



## 2023 Capital and Operating Budgets

Item 2

December 22, 2022

Board of Directors

**Report:** TCHC:2022-90

**To:** Board of Directors (“Board”)

**From:** President & CEO

**Date:** December 22, 2022

### **PURPOSE:**

The purpose of this report is to obtain the Board’s approval of the 2023 Operating Budget and the 2023 Capital Budget which includes the 2023 to 2026 multi-year Building Renewal Capital and the 2023 Development Capital Budget.

### **RECOMMENDATIONS:**

It is recommended that the Board:

1. Approve the 2023 Operating Budget as outlined in the Presentation that is Attachment 1 to this Report;
2. Approve the 2023 Capital Budget as outlined in the Presentation that is Attachment 1 to this Report which includes:
  - a. the 2023 to 2026 Building Renewal Capital Budget; and
  - b. the 2023 Development Capital Budget; as outlined in this report; and
3. Authorize the appropriate staff to take the necessary actions to give effect to the above recommendations.

### **REASONS FOR RECOMMENDATIONS:**

The coming year represents another transitional year for TCHC in the context of its relationship with the Toronto Seniors Housing Corporation (“TSHC”). As a consequence of that relationship and ongoing discussions between TCHC, the City and TSHC, the budget that is represented in the Attachment to this report reflects the impact of the operations of TSHC on TCHC’s Operating and Capital Budgets.

The proposed 2023 Operating and Capital Budgets reflect the organization’s priorities, which include:

- Continuing 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;
- Reducing its non-union staffing turnover by aligning its compensation closer to that of the City and or the market;
- Working with the City’s Office of the Chief Information Security Officer, TCHC will continue implementing its Cybersecurity program, which will include the replacement of many of TCHC’s end-of-life IT systems;
- Working with City staff to continue the transition of the few remaining TCHC scattered houses to new permanent management by non-profit housing providers;
- Partnering with the City to support the Toronto Seniors Housing Corporation to improve outcomes for tenants in the Seniors Portfolio and
- Continuing to execute its Capital Plan and remain on schedule to bring its building portfolio into a state of good repair by 2026. In 2022, TCHC staff reprioritized the capital work plan to account for labour and supply shortages to ensure that the Plan remained on schedule. In 2023, TCHC will continue to maintain a flexible approach to its Capital Plan and continue to meet its targets.

To achieve the service objectives, the 2023 budgets consists of:

**Operating Budget** of \$696.1M (pre-COVID) for operations and maintenance, services, utilities, taxes, and mortgages, with \$696.1M in revenue (residential and commercial rent, subsidies, fees (parking, laundry and cable), resulting in a break-even budget.

Key Operating Budget drivers include:

- \$10.8M associated with the net impact of COVID;
- \$81.5M in non-discretionary expenses, including utilities, mortgage principle and interest, cost of living and collective agreement increases, and service contract price increases; and
- \$23.7M net increase in City funding, comprised of \$5.0M in subsidy as part of the permanent funding model, a one-time subsidy payment of \$23.0M to partially cover non-discretionary pressures, \$5.2M for IT projects, less \$9.5M of subsidy received to pay for one-time expenditures during 2022
- \$13.0M draw down of TCHC's working capital reserve; and
- \$44.8M in efficiencies/offsets, mainly comprised of increases in anticipated revenue, deferral of filling vacancies, as well as other corporate efficiencies and reductions.

TCHC will continue to partner with the City to establish the Toronto Seniors Housing Corporation in order to improve outcomes for tenants in the Seniors Portfolio. However, TCHC's full implementation of the Integrated Service Model, in partnership with the City and local health partners, may be impacted by decisions made in the course of approval of the City's Budget.

**Building Renewal Capital Budget** of \$350M to achieve a year-end Facilities Condition Index ("FCI") of 12.6% and contribute to achieving quality homes for tenants through a 10% FCI by 2026, enhancing the number of units available for occupancy and continuing energy efficiency retrofits.

- The 2023 Building Renewal Capital Budget will remain the same in 2023 as it was in 2022, at \$350M.

- Approval is being requested for multi-year commitments of \$79.8M in 2024, \$30.4M in 2025 and \$5.7M in 2026 based on confirmed current sources of funding. The four year (2023-2026) Building Renewal Capital Budget will allow Management to improve project delivery, minimize tenant disruption and reduce premium costing for phasing.

**Development Capital Budget** of \$88.5M to implement future phases of Regent Park and Lawrence Heights, continue construction work for Alexandra Park Phase 2, and Don Summerville.

In 2023, the proposed Capital Budget (Building Renewal Capital and Development) totals \$438.5M, which represents a decrease of \$9.5M from the 2022 Capital budget.

**IMPLICATIONS AND RISKS:**

The approval of the 2023-2026 Building Renewal Capital Budget will increase the efficiency of the capital renewal work by providing for multi-year implementation. We will be able to do more to improve building and unit conditions.

Approval of the 2023 Operating Budget will mean a continued commitment to improving safety and security as well as services for tenants.

If the budgets are not approved, it will limit management’s ability to improve safety and security, building conditions and service to tenants.

**SIGNATURE:**

*“Jag Sharma”*

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Jag Sharma  
President and Chief Executive Officer

**ATTACHMENT:**

1. 2023 Operating and Capital Budgets, 2023-2026 Multi-year Building Renewal Capital Budget

**STAFF CONTACT:**

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