

# 2021 Budget Notes

## Toronto Community Housing Corporation

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### Description

TCHC's overall priorities are to provide positive tenant experience, quality homes and vibrant communities. These priorities underscore our continuing focus on delivering clean, well-maintained buildings where tenants have opportunities to engage with their community. We are committed to ensuring that service delivery meets high standards consistently across the organization.

### Why We Do It

**Tenants benefit from quality homes:** Buildings are clean and well maintained, and service calls are resolved quickly to the satisfaction of tenants

**Tenants receive consistent service to meet their needs:** Tenants have reliable access to staff who can solve problems quickly and thoroughly and tenants with complex needs are supported or connected to supports to be able to pay their rent and meet the obligations of their lease

**Tenants feel safe in their communities:** Tenants have access to community spaces where they can feel safe, have confidence in their future safety, and experience less anti-social behaviour from neighbours and guests

### What Service We Provide

#### Who We Serve:

TCHC's tenants are from all walks of life, with a primary eligibility being low-income, survivors of domestic violence or human trafficking, shelter residents, and applicants experiencing homelessness.

Notable statistics about TCHC tenants include:

- 43% of households have a member with a disability
- 29% of tenants live alone
- 26% of households are headed by a single parent
- 12% of households self-identify as having at least one member with a mental health concern
- Close to 75% of households rely on government funds as their primary source of income

#### What We Deliver:

TCHC provides affordable and subsidized housing to 110,000 tenants, in 58,500 units, across the city. 89% of tenancies are deep-affordable, with a subsidy value sufficient to reduce the cost of housing to one-third of tenant income, or as little as \$85 per month. TCHC manages and maintains an infrastructure portfolio of 2,100 buildings, worth over \$10B and invests \$350M in capital repairs and improvements per year towards restoring this valuable public asset to a full state of good repair.

**How Much Resources (gross operating budget):** \$648.9 million

## Budget at a Glance\*





2021 OPERATING BUDGET				2021 - 2030 10-YEAR CAPITAL PLAN			
\$Billion	Excluding COVID	COVID Impact	Total	\$Billion	2021	2022-2030*	Total
Revenues	\$0.633	(\$0.022)	\$0.611	Gross Expenditures – Building Repair	\$0.350	\$2.377	\$2.727
Gross Expenditures	\$0.633	\$0.016	\$0.649	Gross Expenditures – Development	\$0.102	\$0.355	\$0.457
Net Expenditures	\$0	\$0.038	\$0.038	City Funding – Building Repair	\$0.160	\$1.440	\$1.600

- For 2021, TCHC has budgeted a net zero budget when COVID impacts are excluded, and net operating pressures of \$37.5M when including the impacts of COVID.
- The 2021 operating subsidy provided by the City to TCHC is unchanged from 2020 levels at \$251M.
- For 2021, the Federal and Municipal funding in conjunction with TCHC's own reserves funding provides for a fully funded 10 year Building Repair Capital plan for the first time in its history.

## How Well We Are Doing – Behind the Numbers

In spring of 2021 TCHC will be implementing a new Service Quality Indicator system to measure performance. These new indicators will be measured quarterly for every TCHC community and will be reported publicly. Tenant representatives will be part of the evaluation process to ensure that they accurately reflect the real experience of the people who call TCHC home.

Data will be collected across 17 service area metrics within 5 major categories of service, including

Metrics to Achieve Goals			
	Cleaning		Community Supports
	Building Maintenance		Community Safety and Well-Being
	Tenancy Management		

**COVID-19 IMPACT AND RECOVERY**

2020 Impact	2021 Impact and Recovery
<p><b>Financial Impact (Operating)</b></p> <ul style="list-style-type: none"> <li>• Lost revenues of \$4.9M due to a \$4.5M increase in bad debts on residential and commercial rents, as well as \$0.4M in lost parking revenues.</li> <li>• Increased expenditures of \$22.4M including \$11.0M for PPE, \$9.3M in staff overtime costs and \$2.1M in higher utilities usage by tenants.</li> <li>• Savings of \$2.5M including \$1.3M from the cancellation of summer employment programs for youth and \$1.2M from the temporary suspension of pest control and environmental health work in tenant units.</li> </ul>	<p><b>Financial Impact (Operating)</b></p> <ul style="list-style-type: none"> <li>• Lost revenues of \$21.5 due to a \$17.4M reduction resulting from the Provincial rent cap, \$3.7M increase in bad debts on residential and commercial rents, as well as \$0.4M in lost parking revenues.</li> <li>• Increased expenditures of \$18.0M including \$8.4M for PPE, \$6.7M in staff overtime costs and \$2.9M in higher utilities usage by tenants.</li> <li>• Savings of \$2.0M including \$1.25M from the cancellation of summer employment programs for youth and \$0.75M from the temporary suspension of pest control and environmental health work in tenant units.</li> </ul>
<p><b>Financial Impact (Capital)</b></p> <ul style="list-style-type: none"> <li>• Projected to fully spend the 2020 capital budget.</li> </ul>	<p><b>Financial Impact (Capital)</b></p> <ul style="list-style-type: none"> <li>• TCHC is expecting to fully spend the 2021 capital budget.</li> </ul>
<p><b>Service Level Changes</b></p> <ul style="list-style-type: none"> <li>• There are no anticipated service level changes at this time. TCHC will continue to monitor and review potential COVID-19 impacts on an ongoing basis.</li> </ul>	<p><b>Service Level Changes</b></p> <ul style="list-style-type: none"> <li>• There are no anticipated service level changes at this time. TCHC will continue to monitor and review potential COVID-19 impacts on an ongoing basis.</li> </ul>

## EXPERIENCES, CHALLENGES AND PRIORITIES

### Our Experience and Success

- Delivered enhanced community safety in 19 high priority communities.
- Seniors Integrated Service Model (ISM) – Phase 1 launch in December.
- Record level Building Repair Capital (BRC) deployment despite COVID-19.
- Realized FCI 15.6%, 3.5 years earlier than in base case BRC plan (2023).
- Negotiated release of Infrastructure Ontario capital reserves to fund BRC plan.
- Implemented Track One IT modernization on schedule.
- Developed a strategy to fully fund the sinking fund to repay bonds at maturity through redirecting Capital Asset Replacement Reserve (CARR) balance and future annual payments starting in 2021 towards the sinking fund.

### Key Challenges and Risks

- TCHC, like the City as a whole, has been significantly impacted by COVID-19, this is projected to continue into 2021 driving the following pressures:
  - (\$21.5M) shortfall in revenue, driven by the COVID-related Provincial rent cap that will reduce residential rent by \$17.4M and COVID-related economic instability that is projected to result in a \$4.1M increase in arrears and unpaid fees.
  - \$18.0M in COVID related expenses driven by increased operational requirements (such as increased cleaning and PPE consumption) and increased utilities consumption by tenants who are home more often due to COVID restrictions in public spaces.
- Non-COVID pressures, such as utilities rate increases, service contract rate increases, collective agreement pay increases, increase in mortgage P&I from the CMHC NHS loan, and the Seniors Housing Integrated Service Model have been managed internally and do not represent a pressure against the city subsidy.

### Priority Actions

- TCHC will continue 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.
- TCHC will continue to implement the Integrated Service Model in partnership with the City and local health partners to improve outcomes for tenants in the Seniors Portfolio.
- Work with City staff to complete the transition of TCHC scattered houses to new permanent management by non-profit housing providers.
- TCHC continues to execute its Capital Plan and remains on schedule to bring its building portfolio into a state of good repair by 2026. In 2020 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 2021 TCHC will continue to maintain a flexible approach to its Capital Plan and continue to meet its targets.
- Continue the replacement of TCHC's end-of-life IT systems with modern applications that support increased business intelligence and reporting (HoMES).

**RECOMMENDATIONS**

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council request the Provincial and Federal governments to provide funding support to offset the \$37.5 million in COVID impacts identified by Toronto Community Housing Corporation.

**Note:** Please refer to the Budget Notes for Shelter, Support & Housing Administration for recommendations on Toronto Community Housing funding.

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# 2021 OPERATING BUDGET

## 2021 OPERATING BUDGET OVERVIEW

Table 1: 2021 Operating Budget by Service

(In \$000s)	2019 Actual	2020 Budget	2020 Projection*	2021 Base Budget			2021 New / Enhanced Requests	2021 Budget	Change v. 2020 Projection	
				Excluding COVID	COVID Impacts	Total Base			\$	%
<b>By Service</b>	\$	\$	\$	\$			\$	\$	\$	%
<b>Revenues</b>										
Residential Rent - RGI	248,755.3	251,104.0	253,614.7	256,197.9	(16,000.0)	240,197.9	240,197.9	(13,416.8)	(5.3%)	
Residential Rent - Market	91,326.9	92,152.0	94,370.3	94,835.1	(1,400.0)	93,435.1	93,435.1			
City Subsidy	238,474.0	250,960.0	250,960.4	250,960.0		250,960.0	250,960.0	(0.4)	(0.0%)	
Other	27,230.8	30,956.8	26,200.6	30,941.5	(4,144.0)	26,797.5	26,797.5	596.9	2.3%	
<b>Total Revenues</b>	<b>605,787.0</b>	<b>625,172.9</b>	<b>625,146.0</b>	<b>632,934.5</b>	<b>(21,544.0)</b>	<b>611,390.5</b>	<b>611,390.5</b>	<b>(13,755.5)</b>	<b>(2.2%)</b>	
<b>Expenditures</b>										
Total Operating Expenses	605,787.0	625,172.9	625,146.0	632,934.5	15,962.0	648,896.5	648,896.5	23,750.6	3.8%	
<b>Total Gross Expenditures</b>	<b>605,787.0</b>	<b>625,172.9</b>	<b>625,146.0</b>	<b>632,934.5</b>	<b>15,962.0</b>	<b>648,896.5</b>	<b>648,896.5</b>	<b>23,750.6</b>	<b>3.8%</b>	
<b>Net Expenditures</b>					<b>37,506.0</b>	<b>37,506.0</b>	<b>37,506.0</b>	<b>37,506.0</b>	<b>N/A</b>	

\*2020 Projection based on July and assumes a \$13.5M reimbursement to offset pressures caused by COVID.

### COSTS TO MAINTAIN EXISTING SERVICES

**Total 2021 Base Budget** expenditures of \$648.896 million gross reflecting an increase of \$23.750 million in spending above 2020 projected year-end actuals, predominantly arising from:

- COVID impacts, including the reversal of a 2020 COVID reimbursement and 2020 COVID offsets which are not expected to continue into 2021.
- A \$24.257 million increase in non-discretionary costs, fully offset through balancing actions.

Given the financial impacts of COVID-19 on 2020 actuals, a further comparison of the 2021 Recommended Budget (excluding 2021 COVID-19 impacts) to the 2020 Council approved Budget is provided below:

- **2021 Base Budget excluding estimated COVID-19 financial impacts totalling \$0 in net expenditures reflects a \$0 net increase above the 2020 Council approved Budget.**

### COSTS TO ENHANCE SERVICES

N/A

### EQUITY IMPACTS OF BUDGET CHANGES

**Improving equity for low income households, seniors, persons with disabilities and youth:** TCHC's 2021 Operating Budget will have high positive equity impact on low income households, seniors, persons with disabilities and youth, largely increasing service access, creating employment opportunities and improving safety and well-being.

**2021 OPERATING BUDGET KEY DRIVERS**

The 2021 Operating Base Budget for TCHC is \$648.897 million gross or 3.8% higher than the 2020 Projected Actuals. Table 2a below summarizes the key cost drivers for the base budget, while Table 2b summarizes New and Enhanced requests

**Table 2a: 2021 Key Drivers – Base Budget**

Key Cost Drivers	2019 Actuals	2020 Projection	2021 Base Budget	YoY Changes	
				\$	%
<b>Expenditures</b>					
1 Utilities	125,036.0	125,384.0	124,306.3	(1,077.7)	-0.9%
2 Mortgage and Principal	130,032.0	130,670.5	134,829.9	4,159.4	3.2%
3 Front Line Operations	205,478.0	219,369.5	233,872.3	14,502.8	6.6%
4 Back Office Support	60,344.0	62,029.8	65,187.5	3,157.6	5.1%
5 Seniors Housing	22,578.0	28,799.3	29,483.3	684.0	2.4%
6 Other	62,319.0	52,502.5	45,255.3	(7,247.3)	-13.8%
7 COVID-19 Impact		19,905.3	15,962.0	(3,943.3)	-19.8%
8 COVID-19 Reimbursement		(13,515.0)		13,515.0	-100.0%
<b>Total Expenditures</b>	<b>605,787.0</b>	<b>625,146.0</b>	<b>648,896.5</b>	<b>23,750.6</b>	<b>3.8%</b>
<b>Revenues</b>					
1 Residential Rent - RGI	248,755.3	253,614.7	256,197.9	2,583.2	1.0%
2 Residential Rent - Market	91,326.9	94,370.3	94,835.1	464.8	0.5%
3 City Subsidy	238,474.0	250,960.0	250,960.0		
4 Other	27,230.8	31,129.8	30,941.5	(188.3)	-0.6%
5 COVID-19 Impact		(4,928.8)	(21,544.0)	(16,615.2)	337.1%
<b>Total Revenues</b>	<b>605,787.0</b>	<b>625,146.0</b>	<b>611,390.5</b>	<b>(13,755.5)</b>	<b>-2.2%</b>
<b>Net Expenditures</b>			<b>37,506.0</b>	<b>37,506.0</b>	

\*2020 Projection assumes a \$13.5M reimbursement to partially offset pressures caused by COVID.

The \$37.5M net increase in 2021 vs. the 2020 Projection are all COVID related.

**COVID Impacts:**

*2021 COVID-19 Impacts:* In 2021, COVID-19 costs decreased by \$3.9M while lost revenues increased by \$16.6M largely due to the Provincial rent cap. The net impact from COVID-19 is \$12.7M vs 2020.

*2020 COVID Reimbursement:* A reimbursement of net operating pressures of \$13.5M was projected in 2020, which was not budgeted in 2021.

*2020 COVID Offsets:* \$11.3M in COVID offsets were projected in 2020, including higher residential RGI rent, delayed hiring and lower G&A spend, lower mortgage interest, and additional costs for the air conditioner replacement program. These offsets are not expected to continue into 2021 and have not been included in the 2021 Budget.



**Table 2b: 2021 Balancing Actions**

(\$000s)				
Recommendation	Savings Type	2021		
		Revenue	Gross	Net
Unit Vacancy Reduction	Efficiencies	1,300.0		(1,300.0)
Full year rent impact from 2020 increases	Efficiencies	1,559.0		(1,559.0)
Utilities - Energy Efficiencies	Efficiencies		(7,169.0)	(7,169.0)
Utilities - Weather Contingency	Efficiencies		(2,465.0)	(2,465.0)
Corporate Efficiencies and Reductions	Efficiencies		(3,795.0)	(3,795.0)
Maximization of pooled Blue Cross Funds	Efficiencies		(1,200.0)	(1,200.0)
Management of False Fire charges	Efficiencies		(1,000.0)	(1,000.0)
IO Reserve Contribution	Efficiencies		(5,768.9)	(5,768.9)
<b>Total Balancing Actions</b>		<b>2,859.0</b>	<b>(21,397.9)</b>	<b>(24,256.9)</b>

The **2021 Operating Budget** includes \$24.257M in efficiencies to fully offset non-discretionary cost increases, to get to a net zero budget when COVID is excluded.

### Efficiencies

*Utilities – Energy Efficiencies:* Consumption reduction savings as a result of investments in various energy conserving retrofits over the past number of years.

*Corporate Efficiencies and Reductions:* Savings generated through the reduction of non-front-line facing roles and reduced General & Administration spend (e.g. travel, training, office supplies)

*Unit Vacancy Reduction:* TCHC will be working various strategies and programs in collaboration with SSHA to reduce the vacancy rate by ½ percent.

*Maximization of Pooled Blue Cross Funds:* Savings in benefit contributions by working with TCHC's benefit provider by strategically reviewing the mix of spend.

*Reduction of False Fire Alarms:* Savings anticipated from the development of a clear definition of a false fire alarm during conversations held with Toronto Fire (i.e. An alarm that is working properly should not be charged)

*IO Reserve Contribution:* IO Amendment to Financing agreements releases TCHC from having to fund the IO Capex reserve fund. TCHC's 10 year Building Repair Capital program is fully funded and this change has no impact on TCHC's ability to address the capital requirements related to these properties.

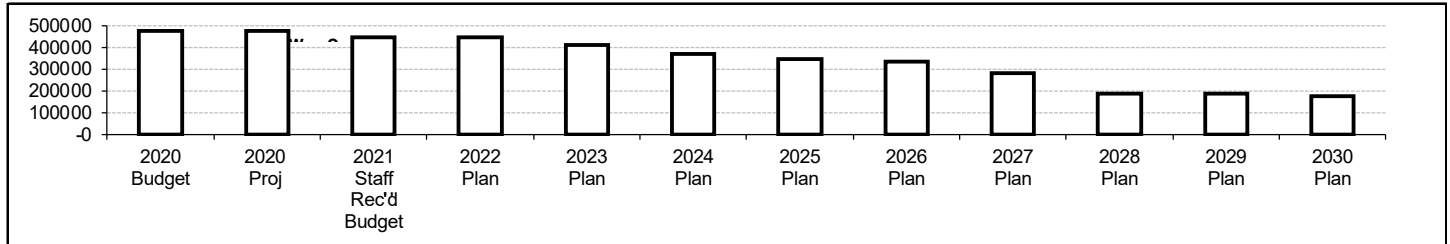
*Weather Contingency:* The elimination of a contingency for any unanticipated inclement weather

*Full Year Rent Impact from 2020 Increases:* The full year annualized impact of tenant rents increased during the first half of 2020.

2021 – 2030  
CAPITAL BUDGET AND PLAN

**2021 – 2030 CAPITAL BUDGET & PLAN OVERVIEW**

**Chart 1: 10-Year Capital Plan Overview**  
(\$'000)



In \$'000's	2021 Capital Budget and 2022 - 2029* Capital Plan									
	2020		2021	2022	2023	2024	2025	2021 - 2025	2026-2030***	Total 10 Year Plan
	Budget	Projected Actual								
<b>Gross Expenditures by Project Category:</b>										
Building Repair Capital	350,000	350,000	350,000	350,000	350,000	325,000	325,000	1,700,000	1,027,000	2,727,000
Development Capital	124,430	92,400	102,240	96,070	57,460	45,720	21,630	323,120	133,900	457,020
<b>Total by Project Category</b>	<b>474,430</b>	<b>442,400</b>	<b>452,240</b>	<b>446,070</b>	<b>407,460</b>	<b>370,720</b>	<b>346,630</b>	<b>2,023,120</b>	<b>1,160,900</b>	<b>3,184,020</b>
<b>Financing:</b>										
<b>Building Repair Capital</b>										
City Funding	160,000	160,000	160,000	160,000	160,000	160,000	160,000	800,000	800,000	1,600,000
Provincial Funding	64,000	59,900	4,100					4,100	-	4,100
Federal Funding	117,709	117,709	150,149	139,196	158,947	166,001	166,471	780,765	326,829	1,107,594
TCHC/Other Funding*	8,291	12,391	35,751	50,804	31,053	(1,001)	(1,471)	115,135	(99,829)	15,306
<b>Development Capital</b>										
City Funding - Development Capital **	31,310	31,310	-	-	-	-	-	-	-	-
Other Revenue - Development Capital	66,320	55,320	120,810	146,840	21,320	7,630	28,470	325,070	119,040	444,110
TCHC Funding *	26,800	5,770	(18,570)	(50,770)	36,140	38,090	(6,840)	(1,950)	1,950	0
Unfunded			-	-	-	-	-	-	12,920	12,920
<b>Total Financing</b>	<b>474,430</b>	<b>442,400</b>	<b>452,240</b>	<b>446,070</b>	<b>407,460</b>	<b>370,720</b>	<b>346,630</b>	<b>2,023,120</b>	<b>1,160,910</b>	<b>3,184,030</b>

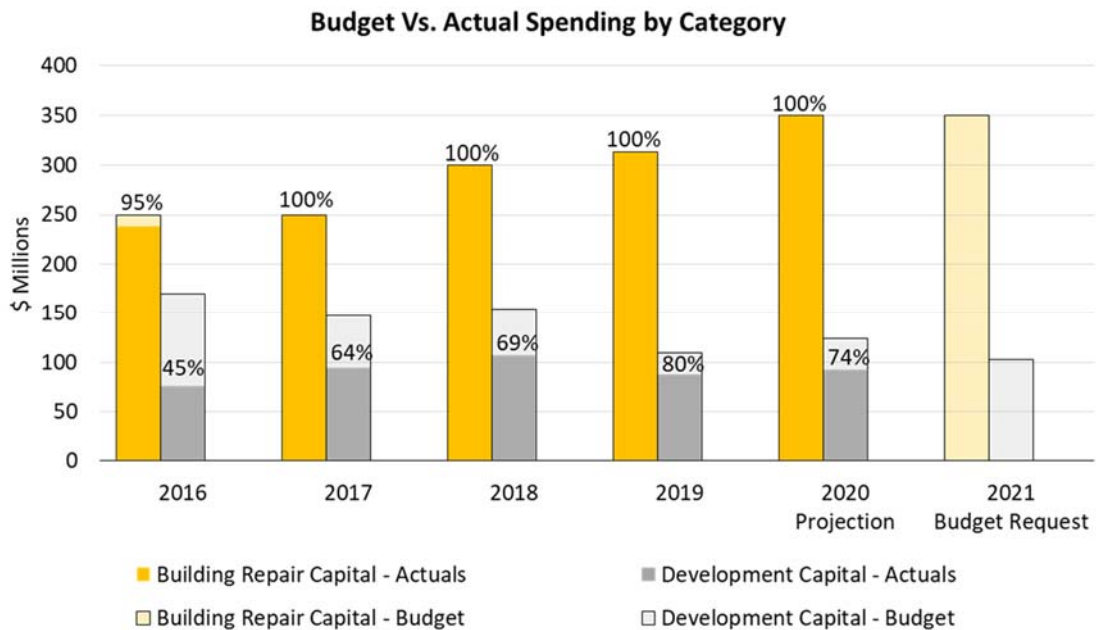
\* Negative balances represent the repayment of LOC or mortgages by TCHC. For Building Repair Capital, this also includes redirected IO reserve funding of \$129M.  
 \*\* The \$31.31M in City development funding is a carry-forward from previous years  
 \*\*\*TCHC continues to disclose the City's funding based on the council approved permanent funding model of 75% AMR currently allocated as \$251M in subsidy revenue and \$160M in capital funding. TCHC has included \$160M of capital City funding in 2030 as an estimate of the ongoing amount to maintain a 10% FCI. Building Repair Capital funding requirements will be revisited and confirmed in future years along with ongoing Provincial and Federal funding.

**CAPACITY TO SPEND REVIEW**

The 10-Year Capital Plan has been developed with consideration of historical demonstrated ability to spend within any given year of the ten year capital plan. A review was undertaken to ensure budgets align with TCHC's ability to spend and the markets capacity to deliver.

A key component in determining an appropriate level of annual cash flows includes historical capacity to spend reviews by project categories (Chart 2 below) as well as the level of projected 2020 underspending that will be carried forward into 2021 to complete capital work.

**Chart 2 – Capacity to Spend**

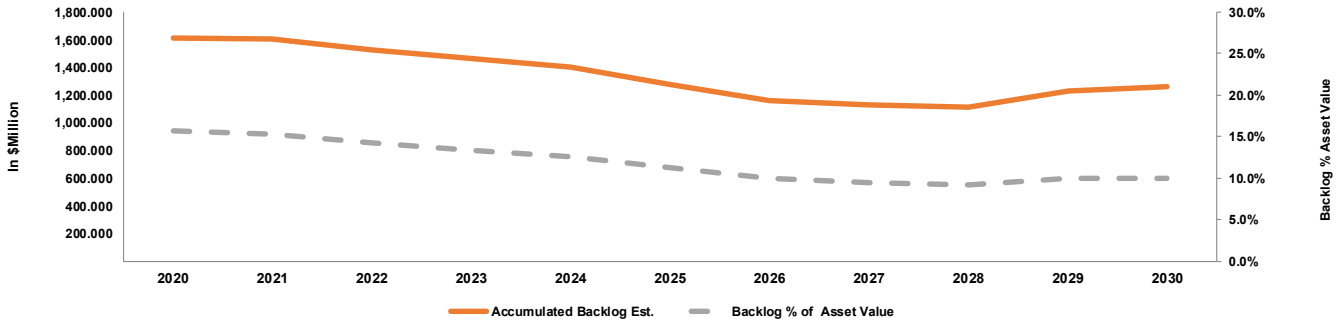


**STATE OF GOOD REPAIR (SOGR) FUNDING & BACKLOG**

The chart below depicts the SOGR funding and accumulated backlog estimates for TCHC.

**Chart 3: Total SOGR Funding & Backlog**

State of Good Repair (SOGR) Funding & Backlog



\$ Million	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Accumulated Backlog Est.</b>	1,616.206	1,606.872	1,529.106	1,467.707	1,404.272	1,280.048	1,157.750	1,128.193	1,110.755	1,232.644	1,260.820
<b>Backlog % of Asset Value</b>	15.6%	15.2%	14.2%	13.4%	12.6%	11.2%	9.9%	9.5%	9.2%	10.0%	10.0%
<b>Total Asset Value</b>	10,336.065	10,542.787	10,753.642	10,968.715	11,188.089	11,411.851	11,640.088	11,872.890	12,110.348	12,352.555	12,599.606

- TCHC continues to execute its Capital Plan and remains on schedule to bring its building portfolio into a state of good repair by 2026.

# APPENDICES

## Appendix 1

### COVID-19 Financial Impact - Operating

COVID 19 Impacts	(\$000s)					
	2020			2021		
	Revenues	Gross	Net	Revenues	Gross	Net
<b>Revenue Loss</b>						
RGI Rent due to Rent Cap				(16,000.0)		16,000.0
Market Rent due to Rent Cap				(1,400.0)		
Parking Revenue	(400.0)			(400.0)		
Bad Debt	(4,528.8)		4,528.8	(3,744.0)		3,744.0
<b>Sub-Total</b>	<b>(4,928.8)</b>		<b>4,928.8</b>	<b>(21,544.0)</b>		<b>21,544.0</b>
<b>Expenditure Increase</b>						
PPE		10,974.4	10,974.4		8,361.3	8,361.3
Overtime		9,316.9	9,316.9		6,666.7	6,666.7
Utilities		2,114.0			2,934.0	2,934.0
<b>Sub-Total</b>		<b>22,405.3</b>	<b>22,405.3</b>		<b>17,962.0</b>	<b>17,962.0</b>
<b>Savings due to Underspending</b>						
Summer Programs		(1,300.0)	(1,300.0)		(1,250.0)	(1,250.0)
Termites and Environmental Health		(1,200.0)	(1,200.0)		(750.0)	(750.0)
<b>Sub-Total</b>		<b>(2,500.0)</b>	<b>(2,500.0)</b>		<b>(2,000.0)</b>	<b>(2,000.0)</b>
<b>Total COVID-19 Impact</b>	<b>(4,928.8)</b>	<b>19,905.3</b>	<b>24,834.1</b>	<b>(21,544.0)</b>	<b>15,962.0</b>	<b>37,506.0</b>