



2022 Capital and Operating Budgets

Item 4A
December 9, 2021
Board of Directors

Report: TCHC:2021-80

To: Board of Directors (“Board”)

From: Building Investment, Finance and Audit Committee
 (“BIFAC”)

Date: December 6, 2021

PURPOSE:

The purpose of this report is to obtain the Board’s approval of the 2022 Operating Budget and the 2022 Capital Budget which includes the 2022 to 2025 multi-year Building Renewal Capital and the 2022 Development Capital Budget.

RECOMMENDATIONS:

It is recommended that the Board of Directors:

1. Approve the 2022 Operating Budget as outlined in this report;
2. Approve the 2022 Capital Budget which includes:
 - a. the 2022 to 2025 Building Renewal Capital Budget; and
 - b. the 2022 Development Capital Budget; as outlined in this report; and
3. Authorize the appropriate staff to take the necessary actions to give effect to the above recommendations.

BIFAC

This report was adopted by BIFAC on December 6, 2021.

REASONS FOR RECOMMENDATIONS:

The proposed 2022 Operating and Capital Budgets reflect the organization's priorities, which include:

- Continuing to implement its restructuring of its service delivery model across the city, ensuring that tenants have easier, quicker and more accessible service, delivered safely and consistent with COVID-19 guidelines, through the opening of 88 Tenant Service Hubs across the City by Feb 2022;
- Continuing to enhance TCHC's cybersecurity as well as the replacement of TCHC's end-of-life IT systems with modern applications that support increased business intelligence and reporting (HoMES);
- Working with City staff to continue the transition of TCHC scattered houses to new permanent management by non-profit housing providers;
- Partnering with the City to establish the Toronto Seniors Housing Corporation to improve outcomes for tenants in the Seniors Portfolio and
- Continuing to execute its Capital Plan and remain on schedule to bring its building portfolio into a state of good repair by 2026. In 2021, TCHC staff reprioritized the capital work plan to account for social distancing limits and other COVID-19 impacts to ensure that the Plan remained on schedule. In 2022, TCHC will continue to maintain a flexible approach to its Capital Plan and continue to meet its targets.

To achieve the service objectives, the 2022 budgets consists of:

Operating Budget of \$672.1M (pre-COVID) for operations and maintenance, services, utilities, taxes, and mortgages, with \$672.1M in revenue (residential and commercial rent, subsidies, fees (parking, laundry and cable)), resulting in a break-even budget.

Key Operating Budget drivers include:

- \$26.8M associated with the net impact of COVID;
- \$9.5M in one-time costs, including seniors transitional costs, IT initiatives, and development of our end of life external website;
- \$29.5M in non-discretionary expenses, including utilities, mortgage principle and interest, cost of living and collective agreement increases, and service contract price increases; and
- \$33.8M increase in City funding, comprised of \$24.3M in subsidy as part of the permanent funding model and \$9.5M of funding to cover our one-time costs
- \$6.8M in efficiencies/offsets, mainly comprised of utility consumption savings from various energy conservation programs, corporate efficiencies and reductions, as well as improved tenant rent management.

Additionally, there is \$8.8M in 2022 for HoMES that was approved as part of the overall HoMES budget. The HoMES project will be funded from Reserves as previously approved.

TCHC will continue to partner with the City to establish the Toronto Seniors Housing Corporation in order to improve outcomes for tenants in the Seniors Portfolio. However, TCHC's full implementation of the Integrated Service Model, in partnership with the City and local health partners, may be impacted by decisions made in the course of approval of the City's Budget.

Building Renewal Capital Budget of \$350M to achieve a year-end Facilities Condition Index ("FCI") of 14.4% and contribute to achieving quality homes for tenants through a 10% FCI by 2026, enhancing the number of units available for occupancy and continuing energy efficiency retrofits.

- The 2022 Building Renewal Capital Budget will remain the same in 2022 as it was in 2021, at \$350M.
- Approval is being requested for multi-year commitments of \$52.4M in 2023, \$13.2M in 2024 and \$0.3M in 2025 based on confirmed current sources of funding. The four year (2022-2025) Building Renewal

Capital Budget will allow Management to improve project delivery, minimize tenant disruption and reduce premium costing for phasing.

Development Capital Budget of \$98.0M to implement future phases of Regent Park and Lawrence Heights, continue construction work for Alexandra Park Phase 2, Don Summerville, and demolition for Firgrove.

In 2022, the proposed Capital Budget (Building Renewal Capital and Development) totals \$448.0M, which represents a decrease of \$5.1M from the 2021 Capital budget.

IMPLICATIONS AND RISKS:

The approval of the 2022-2025 Building Renewal Capital Budget will increase the efficiency of the capital renewal work by providing for multi-year implementation. We will be able to do more to improve building and unit conditions.

Approval of the 2022 Operating Budget will mean a continued commitment to improving safety and security as well as services for tenants.

If the budgets are not approved, it will limit Management's ability to improve safety and security, building conditions and service to tenants.

SIGNATURE:

"Rose-Ann Lee"

Rose-Ann Lee
Chief Financial Officer and Treasurer

ATTACHMENT:

1. 2022 Operating and Capital Budgets, 2022-2025 Multi-year Building Renewal Capital Budget

STAFF CONTACT:

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