

2022 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

The City of Toronto aims to deliver these outcomes equitably, efficiently and with excellent customer service to help improve the lives of Torontonians and work to earn their trust and confidence.

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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 \$10 billion and invests \$350 million in capital repairs and improvements per year towards restoring this valuable public asset to a full state of good repair.

Budget at a Glance

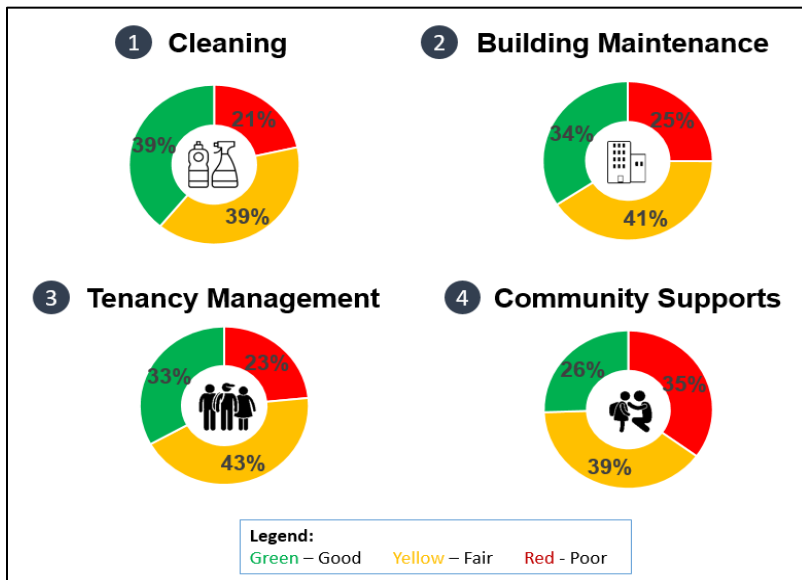
2022 OPERATING BUDGET					2022 - 2031 10-YEAR CAPITAL PLAN			
\$Billion	Excluding COVID	COVID Impact	One-Time Costs	Total	\$Billion	2022	2023-2031	Total
Revenues	\$0.663	(\$0.013)	\$0.009	\$0.659	Gross Expenditures – Building Repair	\$0.350	\$2.187	\$2.537
Gross Expenditures	\$0.663	\$0.014	\$0.009	\$0.686	Gross Expenditures – Development	\$0.098	\$0.626	\$0.724
Net Expenditures	\$0	\$0.027	\$0	\$0.027	City Funding – Building Repair *	\$0.160	\$1.440	\$1.600

* TCHC has included \$160M of City funding for capital in both 2030 and 2031 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.

- For 2022, TCHC has budgeted a net zero budget when COVID impacts are excluded, and net operating pressures of \$26.8M when including the impacts of COVID.
- The 2022 operating subsidy provided by the City increased by \$24.3M to \$275.3M to address inflationary pressures and other non-discretionary costs.
- In addition, one-time costs of \$9.5M were identified that will be funded through one-time City funding sources.
- The City is also budgeting a one-time contribution against TCHC COVID impacts of \$26.8M, with Federal/Provincial recoveries reflected in the City's Corporate Revenue along with all other COVID recoveries.
- For 2022, the Federal and Municipal funding in conjunction with TCHC's own reserves funding provides for a fully funded 10 year Building Repair Capital plan.

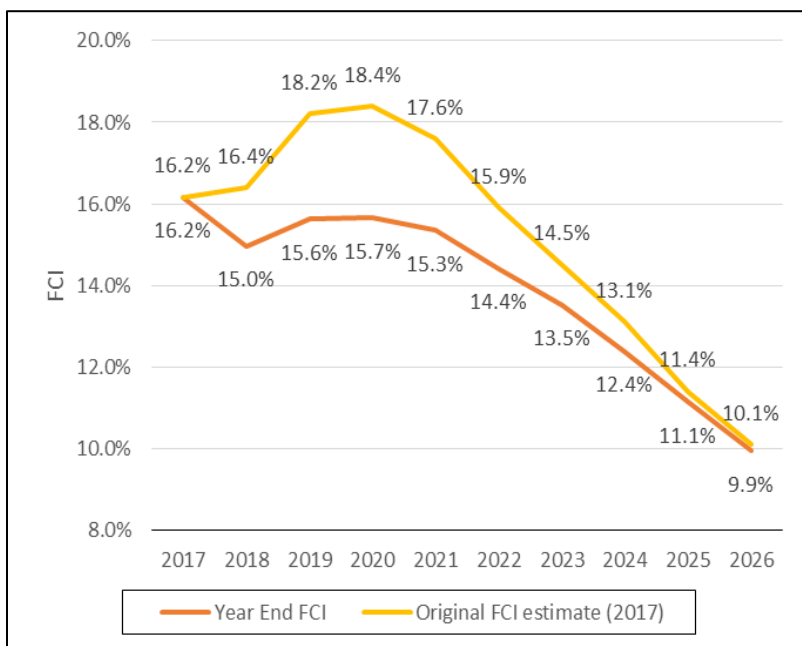
How Well We Are Doing – Behind the Numbers

2021 Service Quality Indicators



- TCHC receives tenant feedback on the quality of service delivery across its 88 service hubs made up of 159 buildings/communities of buildings.
- The feedback is used to inform staff-to-tenant engagement and develop building level improvement plans aimed to improve frontline service quality and delivery.
- The 2021 indicators represent the first year of data collected from TCHC tenants on the Service Quality Indicators. In 2020, COVID restrictions prevented the collection of this data.
- TCHC will establish SQI targets for each of the service pillars and implement the appropriate oversight mechanism to track performance.

2021 Building Facilities Condition Index – Actuals and Projection



- The Facility Condition Index represents the number of building components reaching or exceeding the end of their useful life.
- An FCI of 10% or less is the industry standard for a state of good repair.
- With a fully funded capital repair plan, TCHC has reliably improved upon its capital projections and is on-track to reach a sustainable state of good repair in 2026

COVID-19 IMPACT AND RECOVERY**2022 Impact and Recovery****Operating Budget Impact**

- Lost revenues of \$13.1 million due to a \$9.8 million reduction in rent receivable resulting from the carry-over of the Provincial rent cap that was started late 2020, \$2.1 million in bad debts on residential and commercial rents, as well as \$1.2 million in lost parking revenues.
- Expenditures of \$13.7 million, which are lower than the 2021 Projection, including \$6.4 million for PPE, \$4.3 million in staff overtime costs and \$2.3 million in higher utilities usage by tenants and \$0.7 million in IT costs.

Service Level Changes

- 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.

EXPERIENCES, CHALLENGES AND PRIORITIES

Our Experience and Success

- Opened 86 HUBs as part of the organizational restructure which will help to improve tenant service levels. The remaining 2 HUBs, bringing the total to 88 HUBs, will be ready to open by February 2022.
- Completed bringing the West region Contract Managed buildings back to Direct Managed; implemented the conversion of Central, East and Senior Contract Managed buildings to Direct Managed.
- Increased efficiencies by implementing an Alternate Response Unit (ARU), a team dedicated to handling service calls remotely or over the telephone when an in person discussion with a special constable is not needed.
- Developed a Summer Safety Strategy program in collaboration with the City of Toronto, TPS and external community stakeholders.
- On track to deliver the 2021 SOGR budget of \$350 million even through the pandemic shut-down
- Phase 2 of the Integrated Service Model (ISM) is currently underway.
- Phase 2A completed for tenancy management and 2B currently on-track to deliver demand maintenance, inspections reporting and performance accountability.

Key Challenges and Risks

- 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, the Seniors Housing Integrated Service Model, and the transfer of market rental units to RGI, will represent significant pressures against the city subsidy.

Priority Actions

- TCHC will continue to implement the 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.
- Work 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.
- 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 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.
- Continue to enhance TCHC's cyber security measures as well as replacing 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 \$26.8 million in COVID impacts identified by Toronto Community Housing Corporation.

2022 OPERATING BUDGET

2022 OPERATING BUDGET OVERVIEW

Table 1: 2022 Operating Budget by Service

(In \$000s)	2020 Actual	2021 Budget	2021 Projection*			2022 Base Budget			2022 One-Time Costs	2022 Budget	Change v. 2021 Projection	
			Excluding COVID	COVID Impacts	Total Proj.	Excluding COVID	COVID Impacts	Total Base			\$	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Revenues												
Residential Rent - RGI	255,575.4	240,197.9	257,201.6	(7,805.4)	249,396.2	259,170.4	(8,416.1)	250,754.4		250,754.4	1,358.2	0.5%
Residential Rent - Market	93,855.9	93,435.1	92,374.8	(1,406.8)	90,967.9	91,870.0	(1,406.8)	90,463.2		90,463.2	(504.8)	(0.6%)
City Subsidy	250,959.6	250,959.6	250,960.0		250,960.0	275,267.9		275,267.9		275,267.9	24,307.9	9.7%
City One-Time Funding									9,509.0	9,509.0	9,509.0	
Other	25,391.3	27,802.2	34,267.2	(2,812.1)	31,455.0	36,275.2	(3,293.6)	32,981.6		32,981.6	1,526.6	4.9%
Total Revenues	625,782.2	612,394.7	634,803.6	(12,024.4)	622,779.2	662,583.6	(13,115.5)	649,467.1	9,509.0	658,976.1	36,196.9	5.8%
Expenditures												
Total Operating Expenses	637,495.7	649,900.4	636,405.4	19,906.4	656,311.8	662,583.6	13,725.4	676,309.0	9,509.0	685,818.0	29,506.2	4.5%
Total Gross Expenditures	637,495.7	649,900.4	636,405.4	19,906.4	656,311.8	662,583.6	13,725.4	676,309.0	9,509.0	685,818.0	29,506.2	4.5%
Net Expenditures	11,713.5	37,505.7	1,601.8	31,930.8	33,532.6	0.0	26,841.9	26,841.9		26,841.9	(6,699.7)	(20.0%)

*2021 Projection based on Q3 Variance Report

COSTS TO MAINTAIN EXISTING SERVICES

Total 2022 Base Budget expenditures of \$685.8 million gross reflecting an increase of \$29.5 million in spending above 2021 projected year-end actuals (prior to enhancements), predominantly arising from:

- A \$29.5 million increase in non-discretionary costs, fully offset through balancing actions, including an increase in the City subsidy of \$24.3 million.
- \$9.5 million in one-time costs which will be funded through one-time funding sources from the City.
- Partially offset by a \$5.1 million decrease in COVID impacts. The City will request support from the Provincial and Federal governments to address COVID impacts.

Given the financial impacts of COVID-19 on 2021 actuals, a further comparison of the 2022 Base Budget (excluding 2022 COVID-19 impacts) to the 2021 Council approved Budget (excluding 2021 COVID-19 impact) is provided below:

- **2022 Base Budget of \$0 in net expenditures reflects a flat amount compared to the 2021 Council approved Budget, when excluding \$26.8 million in estimated COVID-19 financial impacts.**

EQUITY IMPACTS OF BUDGET CHANGES

Improving equity for low income households, seniors, persons with disabilities and youth: TCHC's 2022 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.

2022 OPERATING BUDGET KEY DRIVERS

The 2022 Operating Budget for TCHC is \$685.8 million gross, \$29.5 million or 4.5% higher than the 2021 Projected Actuals. Table 2 below summarizes the Operating Budget by revenue and expenditure category.

Table 2: 2022 Operating Budget by Revenue / Expenditure Category

Category (In \$000s)	2021 Budget	2021 Projection*	2022 Budget	2022 Change from 2021 Projection	
	\$	\$	\$	\$	%
Residential rent - RGI	256,197.9	257,201.6	259,170.4	1,968.8	0.8%
Residential rent - Market	94,835.1	92,374.8	91,870.0	(504.8)	(0.5%)
City Subsidy	250,959.6	250,960.0	275,267.9	24,307.9	9.7%
City - One-Time Funding			9,509.0	9,509.0	
Other	31,946.2	34,267.2	36,275.2	2,008.0	5.9%
COVID-19 Impact	(21,544.0)	(12,024.4)	(13,116.5)	(1,092.1)	9.1%
Total Revenues	612,394.7	622,779.2	658,976.1	36,196.9	5.8%
Utilities	124,136.2	129,128.3	133,675.1	4,546.8	3.5%
Mortgage	134,829.9	132,672.3	137,030.7	4,358.4	3.3%
Front Line Operations	233,686.9	235,192.9	247,928.0	12,735.0	5.4%
Back Office Support	73,215.3	72,454.4	82,481.4	10,027.1	13.8%
Seniors Housing	29,724.5	28,233.2	32,493.7	4,260.6	15.1%
Other	38,345.8	38,724.3	38,483.6	(240.7)	(0.6%)
COVID-19 Impact	15,961.8	19,906.4	13,725.4	(6,181.0)	(31.1%)
Total Gross Expenditures	649,900.4	656,311.8	685,818.0	29,506.2	4.5%
Net Expenditures	37,505.7	33,532.6	26,841.9	(6,690.7)	(20.0%)

*2021 Projection based on Q3 Variance Report

Key Base Drivers:**Utilities**

Utility rates are expected to increase for all utilities in 2022, with hydro and natural gas rate changes contributing to the largest increases. Hydro expenses will increase as a result of a significant decrease in the Ontario Electricity Rebate received by TCHC, while natural gas rates will rise by over 10%.

Front Line Operations

Increase due to planned preventative maintenance programs, bringing contract managed buildings back to direct managed, rate increases for service contracts upon renewal, and impacts from collective bargaining.

Back Office Support

Increase due to IT system transition costs and licence fees from the completion of system implementation, cyber security and end of life system replacement costs, increase in insurance premiums, seniors housing transition costs, continue implementation of the Confronting Anti-Black Racism Centre, and impacts from collective bargaining agreements.

COVID-19 Impact

Decrease driven by a reduction in PPE and overtime costs compared to full year 2021 experience.

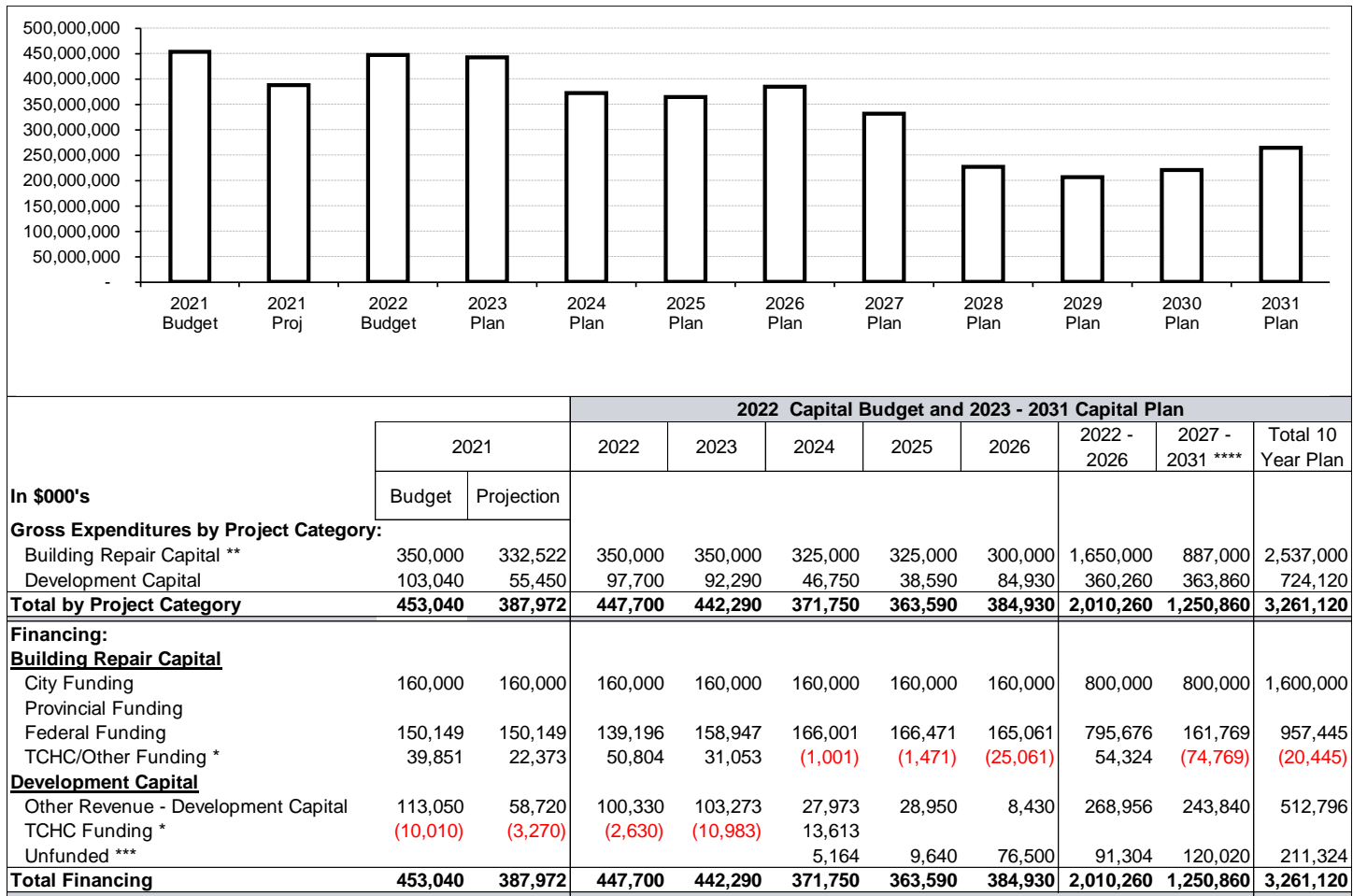
City Funding

City subsidy increase of \$24.3 million to address ongoing non-discretionary costs, as well as one-time City funding of \$9.5 million to address one-time cost pressures in 2022.

2022 – 2031 CAPITAL BUDGET AND PLAN

2022 – 2031 CAPITAL BUDGET & PLAN OVERVIEW

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



* Negative balances represent the repayment of LOC or mortgages by TCHC. For Building Repair Capital, this includes redirected IO reserve funding.

** The full 2021 Building Capital Repair budget of \$350M will be spent. In 2020, TCHC's Board approved an acceleration of spending in the amount of \$17.5M to use up available Provincial funding by the deadline; a lower spending rate in 2021 is to offset by the accelerated spending in 2020.

*** Net unfunded amount is \$91.8M as approximately \$116.2M is anticipated to be received by the end of 2035. The unfunded amount has been included in capital needs constraints.

**** TCHC has included \$160M of City funding for capital in both 2030 and 2031 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.

2022 – 2031 CAPITAL BUDGET AND PLAN

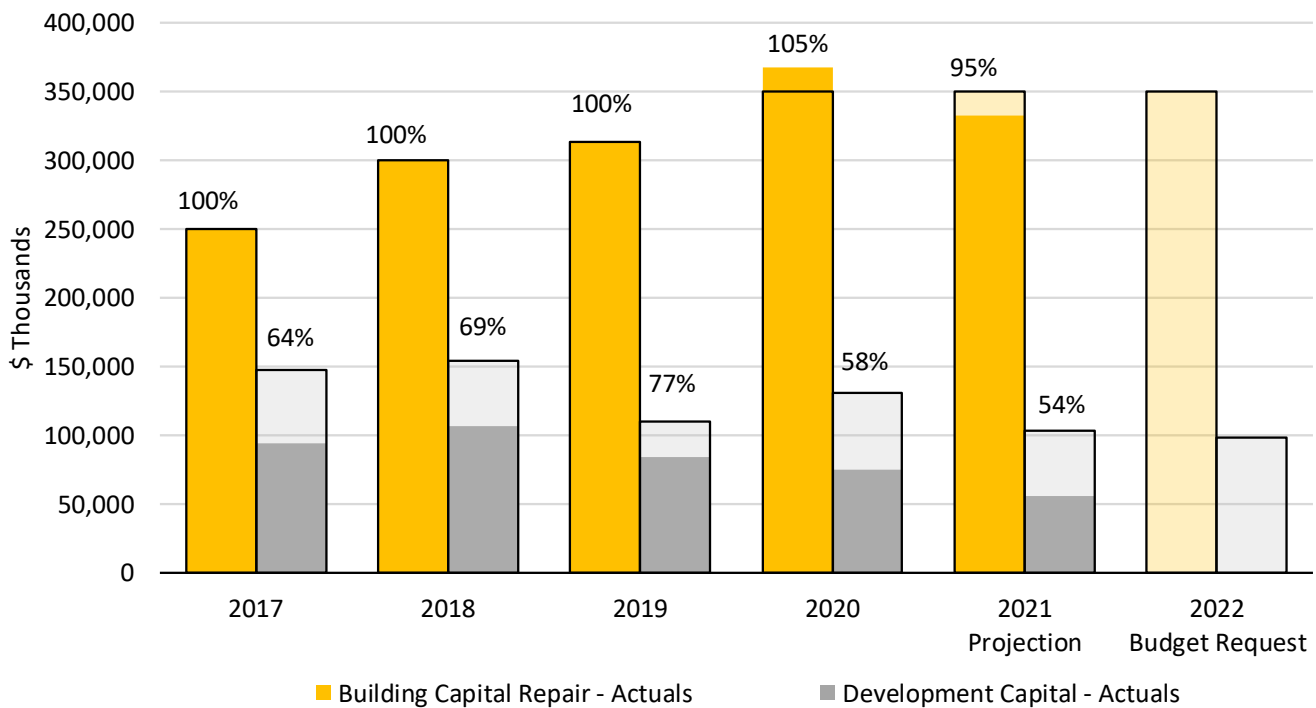
CAPACITY TO SPEND REVIEW

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 2021 underspending that will be carried forward into 2022 to complete capital work.

Chart 2 – Capacity to Spend

Budget Vs. Actual Spending by Category

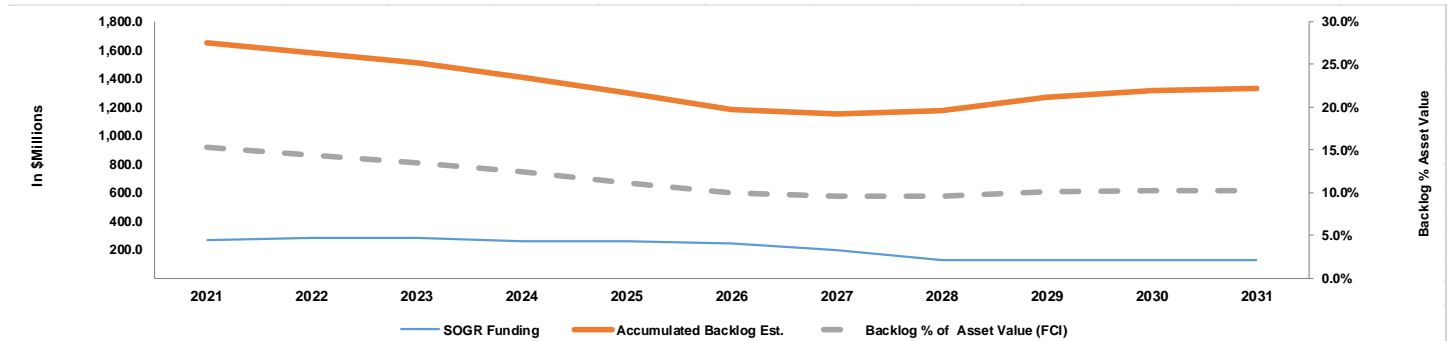


- 105% spending in 2020 is from a Board approved acceleration of spending to use up available Provincial funding by the deadline; a lower spending rate in 2021 will offset the accelerated spending in 2020.
- Development capital is underspent in 2021 due to delayed construction start in Regent Park phase 3 building.

STATE OF GOOD REPAIR (SOGR) FUNDING & BACKLOG

The chart below depicts the SOGR funding and accumulated backlog estimates for key asset classes in Transportation Services: major and local roads, bridge rehabilitation and laneways.

Chart 3: Total SOGR Funding & Backlog



\$ Millions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
SOGR Funding	265.7	280.0	280.0	260.0	260.0	240.0	197.4	128.0	128.0	128.0	128.0
Accumulated Backlog Est.	1,649.7	1,580.2	1,511.9	1,413.4	1,297.1	1,180.0	1,151.1	1,176.2	1,266.1	1,314.3	1,333.4
Backlog % of Asset Value (FCI)	15.3%	14.4%	13.5%	12.4%	11.1%	9.9%	9.5%	9.5%	10.1%	10.2%	10.2%
Total Asset Value	10,749.3	10,964.2	11,183.5	11,407.2	11,635.3	11,868.0	12,105.4	12,347.5	12,594.5	12,846.4	13,103.3

- 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 Impact and Recovery

In \$ Thousands				
COVID-19 Impacts (in \$000s)	2021 Forecast	2022 Budget		
Revenue Loss				
RGI Rent	7,805	(8,416)		8,416
Bad Debt	1,759	(2,073)		2,073
Market Rent	1,407	(1,407)		1,407
Parking Revenue	1,053	(1,220)		1,220
Sub-Total	12,024	(13,116)		13,116
Expenditure Increase				
PPE	7,601		6,454	6,454
Overtime	8,568		4,303	4,303
Utilities	2,934		2,279	2,279
Information Technology	804		689	689
Sub-Total	19,906		13,725	13,725
Total COVID-19 Impact	31,930	(13,116)	13,725	26,842

RGI Rent

TCHC is expecting continued impacts to its RGI rent as a result of reduced tenant's incomes based on the monthly trend in 2021. In addition, the Canada Emergency Response Benefit (CERB) program which supplemented tenant's incomes ended in October 2021, which further impacts RGI rents going forward. Both of these impacts have been reflected in the 2022 Budget for COVID-19 Impacts.

In 2020, the Province of Ontario enacted legislation that froze tenant's rents for 2021. This legislation adversely impacted TCHC, resulting in a decrease in RGI revenue throughout 2021. Starting January 2022, the rent freeze will be lifted, allowing TCHC to increase its rent rates. However, due to the continued impacts of COVID, TCHC is expecting reduced household income in 2022 for RGI tenants.

Bad Debt

The collection of Residential and Market rent receivables continues to be a challenge due to the impact of the COVID pandemic on TCHC tenants. The majority of the bad debt expense pertains to TCHC's Commercial tenants which are predominantly small proprietorships and service businesses. These tenants have experienced significantly reduced sales during the pandemic and continue to struggle to return to pre-COVID sales levels.

Market Rent due to Rent Cap

As a result of the Provincial rent freeze in 2021, TCHC was unable to increase Market rents to the initially established guideline of 1.5%. Although the rent freeze will end starting 2022, the limitation of raising rents only upon renewal will result in a carryover of the rent freeze impact from 2021 into 2022.

Parking Revenue

Non-tenant parking revenue has decreased significantly throughout 2021 as a result of the COVID pandemic shut-down. Even though most businesses have resumed operations, TCHC continues to see declining parking revenues which has been factored into 2022.

Appendix 2

2022 Balancing Actions

(\$000s)				
Recommendation	Savings Type	2022		
		Revenue	Gross	Net
Utility savings from investments made to reduce consumption	Efficiencies		(1,984.6)	(1,984.6)
Line by line review for savings	Revenue Increase (Other)		(1,832.0)	(1,832.0)
Total Balancing Actions			(3,816.6)	(3,816.6)

Appendix 3

Glossary

Approved Position: Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

Actuals: An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

Capacity to Spend: Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

Capital Budget: A Capital Budget is the City's plan to acquire / build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

Capital Needs Constraints: The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

Complement: Positions that support the delivery of City services and service levels as approved by Council.

Efficiencies: Reductions in the cost of delivering a service without a reduction in service level.

New / Enhanced: New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

Operating Budget: An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provided services; an example of an operating cost would be the cost to run the TTC subways.

Operating Impact of Completed Capital Projects: The additional expense (or savings) and positions needed to operate or maintain a new asset; an example would be the additional expense and staff needed to operate a recently completed community centre.

Rate Supported Budget: Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority

State of Good Repair (SOGR): The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes

Tax Supported Budget: Budget funded by property taxes.

User Fees: Program generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).