



University of Toronto

ANCILLARY SERVICES

TO: Members of the University Affairs Board

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DATE: April 19, 2004 for April 28, 2004 meeting

AGENDA ITEM: 2

ITEM IDENTIFICATION:

2004-2005 revised Operating Plan for Charles Street Family Residences

JURISDICTIONAL INFORMATION:

Each year the Board approves operating plans for service ancillaries, which describe the services and programs to be offered, within the financial parameters set by the University's operating budget and financial policies set by the Business Board. The plans include each ancillary's annual operating budget, and describe changes to programs and levels of service, categories of users, accessibility, and compulsory or optional fees (University Affairs Board Terms of Reference, 4.1.1.(ii)).

PREVIOUS ACTION TAKEN:

This ancillary's operating plan was submitted for approval at the March 23, 2004 meeting of the University Affairs Board. The Board sent the plan back for revision and review.

The Vice-President, Business Affairs, and the Financial Services Department have reviewed the new plan in lieu of reconvening the Service Ancillaries Review Group (SARG).

HIGHLIGHTS:

The ancillary's management is committed to a plan which will dramatically improve the conditions of the buildings at 30 and 35 Charles Street West, as well as service to and communication with tenants. The rent increase proposed for 2004-05 is 2.9%, as in the previous plan, but the further increase of 3.1% to incoming tenants has been eliminated for 2004-2005, in order to allow for greater consultation within the Charles Street community, and a full exploration of alternatives. This "turnover" increase is

nevertheless present in the long-range budget assumptions, and will be discussed in the SARG and UAB submissions next year.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The Charles Street ancillary is fully self-funding and does not receive funding from the University's operating budget.

RECOMMENDATION:

It is recommended that the University Affairs Board approve the 2004-05 operating plan and budget for the Charles Street Family Residences.

ST. GEORGE CAMPUS FAMILY HOUSING RESIDENCE ANCILLARY

Budget and operating plan 04-05 revision and discussion of issues raised

To be appended to the original operating plan submitted to SARG on February 12, 2004, and UAB on March 23, 2004

Summary of changes

The ancillary's management will implement the originally proposed 2.9% rent increase to all tenants, effective August 1, 2004. The additional 3.1% increase proposed for incoming tenants will not be implemented in 2004-05, in order to allow for greater consultation within the Charles Street community, and a full exploration of alternatives. This "turnover" increase is nevertheless present in the long-range budget assumptions, and will be discussed in the SARG and UAB submissions next year.

The revised schedules also contain updated information on the cost of capital renewal required in the buildings over the next few years, as well as expenses required to bring the level of daily maintenance in the buildings up to acceptable levels.

The Charles Street trust account will be exhausted in 2004-05, and further capital expenditures will be funded through the capital renewal reserve. At year end 2008-09, the forecasted balance of the capital renewal reserve is \$546,151; the operating reserve \$1,291,567, and the unappropriated surplus is \$416,340. These reserve balances are just adequate for buildings of this age, size and complexity, and any operating efficiencies achieved as a side-effect of capital work or tenant education campaigns will therefore be most welcome.

Background information

The Student Family Housing ancillary consists of 2 apartment buildings located at 30 and 35 Charles Street West, which house approximately 2,000 people (including several hundred children). The buildings were built in 1969 and operated on a non-profit basis by the Ontario Housing Corporation until the University of Toronto acquired them in the fall of 2001. At the time of acquisition, the buildings were managed by Greenwin Property Management, a contract which the University acquired along with the buildings, and kept in place while considering alternative management structures and gaining experience with the buildings.

Greenwin Property Management is a company which specializes in managing government-sponsored developments, and has built a reputation on its ability to manage strict budgets. The services and staffing level provided to 30 and 35 Charles Street under this contract represented the bare minimum that could reasonably be provided and still keep the buildings habitable. The University did not feel that this

strategy was sustainable, or even appropriate, and therefore opted to end the Greenwin contract.

The University ultimately decided to self-manage the buildings. This was done with very clear goals in mind:

1. To improve living conditions in the buildings
2. To improve service to and communication with tenants

On January 1, 2004, a new staff was on site at Charles Street. Almost immediately, these staff began recommending and implementing improvements, both physical and procedural. Over the last three months, significant changes have already been made to heating and ventilation systems, plumbing, security, record-keeping and apartment renovations. A preliminary review and reassessment of capital maintenance requirements has just been completed and has been included in the revised budget. The total bill for capital work required over the next two years is estimated at \$8.8 million.

These buildings have been allowed to deteriorate for years, to the point where we are now faced with serious health and safety issues and imminent mechanical failures. It is not enough to upgrade the buildings once through a capital maintenance program as described above; there must be a commitment to improving day-to-day maintenance as well, so that the University's investment, and student families' quality of life, are preserved. It is one thing to replace windows, but if they are never washed, they will deteriorate sooner. Mechanical systems that are never serviced regularly will break down faster. There is a significant trade-off that is made when trying to maximize short-term cash flow by under-funding "invisible" maintenance work. Board members will likely not be unfamiliar with last year's report from the AVP, Facilities and Services, entitled "Crumbling Foundations", which explored these issues across the University as a whole.

The same problem exists at Charles Street. In addition to the significant capital work now required in the buildings, routine maintenance must also be re-established (where it has been eliminated) or increased (where it has been reduced) to ensure the long-term health of the buildings. We have recently identified roughly \$300,000 per year of additional routine maintenance, renovation, cleaning and security expenditures that will go a long way towards achieving this. This expense was not previously budgeted.

Services and support at Charles Street

Student Family Housing provides affordable accommodation for student families in the heart of downtown Toronto; a short walk away from the St. George campus. It provides much more than housing, however:

- On-site, subsidized (for families who qualify) child care centre – the construction of a new centre in the summer of 2004 will see the addition of infant care and an increase in capacity of over 100%

- On-site drop-in centre for children and their caregivers, offering an activity area and supervision by an ECE instructor
- Mothercraft training for families who prefer (or require, due to financial need or cultural beliefs) in-home child care
- Community/shared space now includes a green roof garden and children's garden
- Community development programs and courses are offered on a weekly basis. These have included language, cooking, dance, child care and fitness courses, homework tutoring support and social events such as film nights, ping pong, arts and crafts sessions and skating parties
- Special events such as the annual BBQ and Hallowe'en party
- Support for tenant-run initiatives such as the "Free Store", to which tenants donate unwanted items that other tenants are able to reuse
- Listservs to facilitate communication both with Student Family Housing management, and between tenants and the Tenant's Association

These programs and services help to create a sense of community at Charles Street, and it is critical that these be maintained, and even supplemented in the future.

Charles Street rents

Current Charles Street rents range from \$542 per month for a bachelor apartment to \$888 for a two-bedroom apartment. These rates include utilities and the programs and services listed above.

Charles Street rents compare as follows (GTA data obtained from the Canadian Mortgage and Housing Corporation, and Co-op data obtained from Co-operative Housing Federation of Toronto):

<u>Charles St.</u>	<u>GTA average</u>	<u>GTA central</u>	<u>UT Student Housing</u>	<u>Co-op (non profit)</u>
542-888	731-1040	797-1376	550-1300	614 - 964

A search through recent Toronto Star classifieds returned 935 ads for unfurnished apartments for rent in the GTA. Of these, four were bachelor apartments priced between \$500 and \$600 within walking distance of the St. George campus. There were no one-bedroom apartments priced less than \$700 per month, and only one one-bedroom apartment priced less than \$749 within walking distance of the St. George campus.

Long term goals

The Student Family Housing ancillary does not currently operate as needs-based housing (there is no test of a family's financial means as a condition of eligibility for acceptance into the buildings) and it is not the University's intention to move to a needs-

based housing model with any of its residences in the future. This means that tenants at Charles Street have broadly ranging incomes and financial resources. There are certainly a number of student families at Charles Street who are severely economically disadvantaged, and the ancillary is committed to working with the University to support programs and services which aid those families.

The long term goal of the ancillary is to provide a safe, affordable, well-maintained environment where student families can create a community. At the same time, the ancillary must be financially responsible and ensure that appropriate capital and operating reserves are maintained for the buildings to draw upon in the future.

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS FAMILY HOUSING RESIDENCE ANCILLARY
STATEMENT OF OPERATING RESULTS 2003-04 to 2008-09

	2002-03	2003-04		Variance		2004-05	2005-06	2006-07	2007-08	2008-09
	Actual	Budget	Forecast	\$	%	Budget	Budget	Budget	Budget	Budget
Revenue:										
Residence Fees - Regular Session	6,118,722	6,244,993	6,244,992	(1)	0.00%	6,458,767	6,696,127	6,942,209	7,197,336	7,461,838
Parking and Laundry Fees	315,055	343,400	355,400	12,000	3.49%	352,776	359,832	367,028	374,369	381,856
Other Income	60,356	24,000	24,000	-	0.00%	9,180	9,364	9,551	9,742	9,937
Investment Income	49,440	40,000	75,000	35,000	87.50%	10,000	-	-	15,000	25,000
Total Revenue	6,543,572	6,652,393	6,699,392	46,999	0.71%	6,830,723	7,065,322	7,318,788	7,596,446	7,878,630
Expenses:										
Direct Expenses:										
Salaries, Wages, & Benefits	527,363	566,336	565,550	(786)	-0.14%	739,295	776,260	815,073	855,826	898,618
Management Fee - contracted services	65,000	65,000	48,750	(16,250)	-25.00%	-	-	-	-	-
Supplies	62,265	89,598	71,092	(18,506)	-20.65%	73,642	75,851	78,127	80,471	82,885
Capital Renewal - Equipment Repair & Maintenance	7,995	20,000	20,000	-	0.00%	20,000	20,400	20,808	21,224	21,649
Capital Renewal - Equipment Replacement	-	-	-	-	-	-	103,161	106,256	109,444	112,727
Capital Renewal - Depreciation	-	-	-	-	-	-	-	-	-	-
Capital Renewal - Annual Maintenance	438,538	522,900	530,800	7,900	1.51%	788,493	812,148	836,512	861,608	887,456
Capital Renewal - Major Maintenance	-	-	800,000	800,000	100.00%	1,496,077	3,132,842	1,000,000	1,000,000	1,000,000
Trust Account Allocation	1,200,000	600,000	600,000	-	0.00%	600,000	-	-	-	-
Utilities	1,097,369	1,400,000	1,400,000	-	0.00%	1,487,350	1,580,458	1,679,395	1,784,525	1,896,236
Garbage	10,092	11,652	11,652	-	0.00%	12,002	12,242	12,487	12,737	12,991
Mortgage	1,741,235	1,741,233	1,741,235	2	0.00%	1,741,235	1,741,235	1,741,235	1,741,235	1,741,235
Insurance	14,279	15,300	60,556	45,256	295.79%	66,612	67,944	69,303	70,689	72,103
Finance Charges	-	-	-	-	0.00%	-	-	-	-	-
Other Operating Expense	49,073	42,105	49,307	7,202	17.10%	50,339	51,346	52,373	53,420	54,489
Total Direct Expenses	5,213,207	5,074,124	5,898,942	824,818	16.26%	7,075,045	8,373,887	6,411,568	6,591,178	6,780,388
Indirect Expenses:										
Housing Service Overhead	153,298	151,882	151,882	-	0.00%	162,261	168,751	175,501	182,522	189,822
Departmental Overheads	110,827	110,825	110,825	-	0.00%	135,825	141,258	146,908	152,785	158,896
Central Overheads	11,003	10,814	10,814	-	0.00%	14,525	14,816	15,112	15,414	15,722
Facilities & Services Overheads	-	-	69,046	69,046	100.00%	83,415	88,983	94,923	101,259	108,018
Total Indirect Expenses	275,128	273,521	342,567	69,046	25.24%	396,026	413,808	432,444	451,979	472,458
Total Expenses	5,488,335	5,347,645	6,241,509	893,864	16.72%	7,471,071	8,787,695	6,844,012	7,043,157	7,252,846
Net Operating Results	1,055,237	1,304,748	457,883	(846,865)	-64.91%	(640,348)	(1,722,373)	474,776	553,289	625,784
Net (Increase) Decrease in Operating Reserve		(240,237)	(284,535)	(44,298)	18.44%	(104,262)	(107,633)	(111,200)	(114,973)	(118,964)
(Increase) Decrease in Commitment to Capital Renewal	(517,500)	(517,500)	(517,500)	-	0.00%	(31,384)	1,398,390	(547,982)	(286)	14,778
Operating Results after Commitments	537,737	547,011	(344,152)	(891,163)	-162.92%	(775,994)	(431,616)	(184,406)	438,031	521,598

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS FAMILY HOUSING RESIDENCE ANCILLARY
STATEMENT OF RESERVES AND CUMULATIVE SURPLUS (DEFICIT) 2003-04 to 2008-09

	2002-03 Actual	2003-04 Original Budget	2003-04 Forecasted Actuals	2004-05 Budget	2005-06 Budget	2006-07 Budget	2007-08 Budget	2008-09 Budget
<u>COMMITMENTS TO CAPITAL RENEWAL RESERVE</u>								
Equipment Repair & Maintenance	7,995	20,000	20,000	20,000	20,400	20,808	21,224	21,649
Equipment Replacement (not funded through Trust Account)					103,161	106,256	109,444	112,727
Annual Maintenance	438,538	522,900	530,800	788,493	812,148	836,512	861,608	887,456
Major Maintenance (not funded through Trust Account)			800,000	1,496,077	3,132,842	1,000,000	1,000,000	1,000,000
Total Planned Capital Renewal Expenses	<u>446,532</u>	<u>542,900</u>	<u>1,350,800</u>	<u>2,304,570</u>	<u>4,068,551</u>	<u>1,963,576</u>	<u>1,992,275</u>	<u>2,021,831</u>
Capital Renewal Allowance	<u>964,032</u>	<u>1,060,400</u>	<u>1,868,300</u>	<u>2,335,954</u>	<u>2,670,161</u>	<u>2,511,558</u>	<u>1,992,561</u>	<u>2,007,053</u>
Increase (Decrease) in commitment to Capital Renewal	517,500	517,500	517,500	31,384	(1,398,390)	547,982	286	(14,778)
Opening Balance, May 1	<u>344,667</u>	<u>862,167</u>	<u>862,167</u>	<u>1,379,667</u>	<u>1,411,051</u>	<u>12,661</u>	<u>560,644</u>	<u>560,929</u>
Closing Balance, April 30	<u><u>862,167</u></u>	<u><u>1,379,667</u></u>	<u><u>1,379,667</u></u>	<u><u>1,411,051</u></u>	<u><u>12,661</u></u>	<u><u>560,644</u></u>	<u><u>560,929</u></u>	<u><u>546,151</u></u>
<u>OPERATING RESERVE</u>								
Operating reserve, opening balance				734,535	838,797	946,431	1,057,631	1,172,603
Transfers (to)/from other reserves		960,948	450,000	0	0	0	0	0
Increase/(decrease) in operating reserve (schedule 1)		<u>240,237</u>	<u>284,535</u>	<u>104,262</u>	<u>107,633</u>	<u>111,200</u>	<u>114,973</u>	<u>118,964</u>
Closing Balance, April 30		<u><u>1,201,185</u></u>	<u><u>734,535</u></u>	<u><u>838,797</u></u>	<u><u>946,431</u></u>	<u><u>1,057,631</u></u>	<u><u>1,172,603</u></u>	<u><u>1,291,567</u></u>
<u>UNAPPROPRIATED SURPLUS/(DEFICIT)</u>								
Opening Balance, May 1	1,105,142	1,642,879	1,642,879	848,727	72,733	(358,883)	(543,289)	(105,259)
Net Operating Results after Commitments (schedule 1)	537,737	547,011	(344,152)	(775,994)	(431,616)	(184,406)	438,031	521,598
Transfers (to)/from other reserves		<u>(960,948)</u>	<u>(450,000)</u>					
Net change in unappropriated surplus/(deficit)	<u>537,737</u>	<u>(413,937)</u>	<u>(794,152)</u>	<u>(775,994)</u>	<u>(431,616)</u>	<u>(184,406)</u>	<u>438,031</u>	<u>521,598</u>
Closing Balance, April 30	<u><u>1,642,879</u></u>	<u><u>1,228,942</u></u>	<u><u>848,727</u></u>	<u><u>72,733</u></u>	<u><u>(358,883)</u></u>	<u><u>(543,289)</u></u>	<u><u>(105,259)</u></u>	<u><u>416,340</u></u>
TOTAL FUND BALANCE	<u><u>2,505,046</u></u>	<u><u>3,809,794</u></u>	<u><u>2,962,930</u></u>	<u><u>2,322,582</u></u>	<u><u>600,209</u></u>	<u><u>1,074,985</u></u>	<u><u>1,628,274</u></u>	<u><u>2,254,058</u></u>

UNIVERSITY OF TORONTO
 ST. GEORGE CAMPUS FAMILY HOUSING RESIDENCE ANCILLARY
 STATEMENT OF TRUST ACCOUNT AND CUMULATIVE SURPLUS (DEFICIT) 2002-03 to 2008-09

	2002-03 Actual	2003-04 Original Budget	2003-04 Forecasted Actuals	2004-05 Budget	2005-06 Budget	2006-07 Budget	2007-08 Budget	2008-09 Budget
<u>TRUST ACCOUNT FOR 30 & 35 CHARLES STREET WEST</u>								
Annual Allocation	1,200,000	600,000	600,000	600,000	0	0	0	0
Total Addition to Trust Account	<u>1,200,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Planned Expenditures:								
Replacement of Non-depreciable Equipment & Furniture	130,790	83,161	75,000	100,156				
Major Maintenance	501,104	1,000,000	1,000,000	4,203,923				
Total Planned Expenditures	<u>631,894</u>	<u>1,083,161</u>	<u>1,075,000</u>	<u>4,304,079</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase (Decrease)	<u>568,106</u>	<u>(483,161)</u>	<u>(475,000)</u>	<u>(3,704,079)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Opening Balance, May 1	<u>3,610,973</u>	<u>4,179,079</u>	<u>4,179,079</u>	<u>3,704,079</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
Closing Balance, April 30	<u>4,179,079</u>	<u>3,695,918</u>	<u>3,704,079</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>

Schedule 3

**UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS FAMILY HOUSING RESIDENCE ANCILLARY
SCHEDULE OF MAJOR MAINTENANCE & FURNITURE AND FURNISHINGS**

	2004-05	2005-06	2006-07	2007-08	2008-09
Major Maintenance funded by Trust Account					
Replace Balcony doors and windows	1,203,923				
Electrical upgrade	1,500,000				
Boiler and boiler slab replacement - 35 Charles	1,500,000				
Total	4,203,923	-	-	-	-
Furniture & Furnishings funded by Trust Account					
1/10 of appliance replacements (in-suite)	88,156		-	-	-
1/10 of appliance replacements (laundry)	12,000		-	-	-
Total Furniture & Furnishings	100,156	-	-	-	-
TOTAL FUNDED BY TRUST ACCOUNT	4,304,079	-	-	-	-
Major Maintenance funded by Capital Reserve					
Child care centre construction	1,000,000				
Office renovation	25,000				
Replace Balcony doors and windows	421,077	1,625,000			
Pigeon netting		326,592			
Safety and Security		250,000			
Parking repair	50,000	531,250			
Parking upgrade		250,000			
Other projects as determined by engineering studies		150,000	1,000,000	1,000,000	1,000,000
Total	1,496,077	3,132,842	1,000,000	1,000,000	1,000,000
Furniture & Furnishings funded by Capital Reserve					
1/10 of appliance replacements (in-suite)		90,801	93,525	96,331	99,221
1/10 of appliance replacements (laundry)		12,360	12,731	13,113	13,506
Total Furniture & Furnishings	-	103,161	106,256	109,444	112,727
TOTAL FUNDED BY CAPITAL RESERVE	1,496,077	3,236,003	1,106,256	1,109,444	1,112,727

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Schedule 4

**UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS FAMILY HOUSING RESIDENCE ANCILLARY
SCHEDULE OF CAPITAL EXPENDITURES - EQUIPMENT & FURNISHINGS**

Description and Location	2004-05	2005-06	2006-07	2007-08	2008-09
No expenditures forecasted					

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Schedule 5

**UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS FAMILY HOUSING RESIDENCE ANCILLARY
RATES**

**30 & 35 Charles Street West
Unit Size**

	No. of Units	Rates August 2003	Rates August 2004	% Increase over 2003
Bachelor	32	542	558	2.9%
1 bedroom (standard)	313	671	690	2.9%
1 bedroom (20)	17	683	703	2.9%
1 bedroom (large)	66	711	732	2.9%
1 bedroom (19/23)	17	729	750	2.9%
2 bedroom (standard)	268	888	914	2.9%
	<u>713</u>			