

2020 Budget Notes

Toronto Community Housing Corporation

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What we do

Toronto Community Housing Corporation (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. In 2019 TCHC tenants collectively benefited from a total of \$609 million in rent savings.

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.

TCHC manages and maintains an infrastructure portfolio of 2,100 buildings, worth over \$10 billion and invests over \$300 million in capital repairs and improvements per year towards restoring this valuable public asset to a full state of good repair.

Why we do it

Toronto Community Housing's mission is to provide clean, safe, well-maintained, affordable homes for residents. Through collaboration and with residents' needs at the forefront, we connect residents to services and opportunities, and help foster great neighbourhoods where people can thrive.

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

Budget at a glance

OPERATING BUDGET	
\$Million	2020
Revenues *	\$635.7
Gross Expenditures	\$635.7
Net Expenditures	\$0.0

* Includes the Operating Subsidy noted in the table below

10-YEAR CAPITAL PLAN			
\$Million	2020	2021-2029	Total
Gross Expenditures	\$480.5	\$2,923.2	\$3,403.7
City Funding for Capital			
Building Repair	\$160.0	\$1,440.0	\$1,600.0
Development	\$31.3**	\$0.0	\$31.3

** This amount pertains to carry forwards from 2018 and 2019

For 2020 onwards, the City will introduce a Permanent Funding Model. The model establishes a level of funding for the first year of implementation based on 75% of average market rent and annual increases to be applied in future years using a cost factor issued annually by the Ministry of Municipal Affairs and Housing, subject to review and consideration through the City's budget process. This funding model will include \$160 million allocated annually for building repair capital. In 2017, \$37.2 million was added to TCHC's operating subsidy to stabilize its operations. In 2018 and 2019, an interim funding model provided a new capital subsidy to allow Toronto Community Housing to adequately plan for and deliver on its capital repairs.

Subsidy to Toronto Community Housing Corporation					
(in \$000s)	2016	2017	2018	2019 **	2020
Operating Subsidy	203,397	240,540	241,347	239,764	250,960
Capital Funding	-	-	160,000	40,000	160,000
One-time Provincial Funding (SHAIP)	-	-	-	133,111*	-
Total	203,397	240,540	401,347	412,875	410,960

* \$76M is expected to be deferred to 2020

** 2019 forecasted results were as of August, 2019

Key service outcomes

Outcomes	Description
Tenants benefit from quality homes	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Tenants have reliable access to staff who can solve problems quickly and thoroughly 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	<ul style="list-style-type: none"> 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

Goals and metrics

In spring of 2020 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.

Over twenty new service indicators will be used across numerous areas of activity, including:

Metrics to Achieve Goals			
	Cleaning		Support and Community Service
	Safety		Community Engagement
	Building Maintenance		Communication

Priority actions

- Capital
 - With \$1.6 billion in building repair capital recommended by City staff within the City's capital program and \$1.3 billion to be received from CMHC,
 - Achieve a Facility Condition Index (FCI) of 10% by the end of 2026
 - 25% Reduction in portfolio wide energy consumption by the end of 2028
 - Accessibility projects at common areas in 130 buildings and providing accessibility accommodations at 20% of TCHC units by the end of 2028
- Development
 - Continue to move forward with development in various communities such as Regent Park, Lawrence Heights, Alexandra Park and Don Summerville
- Tenant Services
 - Decentralize operations to enable front-line staff to address tenant and building needs more quickly
 - Establish the new tenant resolutions office and re-establishing the role of Chief Operating Officer
 - Implement the Integrated Seniors Model in 18 buildings
- Building Operations
 - Expand evening and weekend superintendent, cleaning and maintenance services
 - Pest Mitigation
- Community Safety and Support
 - Expand violence reduction program to communities with high youth gang populations, with a focus on community policing, relationship-building, listening to tenants, crime prevention and partnerships
 - Continue to improve fire safety by increasing building inspection frequency and providing fire education to tenants

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2020 OPERATING BUDGET

2020 OPERATING BUDGET OVERVIEW

Table 1: 2020 Operating Budget

(\$000s)	2018 Actual	2019 Projected Actual	2020 Base Budget	2020 New / Enhanced	2020 Budget	Change v. 2019 Projected Actual	
By Service	\$	\$	\$	\$	\$	\$	%
Revenues							
Residential Rent - RGI	240,648	246,442	251,104		251,104	4,662	1.9%
Residential Rent - Market	84,206	89,918	92,152		92,152	2,234	2.5%
City Subsidy	241,347	239,171	250,960		250,960	11,789	4.9%
Other	37,440	38,108	41,497		41,497	3,389	8.9%
Total Revenues	603,641	613,637	635,713	0	635,713	22,076	3.6%
Expenditures							
Total Operating Expenses	603,641	599,053	614,117	21,596	635,713	36,660	6.1%
Total Gross Expenditures	603,641	599,053	614,117	21,596	635,713	36,660	6.1%
Net Expenditures	0	(14,584)	(21,596)	21,596	0	14,584	(100.0%)

*2019 Budget and Actuals (as of August 2019)

REVENUE TO MAINTAIN SERVICES

Total revenue is expected to increase \$22.076 million over the 2019 projected year-end actuals due predominantly to:

- An increase in the City operating subsidy as a result of the new funding model
- RGI rent increases as a result of increased income of tenants; Market increased as a result of Ministry guideline rate increases
- Other revenue increase due mainly to Regent Park Energy Inc. revenue from combined heat and power systems

COSTS TO MAINTAIN EXISTING SERVICES

Total 2020 Base Budget expenditures of \$614.117 million gross reflecting an increase of \$15.064 million in spending above 2019 projected year-end actuals, predominantly arising from:

- Utilities due to expected rate increases for hydro, gas and water;
- Municipal taxes and fees due to upward trend of fire alarm charges;
- Mortgage P&I increase primarily due to the CMHC loan to be received in year

COSTS TO ENHANCE SERVICES

New and Enhanced Service expenditures of \$21.596 million gross, enabling:

- Service enhancements by funding to address increasing demand maintenance costs (\$5.704 million), enhancing the speed and coverage of front line operations (\$5.000 million) and addressing termite issues through pest mitigation (\$1.177 million).
- Safety and security enhancements by increasing preventative fire safety inspections required through regulations (\$1.300 million) and increasing the coverage of the Community Safety Unit and engaging high risk youth through Tenant Community Services part of the violence reduction program (\$4.747 million).
- The implementation of the seniors integrated service model to enhance services for seniors and improve occupancy rates (\$3.668 million).

EQUITY IMPACTS OF BUDGET CHANGES

Improving equity for low income households, seniors, persons with disabilities and youth: TCHC's 2020 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. TCHC's 2020 Operating Budget also includes initiatives to advance the safety of communities impacted by violence.

2020 OPERATING BUDGET KEY DRIVERS

The 2020 Operating Budget for TCHC is \$36.660 million gross or 6.2% higher than 2019 Projections. Table 2a below summarizes the key cost drivers for the base budget, while Table 2c summarizes New and Enhanced requests

Table 2a: 2020 Key Drivers – Base Budget

Key Cost Drivers (\$000)	2018 Actuals	2019 Proj. Actuals	2020 Base Budget	Year over Year Changes	
				\$	%
Expenditures					
1 Municipal Taxes and Fees	18,806	18,241	19,751	1,510	8.3%
2 Mortgage P&I	124,550	129,286	131,998	2,711	2.1%
3 Insurance Premiums and Liability Claims	6,424	7,408	7,951	544	7.3%
4 COLA, Collective Agreement and Adjustments to Benefits	4,805	6,715	5,793	(922)	-13.7%
5 Utilities and Other	449,055	437,403	448,624	11,221	2.6%
Total Expenditures	603,641	599,053	614,117	15,064	2.5%
Revenues					
1 Residential Rent - RGI	240,648	246,442	251,104	4,662	1.9%
2 Residential Rent - Market	84,206	89,918	92,152	2,234	2.5%
3 City Subsidy	241,347	239,171	250,960	11,789	4.9%
4 Other	37,440	38,108	41,497	3,389	8.9%
Total Revenues	603,641	613,639	635,713	22,074	3.6%
Net Expenditures		(14,586)	(21,596)	(7,010)	48.1%

Expenditure Changes:

Expenditure changes include (1) an increase in municipal taxes and fees due to an upward trend in fire alarm charges, (2) an increase in mortgage P&I due to increases in loans, (3) an increase in insurance premiums due to the annual renewal process, and (4) projected increases in hydro, gas and water rates for utilities expense

Revenue Changes:

Revenue changes include (1) an increase in the City subsidy of \$11.789 million due to the implementation of the Tenants First permanent funding model, (2) an increase in RGI and Market rent of \$4.662 million and \$2.234 million respectively is due to increase in tenants' income and rate increases per Ministry guidelines, and (3) an increase in other revenues of \$3.389 million is mainly due to increase in Regent Park Energy Inc. revenue from the combined heat and power system.

Table 2b: Other Efficiencies / Savings Reinvested to Improve Services

(\$000s)				
Recommendation	Type	2020		
		Revenue	Gross	Net
Management Streamlining	Efficiencies		(1,930)	(1,930)
Information Technology Modernization	Efficiencies		(3,050)	(3,050)
Workflow Improvements	Efficiencies		(550)	(550)
Energy Efficiency	Efficiencies		(6,270)	(6,270)
Budget Increase/(Decrease)		-	(11,800)	(11,800)

The 2020 Operating Budget includes \$11.800 million in gross expenditures reductions identified as part of the internal budget review. Savings have been reinvested to improve services.

Efficiencies

Management Streamlining

- Savings of \$1.930 million related to the elimination of head-office management positions and the conversion to a more streamlined reporting structure.

Information Technology Modernization

- Includes a \$2.250 million reduction in ongoing maintenance and system development costs resulting from the retirement of inefficient legacy software and IT systems, as well as an \$0.800 million reduction in software licensing fees resulting from the consolidation and renegotiation of software contracts.

Workflow Improvements

- Includes \$0.350 million in savings due to workflow modernization in the Finance Division and an additional \$0.200 million in savings as a result of work-schedule optimization and the renegotiation of shared-work agreements related to the delivery of shared service partnerships.

Energy Efficiency

- Savings of \$6.270 million resulting from tenant education in energy efficient behaviour and energy efficient capital improvements.

Table 2c: 2020 Key Drivers – New / Enhanced

New / Enhanced (\$000)	2020			
	Revenue	Gross	Net	Positions
In \$ Thousands				
Service Enhancements				
Demand Maintenance		5,704	5,704	
Enhanced Front Line Operations		5,000	5,000	116.0
Pest Mitigation		1,177	1,177	2.0
Total Service Enhancements		11,881	11,881	118.0
Safety and Security Enhancements				
Fire Safety Inspections		1,300	1,300	
Violence Reduction Program		4,747	4,747	30.0
Total Safety and Security Enhancements		6,047	6,047	30.0
Other Enhancements				
Seniors Integrated Service Model		3,668	3,668	40.0
Other Enhancements		3,668	3,668	40.0
Total New / Enhanced		21,596	21,596	188.0

Service Enhancements

Demand Maintenance

- Funding of \$5.704 million gross and net is required for the increased cost of renewing demand maintenance contracts due to expire. In addition, an 18% increase in demand maintenance for in-suite repairs over the same period adds to the anticipated cost of repairs.

Enhanced Front Line Operations

- Funding of \$5.000 million gross and net, and the addition of 116 positions will increase staff coverage in communities based on need, decentralize operations to enable front-line staff to address tenant and building needs more quickly, expand evening and weekend superintendent, cleaning and maintenance services, and establish the new tenant resolutions office and re-establishing the role of Chief Operating Officer.

Pest Mitigation

- Funding of \$1.177 million gross and net will allow TCHC to address year 1 of the termite issues identified at approximately 1,100 TCHC addresses, which will mitigate damage to structures, Health & Safety issues for tenants, and litigation by neighbouring home owners in the community.

Safety and Security Enhancements

Fire Safety Inspections

- Funding of \$1.300 million gross and net will support preventative maintenance on fire life safety systems required by Fire code regulations.

Violence Reduction Program

- Funding of \$4.747 million gross and net, and the addition of 30 positions will enable TCHC to proactively manage the escalating violence at TCHC locations through the expansion of two programs: 1) Community Safety Unit, and 2) Tenant Community Safety. The Community Safety Unit will temporarily add additional third party security at high incident sites until Special Constables are fully trained and will implement a competitive wage schedule to reduce staff turnover rates. Tenant Community Services will target the 26,000 youth living in TCHC by developing youth action plans, as well as employment, addiction and mental health services to engage high risk youth.

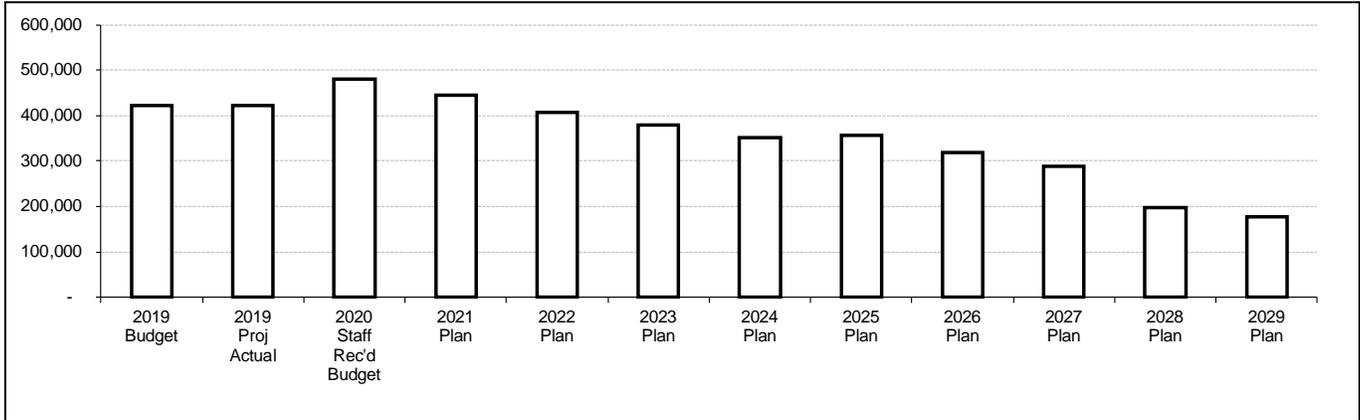
Other Enhancements**Seniors Integrated Service Model**

- Funding of \$3.668 million gross and net, and the addition of 40 staff will support the pilot implementation of the Integrated Service Model for 18 buildings, as well as improve tenant service and occupancy rates to meet operational needs (target is to reduce vacancy from approximately 2.4% to 1.0%).
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2020 – 2029 CAPITAL BUDGET AND PLAN

2020 – 2029 CAPITAL BUDGET & PLAN OVERVIEW

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



	2020 Capital Budget and 2021 - 2029 Capital Plan									
	2019		2020	2021	2022	2023	2024	2020 - 2024	2025-2029	Total 10 Year Plan
	Budget	Projected Actual								
Gross Expenditures by Project Category:										
Building Repair Capital	313,111	313,111	350,000	350,000	350,000	350,000	325,000	1,725,000	1,192,000	2,917,000
Development Capital	109,500	87,460	130,480	94,520	56,690	29,930	27,240	338,860	147,810	486,670
Total by Project Category	422,611	400,571	480,480	444,520	406,690	379,930	352,240	2,063,860	1,339,810	3,403,670
Financing:										
Building Repair Capital										
City Funding - Building Repairs Capital	40,000	56,000	160,000	160,000	160,000	160,000	160,000	800,000	800,000	1,600,000
Capital funding	40,000	40,000	160,000	160,000	160,000	160,000	160,000	800,000	800,000	1,600,000
SEP Loan	-	16,000	-	-	-	-	-	-	-	-
Provincial Funding - Building Repairs Capital	133,111	60,321	76,006	-	-	-	-	76,006	-	76,006
SHAIP Funding	133,111	57,105	76,006	-	-	-	-	76,006	-	76,006
SHARP	-	3,216	-	-	-	-	-	-	-	-
Federal Funding - Building Repairs Capital	-	5,904	233,500	150,100	139,200	158,900	166,000	847,700	493,400	1,341,100
TCHC Funding *	140,000	190,886	(119,506)	39,900	50,800	31,100	(1,000)	1,294	(101,400)	(100,106)
Development Capital										
City Funding - Development Capital **	39,799	8,489	31,310	-	-	-	-	31,310	-	31,310
Other Revenue - Development Capital	69,701	78,971	66,320	133,900	87,100	15,750	36,340	339,410	71,490	410,900
TCHC Funding *	-	-	32,850	(39,380)	(30,410)	14,180	(9,100)	(31,860)	31,860	-
Unfunded	-	-	-	-	-	-	-	-	44,460	44,460
Total Financing	422,611	400,571	480,480	444,520	406,690	379,930	352,240	2,063,860	1,339,810	3,403,670

* Negative balances represent the repayment of LOC funds by TCHC
 ** The \$31.31M in City development funding is a carry-forward from previous years

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.

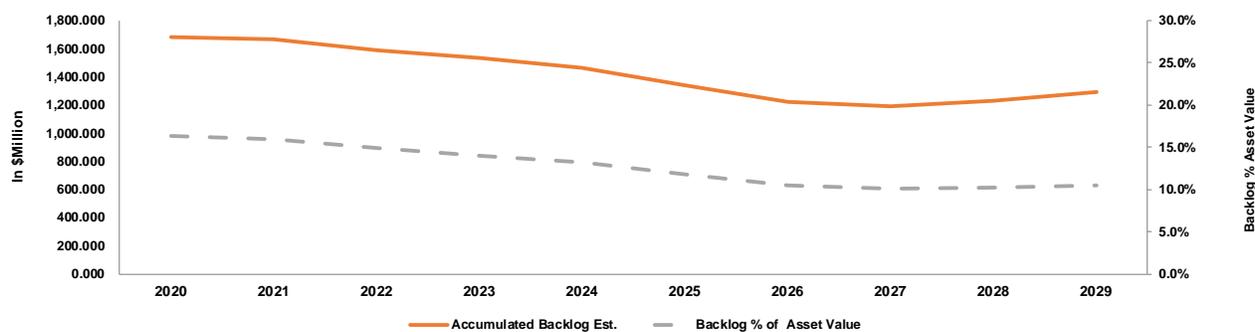
Key component in determining an appropriate level of annual cash flows include historical capacity to spend reviews by project categories as well as the level of projected 2019 underspending that will be carried forward into 2020 to complete capital work.

Category (in \$ Million)	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Projected Actual	2020 Budget
Building Repair Capital	175	238	250	300	313	350
Development Capital	51	76	94	107	88	124
Total	226	314	344	407	401	474
% Spent - Building Repair Capital	100%	95%	100%	100%	100%	
% Spent - Development Capital	40%	45%	64%	69%	80%	

STATE OF GOOD REPAIR (SOGR) FUNDING & BACKLOG

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

Chart 2: Total SOGR Funding & Backlog



\$ Million	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Accumulated Backlog Est.	1,680,000	1,670,000	1,592,000	1,532,000	1,468,000	1,342,000	1,221,000	1,191,000	1,228,000	1,296,000
Backlog % of Asset Value	16.3%	15.9%	14.9%	14.0%	13.2%	11.8%	10.5%	10.1%	10.2%	10.5%
Total Asset Value	10,306,748	10,503,145	10,684,564	10,942,857	11,121,212	11,372,881	11,628,571	11,792,079	12,039,216	12,342,857

- The addition of \$1.600 billion in City funding to TCHC's 2020-2029 Capital Budget and Plan, combined with \$1.34 billion of federal funding secured through the National Housing Strategy, will enable TCHC to bring their portfolio to a state of good repair and ensure no additional units are closed.