



**REPORT**  
Peel Living  
For Information

DATE: August 31, 2012

REPORT TITLE: **SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)**

FROM: Mwarigha M.S. , General Manager, Peel Living  
David Bingham, Treasurer, Peel Living

**OBJECTIVE**

To present the semi annual financial report for the period ended June 30, 2012.

**REPORT HIGHLIGHTS**

Current Operations:

- The Corporation is projected to have a net favorable budget variance of \$1.0 million before discretionary reserve transfers representing 1.1% of total expenditure budget

Capital Operations

- Gross capital spending for the six months ending June 30, 2012 was \$3.4 million
- Forecasted spending July 1 to December 31, 2012 is \$8.4 million
- Renewable Energy Initiative project is projected to be over budget by \$0.8 million, and is subject to a report to the Board at a later date in 2012

Financial Control By-law

- There were no approvals delegated to staff under the Financial Control By-law during the first six months of 2012 that require reporting to the Board

**DISCUSSION**

This report summarizes the financial status of Peel Housing Corporation for the period ended June 30, 2012 for current operations, capital operations and reserves.

**1. Current Operations**

Appendix I summarizes Peel Housing Corporation's statement of operations for the six months ended June 30, 2012. Peel Living's operations project to have a net favorable budget variance of \$1.0 million before discretionary reserve transfer. The projected favorable net financial position at the year end is primarily due to lower operating cost of \$1.0 million. The total revenue projection is close to budget. The program expenditures are in line with previous years for all sections except Building Systems and Services.

**SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)**

The expenditure savings of \$1.0 million is a result of:

- lower administration costs of (\$0.7 million) primarily due to the lower chargeback from the Region of Peel's Residential Property Management (RPM) comprised of:
  - a recovery from the Ministry of Health to cover public health tenant education expenses (\$0.1 million)
  - vacant contract positions, savings on gapping, and reduced students cost (\$0.4 million)
  - saving in outside legal and consultant expenses (\$0.2 million)
  - lower utilities rates than budgeted as well as lower consumption for January through June (\$0.6 million)
  - property tax recovery from external vendors for rooftop antennas not budgeted for in 2012 and the lower tax rates for both the City and Regional portions (\$0.2 million)

These savings were partially offset by higher expenditures for:

- Contracted Services to provide coverage for Supers and Cleaners on sick leave or WSIB (\$0.1 million)
- plumbing expenses due to the aging of the buildings and the unexpected but necessary service of stack cleaning (\$0.2 million), and
- other operating cost such as carpentry and smoke alarm costs (\$0.2 million)

The projected rental revenue for 2012 will be the same as the budget. The increase in Rent Supplement revenue and retroactive revenue of \$0.3 million received from ODSP for a 2008 outstanding balance will offset the decrease of the municipal subsidy from the Region.

**2. Capital Operations**

The table below provides a continuity statement of capital operations from January 2012 to June 30, 2012 and a forecast to December 2012. It includes the addition of the 2012 budget, any in-year changes, and close outs to arrive at the gross carry forward balance of capital projects in progress.

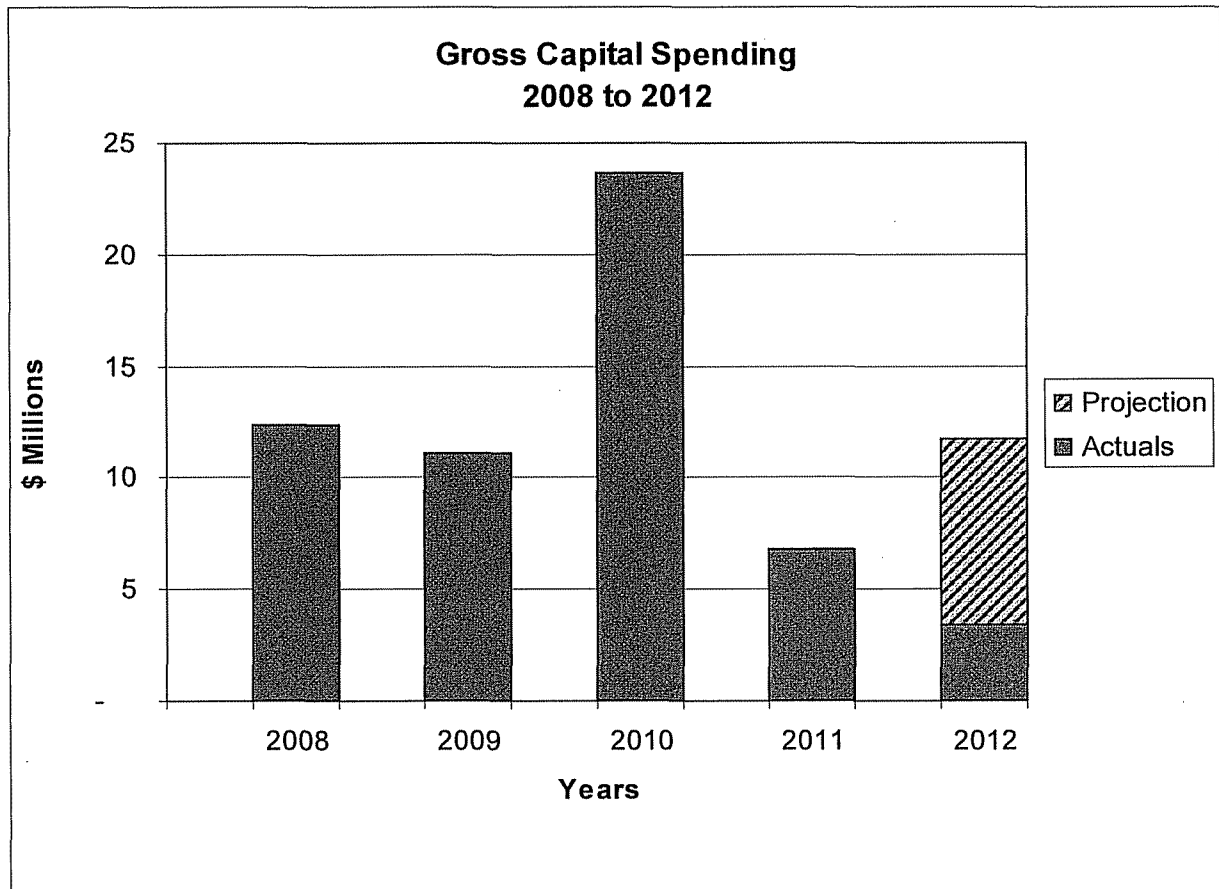
Description	Jan 1 to June 30 (\$000)	Forecast From July to Dec 31 (\$000)
Carry Forward Balance	\$11.1	21.2
Approved 2012 Capital Budget	<u>13.5</u>	
Total Approved Capital	24.6	
In Year Budget Changes	(0)	0.8
Year to Date Spending	<u>(3.4)</u>	<u>(8.4)</u>
Carry Forward Balance	\$21.2	\$13.6

For the reporting period ending June 30, 2012, there were five active capital projects. Real Asset and Property Management anticipates that the Social Housing Renovation and Retrofit Program (SHRRP), Renewable Energy Initiative (REI) and 2010 major capital projects will be completed by the end of 2012. Consequently, there will be two active projects that will carry forward into 2013.

**SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)**

Gross capital expenditures for the period ending June 30, 2012 were \$3.4 million. A summary of capital project expenditures status is presented in Appendix II and a summary of the capital expenditures by program categories and projection is presented in Appendix III. In Appendix III, the REI project is forecasted to be in an overspent position for \$0.8 million by the end of this year. The overspending of REI will be detailed in a report from the General Manager to the board on a later date in 2012.

The gross year to date spending for 2012 capital is forecasted at \$11.8 million (\$3.4 million + \$8.4 million). The following chart compares the history of capital spending from 2008 through to forecasted end date of December 2012.



**3. Reserves and Reserve Funds**

A high-level overview of the Corporation's reserves as at June 30, 2012 is provided below. These figures do not include any unrealized gains or losses on investments held for trading.

Description	Working Fund Reserves (\$ million)	Energy Reserves (\$ million)	Capital Replacement Reserves (\$ million)	Total (\$ million)
Balance before commitments	\$6.5	\$0.9	(\$0.2)	\$7.2
Less: Commitments	(\$1.4)	-	(\$18.4)	(\$19.8)
Balance after commitments	\$5.1	\$0.9	(\$18.6)	(\$12.6)

**SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)**

Appendix IV provides a more detailed breakdown of fund balances by program and type, while Appendix V focuses on activity.

Due to the aging state of the buildings, the forecasted capital spending has continued to exceed contributions to the replacement reserves and any interest earned.

Under the *Social Housing Reform Act* (SHRA), and now *Housing Service Act* (HSA), the Region of Peel (designated as a Service Manager) is responsible to provide funding for the providers' capital reserve shortfall. A Capital Maintenance Reserve Service Strategy Business Plan was approved by Regional Council in September 2006 to plan and manage providers' capital maintenance reserves and future capital requirements.

In November 2011, Council approved the Accessing Capital Infrastructure policy which allows the Region, as Service System Manager, to process funding requests from housing providers for necessary capital repairs. PHC notified the Service Manager of a \$7 million capital reserve shortfall in early 2011 and qualified for the capital loan based on the policy. Authorization for Peel Living to enter into loan agreements with the Region for \$7 million for 2011 and a 2012 request (under review) are subject of the "Capital Loan Agreement with Service Manager" report from the General Manager.

**4. Financial Control By-Law Report Requirements****a) Authorization to Increase Project Commitments Beyond Originally Approved Budget**

There were no such requests for the first six months of 2012. Projects requiring budget increases beyond these parameters require Board Reports.

**b) Closed Capital Projects**

As of June 30, 2012, Peel Living did not close any capital projects; however, three projects are anticipated to be closed by December 31, 2012.

**c) Redeployments**

Redeployments are processed to facilitate effective management of various programs and projects. All redeployments are processed in accordance with the Financial Control By-law. As of June 30, 2012, there was no redeployment activity.

**5. Mortgage Renewals**

There were no mortgage renewals for the first six months of 2012. There will be three mortgage renewals in the last six months of 2012.

**6. Write Off Former Tenant Accounts**

There are \$263,885 of uncollected arrears that are to be written off this year; a total of \$17,855 lower than the original provision recorded in 2010 as a result of higher collections and the collection of previously written off amounts.

August 31, 2012

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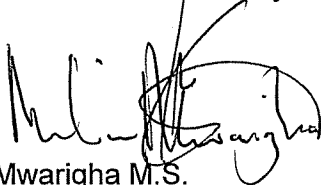
**SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)**

The write off unpaid balances and open credits of former tenant accounts does not affect the subsequent collection of these balances. All outstanding debts remain on the records of both the collection agency (for those arrears greater than \$100) and Peel Living (all balances), and collection efforts continue.

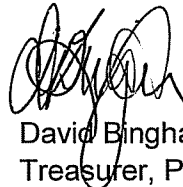
**CONCLUSION**

Peel Housing Corporation is projecting a net favorable budget variance before discretionary reserve transfers of \$1.0 million. In addition, the expected \$7 million capital reserve loan from the Service Manager will assist Peel Living towards meeting its capital repair obligation.

Peel Housing Corporation will continue to provide quality housing services and maintain financial accountability to the residents of Peel.



Mwarigha M.S.  
General Manager, Peel Living



David Bingham  
Treasurer, Peel Living

**Approved for Submission:**



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D. Szwarc, Chief Administrative Officer

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*Authored By: Xiaoya Feng*

c. Legislative Services

HS 10-16

## SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)

## APPENDIX I

Peel Housing Corporation  
Management Statement of Operations  
As At June 30, 2012

Figures do not include current year unrealized gains or losses on investment held for trading.

	2012 Budget	2012 June Actual	Projected 2012 Year End Balance	Projection vs Budget Variance	2011 Actual
<b>Revenue:</b>					
Rental Revenue	\$ 56,757,225	\$ 28,301,753	\$ 57,220,394	\$ 463,169	\$ 55,246,238
Other Revenue	4,739,537	2,117,538	4,679,050	(60,487)	4,840,695
Municipal Subsidy	35,299,090	17,649,558	34,871,821	(427,269)	34,722,828
<b>Total Revenue</b>	<b>96,795,852</b>	<b>48,068,848</b>	<b>96,771,264</b>	<b>(24,588)</b>	<b>94,809,761</b>
<b>Expenditures:</b>					
Salaries & Benefits	5,148,612	2,564,637	5,169,535	(20,923)	4,926,782
Building Systems & Services	11,840,116	5,440,246	12,346,034	(505,918)	11,556,844
Utilities	14,574,455	5,459,189	14,002,090	572,365	13,625,821
Administration	9,919,032	4,372,226	9,208,077	710,955	8,611,173
Mortgage, Loans & Depreciation	36,033,571	17,085,618	35,991,766	41,805	36,587,965
Municipal Taxes	11,269,158	5,425,878	11,051,075	218,083	10,733,434
Other	2,061,387	789,861	2,047,197	14,190	1,668,117
<b>Total Expenditures</b>	<b>90,846,331</b>	<b>41,137,655</b>	<b>89,815,774</b>	<b>1,030,557</b>	<b>87,710,135</b>
<b>Operating Surplus Before Reserve Transfers</b>	<b>5,949,521</b>	<b>6,931,193</b>	<b>6,955,491</b>	<b>1,005,970</b>	<b>7,099,625</b>
<b>Minor Capital</b>					
Minor Capital Expense	(3,537,700)	(1,375,039)	(3,533,000)	4,700	(3,808,920)
Transfer from Replacement Reserve for Minor Capital	3,537,700	1,375,039	3,533,000	(4,700)	3,808,920
<b>Legislated Replacement Reserve Contribution</b>	<b>(5,232,145)</b>	<b>(2,597,272)</b>	<b>(5,232,145)</b>	<b>-</b>	<b>(5,078,651)</b>
<b>Operating Surplus</b>	<b>717,376</b>	<b>4,333,920</b>	<b>1,723,346</b>	<b>1,005,970</b>	<b>2,020,974</b>
<b>Reserve Allocation Based on Program Rules:</b>					
Discretionary Transfer of Surplus to Replacement Reserve*	(2,316,393)	-	(2,471,780)	(155,387)	(2,204,314)
Transfer (to)/from Working Fund Reserves	1,599,017	244,167	748,435	(850,582)	183,340
<b>Net Surplus/(Deficit)</b>	<b>\$ -</b>	<b>\$ 4,578,087</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>

\* Permitted by the Service Manager or Board Directed (includes FP/Uni service manager surplus retention)

## SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)

## APPENDIX II

Peel Housing Corporation  
Status of Capital Projects  
As At June 30, 2012

	Year	Number of Projects	Approved Project Budget	Spent prior to 2012	Available Capital Work as of January 1, 2012	YTD Actual Spending	Available Capital Work as of June 30, 2012
Open Capital Project	2010	3	20,062,153	18,817,368	1,244,785	1,128,761	116,024
	2011	1	11,817,000	1,938,770	9,878,230	2,068,439	7,809,791
	2012	1	13,537,314	-	13,537,314	165,989	13,371,325
<b>TOTAL</b>		<b>5</b>	<b>\$ 45,416,467</b>	<b>\$ 20,756,138</b>	<b>\$ 24,660,329</b>	<b>\$ 3,363,189</b>	<b>\$ 21,297,140</b>

## SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)

## APPENDIX III

Peel Housing Corporation  
Summary of Capital Expenditures as of June 30, 2012

Capital Project Description	Number of Open Capital Projects	Approved Project Budget	Total Capital Project to Date	Available Capital Work as of June 30, 2012	% Spent as of June 30, 2012	Forecast Spending Jul - Dec 31, 2012	Available Capital Work as of December 31, 2012
REI	1	1,900,000	2,201,507	(301,507)	115.9%	386,135	(687,642)
2010 SHRRP Capital Project	1	11,793,950	11,601,752	192,198	98.4%	162,198	30,000
2010 Major Capital Project	1	6,368,203	6,142,870	225,333	96.5%	98,424	126,909
2011 Major Capital Project	1	11,817,000	4,007,209	7,809,791	33.9%	4,053,064	3,756,727
2012 Major Capital Project	1	13,537,314	165,989	13,371,325	1.2%	3,744,398	9,626,927
<b>Total</b>	<b>5</b>	<b>\$ 45,416,467</b>	<b>\$ 24,119,327</b>	<b>\$ 21,297,140</b>	<b>53.1%</b>	<b>8,444,219</b>	<b>12,852,921</b>



## SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)

## APPENDIX IV

Peel Housing Corporation  
Reserve Balances by Program  
As At June 30, 2012

Figures do not include cumulative unrealized gains or losses on investment held for trading.

Reserve Description	Replacement of Capital Property	Working Fund	Energy Conservation	Total	Less: Committed Balances	Available Balance
15.1	\$ 2,120,254	\$ -	\$ -	\$ 2,120,254	\$ (75,462)	\$ 2,044,792
56.1	(2,852,983)	(703,480)	-	(3,556,463)	(10,721,641)	(14,278,105)
FP/Uni	(4,072,234)	7,892,828	-	3,820,593	(7,509,481)	(3,688,887)
PRHC	2,922,031	-	-	2,922,031	(1,125,389)	1,796,643
Other	1,636,068	(647,825)	-	988,242	(352,989)	635,253
Corporate	-	-	868,819	868,819	-	868,819
<b>Total</b>	<b>\$ (246,865)</b>	<b>\$ 6,541,523</b>	<b>\$ 868,819</b>	<b>\$ 7,163,476</b>	<b>\$ (19,784,961)</b>	<b>\$ (12,621,485)</b>

## SEMI ANNUAL FINANCIAL REPORT - JUNE 2012 (UNAUDITED)

## APPENDIX V

Peel Housing Corporation  
Continuity Schedule of Reserves  
As At June 30, 2012

Figures do not include cumulative unrealized gains or losses on investment held for trading.

Balances	Replacement of Capital Property	Working Fund	Energy Conservation	Total
Balance January 1, 2012	\$ 752,459	\$ 6,649,537	\$ 851,984	\$ 8,253,980
Allowable Contributions	2,597,272	236,971	-	2,834,243
Transfer to current operations	-	(481,138)	-	(481,138)
Capital Expenditures	(3,609,467)	-	-	(3,609,467)
Interest Earned	12,870	136,153	16,834	165,857
				-
<b>Balance June 30, 2012</b>	<b>(246,865)</b>	<b>6,541,523</b>	<b>868,819</b>	<b>7,163,476</b>
Less: Committed Balances	(18,430,111)	(1,354,850)	-	(19,784,961)
<b>Balance Available June 30, 2012</b>	<b>\$ (18,676,976)</b>	<b>\$ 5,186,673</b>	<b>\$ 868,819</b>	<b>\$ (12,621,485)</b>