



## STAFF REPORT ACTION REQUIRED

### Toronto Community Housing Corporation (TCHC) Budget Reporting

<b>Date:</b>	May 25, 2015
<b>To:</b>	Budget Committee
<b>From:</b>	Acting Deputy City Manager, Cluster A Deputy City Manager & Chief Financial Officer
<b>Wards:</b>	All

#### SUMMARY

---

This report responds to an April 21, 2015 Budget Committee request for a range of options to improve City Council's understanding of Toronto Community Housing Corporation's (TCHC) budget given the City's increasing share of the social housing operating subsidy, due to the withdrawal of federal and provincial government funding. This would include capital and operating budgets.

#### RECOMMENDATIONS

---

The Acting Deputy City Manager, Cluster A and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council affirm that the Board of the Toronto Community Housing Corporation will submit a Business Plan, required under its Shareholder Direction (section 10.1), to the Shareholder annually commencing in 2016 at a date specified by the City Manager and aligned with the City's budget review process to permit due consideration and inclusion in the City's financial planning process;
2. Beginning with the 2016 City Budget process, City Council request the Toronto Community Housing Corporation to provide a presentation for information purposes to City Council's Budget Committee on each aspect of its Board approved Business Plan, including operating budget and outlooks, 10-year Capital plan requirements, financial and service targets and performance measures; and
3. City Council direct the Clerk to provide a copy of this report to the Mayor's Task Force on TCHC for its information.

## Financial Impact

There are no financial impacts resulting from the recommendations in this report.

The recommendations in this report are intended to enhance City Council's understanding of TCHC's budget for purposes of improved alignment with the City's budget process by providing Council with a clearer understanding of Toronto Community Housing Corporation's operating and capital budgets. This understanding is important as the City's subsidy to TCHC constitutes a significant portion of the annual gross Operating Budget for Shelter, Support & Housing Administration (SSHA). Federal and provincial government support for social housing is being steadily withdrawn resulting in growing pressure on the property tax supported Operating Budget for SSHA to fund ongoing social housing subsidies.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## Equity Impact

The availability of social housing affects access by lower income households to safe, affordable housing. The recommendations in this report are intended to improve the understanding of the City's expenditures to subsidize social housing.

## DECISION HISTORY

On April 21, 2015, Budget Committee referred a communication, entitled *Changing the Toronto Community Housing Corporation (TCHC) Budget Reporting Process to Increase Accountability*, to staff and requested a staff report on "a range of options to improve City Council's understanding of Toronto Community Housing Corporation's Budget Targets and Budget Performance."

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.BU7.4>

On November 13, 2013, City Council adopted the *Amended and Restated Shareholder Direction to Toronto Community Housing Corporation*. The revised document updated definitions, re-titled TCHC's *Community Management Plan* as its *Business Plan* and defined it to include long-term business strategies and operating and capital financial plans. In addition, it provides that TCHC's Business Plan be prepared every four years and be updated and submitted to the City annually so that it may be included in the City's financial planning process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.5>

## ISSUE BACKGROUND

### **Funding for Social Housing and the Toronto Community Housing Corporation (TCHC)**

As the federal and provincial governments continue to reduce their contributions to social housing programs, the City is becoming responsible for a steadily increasing share of the funding needed to subsidize social housing operations.

In 2015, costs associated with the administration of social housing programs will account for \$468M, or approximately three-quarters of the gross and net expenditures in the approved Operating Budget for SSHA. Approximately half of this amount, or \$233M, is budgeted to subsidize the operations of TCHC in compliance with the City's Service Manager obligations under the *Housing Services Act* (HSA). The HSA requires that the City as Service Manager administer and fund a social housing system. This includes providing TCHC, its Local Housing Corporation, with sufficient funding to deliver its program and maintain its housing in a satisfactory state of repair. It also includes providing operating and rent-geared-to-income (RGI) funding to more than 240 non-profits and co-ops following specific subsidy formulae that are set by the HSA.

City Council established TCHC as an arm's length corporation in 2001 under the *Business Corporations Act of Ontario* (OBCA). The City of Toronto is the sole shareholder of TCHC. TCHC owns a large portfolio of social housing and is governed by a 13-member Board of Directors, which includes four Toronto City Council members that manage the business and finances of the corporation.

City Council does not directly review or approve TCHC's budget. Under the present governance structure, the Board of Directors approves the budget. The City's operating subsidy to TCHC is calculated in accordance with a funding model established in an Operating Agreement between the City and TCHC pursuant to provisions in Council's Shareholder Direction to TCHC. As noted above, the operating subsidy is included in SSHA's annual Operating Budget, which is reviewed and approved by City Council.

### **TCHC's Shareholder Direction (SHD) – Financial Reporting and Accountability**

The City's role as Shareholder for TCHC is governed through a City Council approved *Shareholder Direction* that sets out specific requirements for TCHC with respect to mandate, governance, program management, and accountability. Related to the financial reporting and accountability the SHD includes a number of measures, including:

- a. Financial Related Principles to Guide the Operating Agreement Between the City and TCHC (s. 8.3)
  - TCHC will provide financial and other information and forecasts as requested by the City to help establish or validate an appropriate level of financial support from the City that is consistent with the requirements of the HSA; and

- TCHC will comply with City budget requirements, information requests and communication protocols as determined from time to time to ensure that the City receives timely information required to prepare its budgets and fulfill its reporting obligations to the Province and other agencies.
- b. Annual Report (s. 10.2). Submitted to the Shareholder annually and including audited financial statements.
  - c. Business Plan (s. 10.1). Development of a four-year Business Plan (formerly its Community Management Plan or Strategic Plan). The Business Plan must include, among other things, business strategies and objectives, a four-year operating budget and a 10-year capital plan with a long range outlook, financial and service targets and performance measures based on benchmarks, and other matters as may be required by the Shareholder. TCHC is required by the Shareholder Direction to update and submit its Business Plan annually to the City at a date specified by the City to permit due consideration and inclusion in the City's financial planning process.

## COMMENTS

A communication to Budget Committee on April 21, 2015 (BU7.4) noted that, while City Council does not approve TCHC's budget, TCHC's expenditures and performance have a significant and growing impact on the City's Operating Budget. Given that context, the communication indicated that the Budget Committee and Members of Council generally require a better understanding of TCHC's financial performance in order to have confidence in the appropriateness of the City's subsidy to TCHC. The communication was referred to staff for a report on "options to improve City Council's understanding of Toronto Community Housing Corporation's Budget Targets and Budget Performance."

This report responds to the request and was prepared in consultation with the City's Financial Planning and Legal divisions as well as TCHC.

Under the current governance framework set out in the Shareholder Direction and the Operating Agreement between the City and TCHC, Council does not approve TCHC's operating and capital budget. As noted, there are a number of existing mechanisms that allow the City Manager, Chief Financial Officer, finance officials and Council to have an understanding of the TCHC budget; but the information has not necessarily been aligned with the timing of the City's corporate budget process.

An updated TCHC Shareholder Direction was adopted by City Council in November 2013 which included enhanced reporting requirements, including new requirements for the Business Plan that will come into effect in 2016. As set out in Sec. 10.1.3 of the Shareholder Direction, TCHC is required to submit its Business Plan annually to the City at a date specified by the City to permit due consideration and inclusion in the City's financial planning.

Currently, TCHC has developed its Strategic Plan for the period 2012-2015, and annually submits its proposed budget requirements to City officials to inform the SSHA budget. When the Business Plan requirement comes into effect in 2016, City Council will receive both TCHC's Annual Report and Audited Financial Statements, as well as its Business Plan.

Building on existing financial reporting mechanisms and with a view to improve Council's understanding of TCHC's budget targets, it is recommended that Council affirm that the TCHC Board of Directors will implement the requirement under its Shareholder Direction to submit the TCHC Business Plan to the Shareholder annually commencing in 2016 at a date specified by the City Manager to permit due consideration and inclusion in the City's financial planning process.

In addition, it is also recommended that, beginning with the 2016 budget, TCHC provide a presentation for information purposes to the Budget Committee based on its Board approved Business Plan. Budget Committee would receive a "for information" presentation during the week of the 2016 budget briefings. This would give the committee and visiting Councillors the opportunity to review the Board approved TCHC budget and ask questions for clarity.

Currently, the Mayor's Task Force on TCHC is reviewing the governance and operating model of the corporation and will be producing a report by the end of 2015. It is recommended that this report be provided to the Task Force for information.

## **CONTACT**

Phillip Abrahams  
General Manager  
Shelter, Support & Housing  
Administration  
Phone: 416-392-7885  
Email: [pabraham@toronto.ca](mailto:pabraham@toronto.ca)

Josie La Vita  
Executive Director  
Financial Planning  
Phone: 416-397-4229  
Email: [jlavita@toronto.ca](mailto:jlavita@toronto.ca)

## **SIGNATURE**

---

Chris Brillinger  
Acting Deputy City Manager, Cluster A

---

Roberto Rossini  
Deputy City Manager & Chief Financial  
Officer