Un-Favourable)	
SOURCES OF FUNDS				**$**	**%**
Cashflow from Operations	93,509,000	25,935,506	25,708,253	(227,253)	(0.9)
Carryover from 2004	14,000,000	14,000,000	14,000,000		
Capital Reserves Withdrawn for Capital	16,370,000				
Other (from Capital GST rebate)	2,500,000				
3rd Party Financing: Energy Savings financing for Building Renewal Program	16,000,000				
City Refinancing of "Metro Loans"	2,580,000	2,580,000	2,580,000		
Appliances Replacement Program with Green Municipal Investment Fund (GMIF)	9,300,000	2,325,000	243,259	(2,081,741)	(89.5)
TOTAL SOURCES OF FUNDS	**154,259,000**	**44,840,506**	**42,531,512**	**(2,308,994)**	**(5.1)**
APPLICATION OF FUNDS					
Capital Program - Housing Program	101,880,000	6,911,754	4,312,484	2,599,270	37.6
Capital Program - Other	6,000,000	430,833	367,718	63,115	14.6
Council Support & Healthy Community Pilots	850,000	212,500	56,741	155,759	73.3
Social Investment Fund	1,000,000	250,000		250,000	100.0
Healthy Organization Initiatives	870,000	217,500		217,500	100.0
Development Strategy-Redevelopment Projects	2,500,000	833,000	1,370,787	(537,787)	(64.6)
Other Investments	3,250,000				
Don Mount, Regent Park Reserve Expenditures			511,654	(511,654)	
Reserve Contributions (Capital & Contingency Reserves)	16,370,000	1,654,146	1,714,398	(60,252)	(3.6)
Reserve Contributions (Regeneration & Don Mount)	10,000,000				
Corporate Contingency	5,500,000				
Transition Expenditures	6,000,000	873,491	1,293,451	(419,960)	(48.1)
TOTAL APPLICATION OF FUNDS	**154,220,000**	**11,383,223**	**9,627,233**	**1,755,990**	**15.4**
EXCESS CASHFLOW	**39,000**	**33,457,283**	**32,904,279**	**(553,004)**	**(1.7)**