

Q4 2011 Quarterly Performance and Progress Reports

Item 1
March 30, 2012
**Corporate Affairs and Audit
Committee**

To: Corporate Affairs and Audit Committee Report: CAAC:2012-10
From: Chief Executive Officer (Interim)
Date: February 22, 2012 Page 1 of 2

PURPOSE:

To provide the Corporate Affairs and Audit Committee with the Q4 2011 Community Management Plan Performance and Progress Reports.

RECOMMENDATIONS:

It is recommended that the Committee receive the reports and forward the reports with performance measures that are below target to the Board of Directors for information.

REASONS FOR RECOMMENDATIONS:

Background

The goal of the performance and progress reports is to provide the Committee with an update on the progress made in delivering the desired changes in alignment with the outcomes specified in the Community Management Plan 2010-2012. These reports summarize performance and progress for the past year.

The reports allow the Committee to:

- Assess implementation progress of each strategy;
- Assess effectiveness of strategies in delivering the expected results or specified outcomes; and
- Facilitate more strategic and focused decision-making as it relates to outcomes reviewed by the committee.

Performance measures have been defined for all outcomes with thresholds that reflect:

- Green = expected results achieved;
- Yellow = results moderately below expectations; and
- Red = results far below expectations.

Performance trends are depicted by the following symbols:

- ▲ favourable trending
- ▼ unfavourable trending
- ▶ stable or flat-lined results

The reporting system is intended to be dynamic; targets and measures may be adjusted to reflect changing business realities and how best they reflect achievement of the stated outcomes over time.

IMPLICATIONS AND RISKS:

Quarterly performance and progress reports are among the governance tools that will help the Committee to assess progress and achievement of expected results.

The progress report provides additional assurance to the Committee that work is proceeding as planned. It must also be noted that change in performance results may take some time to materialize because outcomes are longer term and results are likely to lag behind actions taken.

“Len Koroneos”

Len Koroneos
Chief Executive Officer (Interim)

- Attachment:**
- 1: *Community Management Plan Quarterly Performance Report – Q4 2011, CAAC Measures*
 - 2: *Corporate Affairs and Audit Committee 2011 Progress Report*

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Focus Area	Outcome	#	Measure	Q1	Q2	Q3	Q4
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People	Successful Tenancies	1.1.1	Households In Arrears	R	R	R	
		1.1.2	Tenant Eviction – Reduction Over Time	G	G	G	

Places	Well Maintained Buildings	2.1.1	MLS Deficiencies Resolved Quarterly	R	R	R	
	Enhanced Community Safety	2.2.1	Anti-Social Behaviour Occurrences	Y	R	R	
	Sound Investments in Real Estate Assets	2.3.1	Utility Usage - Hydro, Gas, Water	R	G	G	

Foundation	Improved Customer Service	3.1.1	Non-Maintenance Service Request Resolution Time	G	G	G	
		3.1.2	Repairs Request Resolution Time	Y	Y	Y	
	Healthy Workplaces	3.2.1	Health & Productivity Index Annual	Y	Y	Y	Y
	Improved Financial Discipline	3.3.1	Net Operating Income Before Debt	G	G	G	G
		3.3.2	Vacancy Loss	R	R	R	R
		3.3.3	Manageable Cost Per Unit	G	G	G	G
	Managed Risk		TBD				

Legend

G	expected results achieved
G	expected results but declining trend
Y	results moderately below expectations
R	results far below expectations.
	Measures dealt with by other Board Committees

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Outcome	Improved Financial Discipline	
Strategy	Business Operations	
Measure	3.3.1	Net Operating Income before Debt

Performance Measure Definition & Calculation	Performance Thresholds	
This measure shows Net Operating Income budgeted for the fiscal year (before debts) vs. Actuals & Variance (not including Investments).	R	Red = -5% or greater variance
	Y	Yellow = 0% to -5% variance
	G	Green = 0% or greater variance

Summary Analysis of Results	Status	
The net operating income was higher than budget by 6.5% for the year due to higher revenues, lower manageable costs, lower insurance, property taxes and waste removal costs. Higher revenues on antenna lease revenue and rent revenue (mainly RGI) was partly offset by higher than targeted vacancy losses. The provision for Wellesley fire costs was mostly covered by insurance payments received. Lower property taxes were partly offset by matching subsidy reductions but savings on rent supplement buildings are not returned.	G	
	Trend*	▲
	Notes: <i>The quarter's variance is 10.5% favourable, an increase from 9.7% in Q3.</i>	

Net Operating Income – Budget vs. Actuals and Variance

	2011 YTD	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Budget \$	\$180,238,000	\$49,499,000	\$48,908,000	\$30,917,000	\$50,914,000	\$47,887,000
Actual \$	\$192,021,907	\$54,671,966	\$53,673,501	\$32,432,072	\$50,839,637	\$41,811,418
Variance (%)	6.5%	10.5%	9.7%	4.9%	-0.1%	-12.7%

Business Impact / Implications	The additional Net Operating Income is partly offset by higher debt service costs. The added provision for Wellesley fire costs was not required in 2011, but may be required in future depending on legal settlements. The added income is carried forward to 2012 and will help to offset utility increases and funding reductions.
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Management Actions	<p>We will continue implementation of the following revenue generation strategies:</p> <ul style="list-style-type: none"> - Identifying work orders that tenant charges are applicable to through a semi-automated tenant charge system, which helps staff expedite charges being applied; - Charging a flat rate upon leasing to any unit with a driveway as a service charge; - Administrative process auditing to review current processes and patterns and determine areas where the organization can reduce revenue loss due to errors in rent calculation, omission of service and/or rent charges, inappropriate adjustments/credits to accounts, etc.; and - The Commercial Business Unit will continue to build partnerships with national tenants to attract new tenancies to our buildings to maximize revenue. <p>See "Vacancy Loss" measure for management actions designed to reduce financial losses resulting from vacancies.</p>
Assumptions	Calculation of results does not include Investments - nor does it include debt payments (mortgages & loans).

Outcome	Improved Financial Discipline
Strategy	Business Operations
Measure	3.3.3 Vacancy Loss

Performance Measure Definition & Calculation	Performance Thresholds	
This measure shows the RGI and Market rental revenues lost due to vacant units (units that are vacant and ready for rental) based on the number of days vacant, the average rental rate of all RGI units and the average market unit rental rate in development. The year-to-date vacancy loss is compared to the budget to determine the % variance from target.	R	Red = 5.1% or greater
	Y	Yellow = 2.1% to 5%
	G	Green = 0% - 2%

Summary Analysis of Results	Status	R
<p>Vacancy losses have continued to decline. Vacancy loss in Q4 2011 has decreased by 7.2% from Q3 2011, which represents a \$133,959 decrease in actual lost revenue. The reduction in vacancy loss value is a result of progress in reducing the number of vacant units, particularly long term vacant units (vacant more than 120 days) and units vacant for 60 days.</p> <p>Total vacancy loss in Q4 2011 was still over the targeted vacancy loss by \$182,686, or 12%. Of this, RGI vacancy loss was over budget by \$333,156 (or 33%) and market vacancy loss was under budget by \$150,469 (or 28%).</p> <p>Decrease in market vacancy loss is also attributable to the fact that about 70 vacant market units were redeployed to RGI units in Q4, which resulted in a decrease in market vacancy loss but an increase in RGI vacancy loss.</p>	Trend*	▲
	<p>Notes: Vacancy loss exceeds the budgeted target by 12% but has been decreasing since Q1 2011.</p> <p><i>*Trending is based on current and previous three quarters.</i> ▲ favourable trending ▼ unfavourable trending ► stable/ flat-lined results</p>	

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Vacancy Losses

Type	Q4 2011	Q3 2011	Q2 2011	Q1 2011
RGI	\$1,336,780	\$1,305,353	\$1,423,808	\$1,512,691
Market	\$386,156	\$551,542	\$633,948	\$745,052
All	\$1,722,936	\$1,856,895	\$2,057,756	\$2,257,743
% of change in vacancy loss	-7.2%	-9.8%	-8.86%	+10.3%

Business Impact / Implications	<p>The budgeted vacancy loss for 2011 is \$6.2m, of which RGI accounts for \$4.1m and market accounts for \$2.1m. All vacancy variables/factors that have an impact on budgeted vacancy losses and rental revenues are showing a downward trend since the start of the year. One of the major factors that contributed to vacancy loss is being unable to rent units due to high capital repair costs or refurbishment. Vacancy losses result in a loss of revenue for the corporation.</p>
Management Actions	<p>Staff are undertaking the following actions to reduce vacancy loss:</p> <ul style="list-style-type: none"> • Developing a partnership with two agencies to get tenants to fill units in several buildings with high vacancy rates; • Systems changes that will allow management of contract-managed buildings to more efficiently update unit status when a new tenant moves into a vacant unit; • Reducing the turn-around time by identifying delays in the process for preparing vacant units and working with staff to resolve these issues; and • Through the Vacancy Loss CMP Strategy a pilot has started in a high vacancy Operating Unit with the goal of reducing the overall vacancy rate by Q2 2012. <p>The Rental Task Force will continue its work targeting long-term vacancies. In Q4, the Rental Task Force filled an additional 129 units. After seeing much success filling vacancies over 90 days, the focus will now be on vacancies over 60 days.</p>
Assumptions	<ol style="list-style-type: none"> 1. Non-rentable units (including units on hold, units under refurbishment, and units held for Regent Park Relocations) are not included in the vacancy loss calculations. Development 74, 200 Wellesley Street East vacancy losses are excluded from the totals. However, the overall targeted vacancy loss includes all the developments. 2. Units that are vacant in new developments at revitalization sites are also excluded until they are turned over to the Operating Units for ongoing operational management. 3. The rental task force is focusing on hard-to-rent units in developments with high vacancies most of which have been vacant for long periods of time. The rental of these units will cause a temporary spike in average rental turnaround times.

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Outcome	Improved Financial Discipline
Strategy	Business Operations
Measure	3.3.2 Manageable Cost per Unit (Target vs. Actual)

Performance Measure Definition & Calculation	Performance Thresholds	
This measure shows the operating expense "Manageable Cost" per Unit (as per the Toronto Community Housing Financial Statement definition) vs. Target Cost per Unit and the variance between the two.	R	Red = 5% or greater over Budget
	Y	Yellow = 0.1% to 4.9% over Budget
	G	Green = At or Under Budget

Summary Analysis of Results	Status	
Manageable Costs are 1.2% less than budget for the year. This is due to lower corporate services (consulting, staff vacancies, staff expenses for travel and meetings, software licenses and training) and lower tenant engagement and youth program costs. These were partly offset by higher building maintenance services mainly on heating equipment and plumbing repairs, and increased janitorial services that were largely offset by custodian vacancies savings.	G	
	Trend*	▲
	Notes: <i>The quarter's variance is favourable and has increased to 1.1% from 0.6% in Q3.</i>	

Manageable Cost Per Unit

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Total Unit Count	58,078	58,078	58,078	58,078	58,313
Total Manageable Cost	\$46,176,679	\$40,262,736	\$41,636,261	\$36,009,516	\$45,928,273
Cost / Unit (\$)	\$795	\$693	\$717	\$620	\$788
2011 Target Cost / Unit (\$)	\$804	\$697	\$730	\$628	\$774
Cost / Unit Variance (%)	1.1%	0.6%	1.8%	1.2%	-1.8%

Business Impact / Implications	The savings in manageable costs are retained by the corporation and invested in improving our assets and providing clean and well maintained buildings for our customers.
Management Actions	<p>Savings resulted from new stricter staff expense policies, unfilled staff vacancies, deferred initiatives, and additional fundraising and partnership contributions for cost sharing. Tenant engagement savings were partly due to policy changes that ended tenant child care reimbursement, and reduced tenant travel and food expenses. While ten pools were decommissioned, other youth programs were increased to maintain participation levels.</p> <p>We will continue implementation of policies and strategies to reduce operating costs. Sustained effort will enable a more viable financial position. Otherwise, no additional strategies are required at this time.</p>

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Assumptions	<ol style="list-style-type: none">1. Cost per Unit target will change annually based on budget set.2. Official Unit count for purposes of target setting will be updated annually and stated in advance.3. Manageable Costs only include those currently being managed by the Operating & Support Units (e.g. utilities, taxes, mortgage, debt, commercial & insurance are not included).
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Toronto
Community
Housing

Attachment 2



Toronto Community Housing Annual Progress Review 2011

February 16, 2012

Strengthening Our Foundation

Outcomes

Improved Customer Service

Improved Financial Discipline

Managed Risk

Better Communications

Organizational improvement is a priority in 2011. We are focusing our efforts on strengthening our ability to deliver our core business by making sure there is a strong foundation in place for the execution of solid business practices.

Improved Financial Discipline

Improved financial discipline means ensuring the long-term financial health of the organization. Toronto Community Housing is committed to running an efficient business. This includes maximizing operating surpluses that can then be used for the repair and maintenance of our existing portfolio as well as current and future revitalization initiatives.

Our Plan

We manage our finances prudently, pursue strategies to improve business performance and mitigate risks. We will increase revenues through efficient management of vacancies and by generating income from new sources. We will mitigate risks through rigorous evaluation of investment initiatives, effective due diligence and alignment of processes with best practices.

Strategies

➔ Long-term Financial

➔ Business Operations

Long-term Financial

Results

- Toronto Community Housing's "AA-" credit rating affirmed by Standard and Poor's in July 2011; this will strengthen our ability to access relatively inexpensive debt capital to improve our asset base, for example during negotiations to obtain third party financing for revitalizations at Railway Lands and Regent Park.
- Sold ownership stake in Sparkle Solutions, the company that operates the washers and dryers in our buildings, to the Sparkle management group. This sale raised \$4.5 million for the company while maintaining service levels for tenants.

Progress

- Completed valuation of Regent Park Energy Inc. (RPEI) as part of broader strategy to enhance revenue generation and return on existing investments. As a result; the Management Committee was dissolved and RPEI became a Toronto Community Housing subsidiary. The RPEI Board of Directors is empowered to pursue strategies to increase revenue, minimize operating expenses and maximise value for Toronto Community Housing as shareholder.
- Designed and launched a series of workshops to enhance staff understanding of financial discipline beginning with legal staff in December and continuing into 2012.
- Completed evaluation of investment proposals as part of the Alexandra Park request for proposals and preparation of a Developer Management Agreement.
- Completed turnover operating budget for 42 Hubbard in preparation for building turnover in January 2012.

Business Operations

Results

- Filled all 206 targeted vacancies for 2011 using an open house approach after 286 offers made; the process resulted 2,115 applicants and transfers removed from waiting list.
- 83% of 'hard to fill' vacancies (units vacant for 90+ days) were filled (total 229) after 1,164 offers made. This process allowed for 1,273 applicants and transfers to be removed from waiting list.

Progress

- In Rivertowne and 200 Wellesley a coordinated approach enabled 100% of vacancies (44 rent-gear-to-income and 16 market) to be filled within 10 days of an open house.
- At two pilot placement sites, 88% of vacancies were filled (total 29) after 191 offers made; this allowed 211 applicants to be removed from waiting lists. These learnings will inform adjustments to the strategy going forward and training focus for site staff.
- As part of the corporation's responsibility to ensure subsidy levels are maintained across the portfolio and to maintain SHRA compliance, a "loss of subsidy" strategy was implemented that identified 231 households no longer eligible for subsidy and redeployed them to market rent vacancies. This resulted in a significant reduction in market rent vacancies