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March 19, 2021

Ann-Marie Norio, Regional Clerk
Niagara Region
1815 Sir Isaac Brock Way
Thorold, ON L2V 4T7

Dear Ms. Norio,

At their March 19, 2021 meeting, the Niagara Regional Housing Board of Directors passed the following motion as recommended in attached report NRH 5-2021:

1. That an adjustment to the previously adopted 2021 Regional Municipality of Niagara (Niagara Region) and Niagara Regional Housing (NRH) operating budgets in the amount of \$21,380,195 gross and \$13,422,715 net as outlined in appendix 1 **BE APPROVED** to allocate budgeted expenditures and revenues associated with service delivery of social housing from NRH to Niagara Region Community Services in alignment with the approved full integration model.
2. That the allocation of assets and liabilities between Niagara Region and NRH with final balances determined as of May 30, 2021 in alignment with the fully integrated model, as outlined in appendix 2, **BE APPROVED**.
3. That the Niagara Regional Housing board **RECOMMENDS** to Niagara Regional Council that the Niagara Regional Housing Reserve be maintained for its current purpose of funding social housing program initiatives post ASD transition date.
4. That this Report **BE REFERRED** to the Niagara Regional Council for Consideration.

Your assistance is requested in moving report NRH 5-2021 through proper channels to Regional Council.

Sincerely,

Councillor Walter Sendzik
Chair

Subject: Niagara Regional Housing Alternative Service Delivery Implementation

Report to: Niagara Regional Housing Board of Directors

Report date: Friday, March 19, 2021

Recommendations

1. That an adjustment to the previously adopted 2021 Regional Municipality of Niagara (Niagara Region) and Niagara Regional Housing (NRH) operating budgets in the amount of \$21,380,195 gross and \$13,422,715 net as outlined in appendix 1 **BE APPROVED** to allocate budgeted expenditures and revenues associated with service delivery of social housing from NRH to Niagara Region Community Services in alignment with the approved full integration model
2. That the allocation of assets and liabilities between Niagara Region and NRH with final balances determined as of May 30 2021 in alignment with the fully integrated model, as outlined in appendix 2, **BE APPROVED**.
3. That the Niagara Regional Housing board **RECOMMENDS** to Niagara Regional Council that the Niagara Regional Housing Reserve be maintained for its current purpose of funding social housing program initiatives post ASD transition date.
4. That this Report **BE REFERRED** to the Niagara Regional Council for Consideration.

Key Facts

- The purpose of this report is to obtain approval of the budget adjustment required to align the operating budget with the fully integrated model of Niagara's service delivery of social housing. Operating budget adjustments must comply with by-law 2017-63, Budget Control, items 6.5(b) requiring Council's approval for any operating adjustments in excess of \$1 million.
- This report also seeks approval of the allocation of the assets and liabilities between NRH and the Niagara Region to align with the fully integrated model of Niagara's service delivery of social housing as outlined in appendix 2.
- Through report NRH 17-2020 approved by Council on December 17, 2020, both the NRH Board of Directors and Regional Council have approved and directed the NRH Chair and CEO to execute the Principles of Governance, Division of Responsibility and Implementation Framework Agreement, the Data Sharing Agreement and the Shared Services Agreements required for implementing the new service model

- The implementation date of the fully integrated model of Niagara's service delivery of social housing is May 30, 2021
- The budget adjustment will have zero levy impact as it is a division of budgeted revenues and expenditures from NRH to Niagara Region Community Services for the delivery of social housing programs
- Existing NRH and Niagara Region financial and procurement policies will continue to be leveraged under this new model based on the services being provided by each entity going forward. In cases where NRH doesn't have an applicable policy, the process of defaulting to the Region's policy on the matter will continue.

Financial Considerations

Budget Adjustment

The recommended operating budget allocation to Niagara Region will be used to establish a new Housing Division in the Community Services Department to carry out the operations of the Service Manager under the fully integrated model as summarized in Appendix 1. The budget allocation to the new Housing Division of Niagara Region for the period of May 30 to December 31, 2021 is \$21,410,195 gross and \$13,422,715 net after indirect allocations.

Future annual operating budget will be prepared and presented for approval under this model. The annualized base budget allocation for 2021 to the Housing Division from NRH is approximately \$36 million gross and \$22.5 million net after indirect allocations. The annualized based budget for 2021 to remain with NRH to support the Board's mandate post-transition is approximately \$19.7 million gross and \$14.8 million net after indirect allocations.

Asset and Liability Allocations

NRH's assets and liabilities that are associated with the operations of the service manager under the fully integrated model will be transferred to the Niagara Region with their final balances as of May 30, 2021 as summarized in Appendix 2. To illustrate the intent of the allocations in principle, the balances provided in Appendix 2 are based on NRH's unaudited financial statements as of December 31, 2020. A final close of the accounting records of NRH will be completed at May 30 in order to facilitate an accurate transfer of the balances on the actual implementation date.

Analysis

Reporting & Audit Implications

Since the implementation of the model is taking place mid-year, the financial statements for 2021 will include five months activity based on the operational structure prior to the transition, and seven months activity based on the operational structure post-transition for financial reporting and audit purposes.

Monthly operating statements and commentary to the board as of June 2021 will be under the Board's mandate post-transition which is for owned unit financial results only.

Reserve Rationalization

The Niagara Region currently holds reserves for NRH as defined in the Council approved Reserve and Reserve Funds Policy (C-F-013). Staff have reviewed all of the funds in reserves currently held for NRH use in relation to the intended purpose for those reserves when originally established. Through this process, it has been identified that there is an opportunity to rationalize certain reserves as outlined in Appendix 3. A report to outline and approve these reserve allocations will be presented to Corporate Services Committee in Q2 2021 in report CSD 19-2021.

Alternatives Reviewed

Alternatives to the ASD fully integrated model were outlined in detail in previous reports. Council directed staff to initiate the implementation of fully integrated model, so no further alternatives are explored as part of this report.

Relationship to NRH and/or Council Strategic Priorities

The implementation of the fully integrated model of Niagara's service delivery of social housing supports Council Strategic Priority Objective 2.3 Addressing Affordable Housing Needs.

Niagara Regional Housing Alternative Service Delivery implementation is also a Priority Project with the objective of enhancing our communities.

Other Pertinent Reports


- CSD 14-2018 - Alternative Service Delivery Social Housing
- COM 22-2018 - Staff Report on the Proposed Hybrid Model within the Alternative Service Delivery Review of Social Housing
- COM 26-2018 - Follow-up Joint Staff Report on the Proposed Hybrid Model within the Alternative Service Delivery Review of Social Housing

- COM 9-2019 - Request to Establish the Hybrid Model Implementation Plan Joint Taskforce
- NRH 11-2019 – ASD Recommendation
- NRH Report 19-183-3.2 – Service Integration Implementation Plan
- CAO 10-2019 - Niagara Regional Housing Alternative Service Delivery: Model and Implementation Plan Recommendations
- NRH Report IC 20-194-5.1 – Niagara Regional Housing Alternative Service Delivery



Submitted by:

Donna Woiceshyn
Chief Executive Officer



Approved by:

Walter Sendzik
Chair

This report was prepared in consultation with Donovan D'Amboise, Program Financial Specialist and Dan Ane, Manager, Program Financial Support

Appendices

Appendix 1	2021 Budget Adjustment Summary
Appendix 2	Asset, Liability and Accumulated Surplus Allocation Summary
Appendix 3	Reserve Summary

Appendix 1

2021 Budget Adjustment Summary

	Annual NRH Operating Budget, as approved (A)	NRH Operating Budget January - May , as approved (B)	NRH Operating Budget June - December, as approved (C) = (A) - (B)	Community Services Housing Division Operating Budget June - December (D)	NRH Operating Budget June - December (E) = (C) - (D)
Expenses					
Compensation	5,284,035	2,175,162	3,108,872	2,929,616	179,256
Administrative	783,833	327,871	455,962	262,791	193,171
Operational & Supply	187,000	60,762	126,238	75,488	50,750
Occupancy & Infrastructure	16,596,597	7,076,793	9,519,804	-	9,519,804
Equipment, Vehicles, Technology	291,352	120,563	170,789	91,611	79,178
Community Assistance	31,575,333	13,554,645	18,020,688	18,020,688	-
Financial Expenditures	2,077,012	811,428	1,265,584	-	1,265,584
Total Expenses	56,795,162	24,127,224	32,667,938	21,380,195	11,287,743
Revenues					
Federal & Provincial Grants	(14,002,807)	(5,834,503)	(8,168,304)	(7,375,453)	(792,852)
Other Revenue	(16,407,476)	(6,780,267)	(9,627,209)	(58,333)	(9,568,876)
Total Revenues	(30,410,283)	(12,614,770)	(17,795,513)	(7,433,786)	(10,361,727)
Intercompany Charges and Transfers					
Intercompany Charges	64,044	26,685	37,359	37,230	128
Transfers Between Funds	2,412,660	661,706	1,750,953	312,495	1,438,458
Total Intercompany Charges and Transfers	2,476,703	688,391	1,788,312	349,726	1,438,586
Net Expenditure (revenue) before indirect allocations	28,861,582	12,200,845	16,660,737	14,296,135	2,364,602
Indirect Allocations & Debt	8,426,472	819,267	7,607,206	(873,420)	8,480,626
Net Expenditure (revenue) after indirect allocations	37,288,055	13,020,112	24,267,942	13,422,715	10,845,228

Appendix 2 Asset and Liability Allocations

Account	Description	Unaudited Balance at December 31, 2020	NRH	Region
Cash (Bank)	Existing bank account for the purposes of managing tenant ledgers and collecting tenant charges (direct deposits etc.)	12,858,591	✓	
Due to Niagara Region	Balance owing to the Region primarily for NRH expenditures paid out of the Region's bank account	(8,480,019)	✓	
Investments	GICs and High interest savings account holdings for unspent ministry funding for housing programs	6,476,231		✓
Accounts Receivable – Tenant Rents	Receivable balances for tenant rents at owned units	461,425	✓	
Accrued Revenue – Housing Programs	Accrued revenue for provincially and federally funded programs	1,196,168		✓
HST Receivable	Public Service Body HST rebate accrued by NRH to the date of transition	2,516,427	✓	
Loan Receivable	Loan issued under the Provider Capital Loan and Grant program	437,017		✓
Prepaid Rent Supplements and Housing Allowances	Rent supplement and housing allowance payments made at the end of the month, that relate to the following month	744,312		✓
Tangible Capital Assets	Owned units Land, Buildings and Equipment	138,349,815	✓	
Mortgages and Debentures	Debentures are associated with the financing of capital work completed at owned units	(35,374,917)	✓	
Deferred Revenue – Tenant Rents	Tenant rent balances collected in advance of the month that it relates	(217,341)	✓	
Deferred Revenue – Housing Programs	Deferred revenue for provincially and federally funded rent supplements, housing allowances, provider repairs programs, and homeowner down-payment assistance and renovations programs that was received in advance of the related spend	(4,561,773)		✓
Employee future benefit liabilities	Benefits owed to employees and their beneficiaries after retirement	(1,537,805)		✓

Appendix 3 Proposed Reserve Rationalization

Reserve	Reserve Purpose	Unaudited Balance at December 31, 2020	Maintained to support NRH operations	Maintained to support Community Services Housing Operations
NRH Owned Units	Support the capital requirements of owned units as part of NRH Board's mandate	5,271,585	✓	
Niagara Regional Housing	Funding for the Provider Capital Loan & Grant program, as well as funding to support other housing program initiatives	6,704,886		✓
NRH Rent Supplements	To support NRH rent supplement in-situ program	249,300		✓
NRH Employee Future Benefits	Funding for postretirement benefit costs of NRH employees and retirees and future NRH Workers' Compensation Payments as a result of current claims	792,733		✓