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January 11, 2019

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

Dear Ms. Norio:

At their September 21, 2018 meeting, the Niagara Regional Housing Board of Directors, passed the following motion:

That Niagara Regional Housing Board of Directors **APPROVE** the Proposed 2019 Operating Budget, with a net levy impact of \$27,788,900 before indirect allocations and that this report **BE REFERRED** to the Budget Review Committee of the Whole for consideration, as part of the 2019 budget deliberations.

Your assistance is requested in providing the attached report, NRH 13-2018, to the Budget Review Committee of the Whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Walter Sendzik', with a long horizontal flourish extending to the right.

Mayor Walter Sendzik
Chair



REPORT TO: Board of Directors of Niagara Regional Housing

SUBJECT: Proposed 2019 Operating Budget

RECOMMENDATION

That Niagara Regional Housing Board of Directors **APPROVE** the Proposed 2019 Operating Budget, with a net levy impact of \$27,788,900 before indirect allocations and that this report **BE REFERRED** to the Budget Review Committee of the Whole for consideration, as part of the 2019 budget deliberations.

KEY FACTS

Niagara Region's Financial Management & Planning staff presented to Budget Review Committee of the Whole (BRCOW) Report CSD 35-2018, dated June 14th, 2018, respecting the 2019 Budget Planning. On July 5, 2018, Regional Council approved the Budget Review Committee recommendation of a 1.5% increase for existing services, with opportunity for staff to request additional funding up to 2.0%. The main motion was amended and approved as follows:

1. *That the 2019 Department, and ABC Tax Levy budget guidance **BE APPROVED** as follows:*
 1. *The target increase for existing services be the 1.5% Core Consumer Price Index and that staff present options to Council to bring the increase to 2% in accordance with Taxpayer Affordability Guidance Policy.*

The proposed 2019 NRH Operating Budget reflects a \$410,673 increase (1.5%).

ANALYSIS of the 2019 Budget

- 2019 Proposed Operating Budget includes a Net Expenditure *increase* of \$410,673 (1.5%) before indirect allocations. The 2019 proposed operating budget includes a Gross Expenditure *increase* of \$1,042,820 (1.9%) offset by a \$632,147 (2.2%) *increase* in Gross Revenue.
- *Increase* in Compensation of \$353 thousand (7.4%). 67% of this compensation increase is driven by proposed permanent and temporary staffing complement increases (\$237 thousand – see **Program Changes** for more information), 21% of the increase (\$77 thousand) relates to the recommended estimate resulting from the Mercer evaluation of job profiles, whereas 10% of the increased compensation costs relating to building service maintenance personnel at NRH-owned properties (\$34 thousand). The remainder is driven by increases over 2018 as directed by corporate guidance, offset by natural role attrition through retirements and new hires driving lower costs
- *Increase* in administrative budget of \$123 thousand (23.3%) driven by a shift in allocation of base budget driven by ongoing needs of the housing corporation including costs relating to memberships (Electrical Safety Authority, Ontario Non-Profit Housing Association); in addition to ongoing professional services costs such as consulting to support the development, implementation, and ongoing maintenance of the NRH strategic plan and initiatives

- *Decrease* in Operational & Supply of \$16 thousand (20.1%) based on re-categorization of base budget to repairs & maintenance driven by departmental spending patterns
- *Increase* in Property Taxes of \$39 thousand (0.8%) addition of Carlton Street build to the NRH owned-units property; offset by a partial decrease based on 2018 payments and the impact of expected 2019 increase based on budget guidance
- *Decrease* in Property Infrastructure & Maintenance of \$243 thousand (6.2%), offset by increased Grounds service contract costs of \$689 thousand driven by higher priced contracts relating to expanded service and increased contractor compensation costs driven by increased minimum wage based on 2018 tender process
- *Decrease* in Utilities of \$215 thousand (4%) based on 2018 payment trends, ongoing electricity rebates, and related Budget-guidance; further expected savings driven by work being completed through the annual capital program (e.g. heat control systems), as well as participation in the Housing Services Corporation natural gas group purchasing program with further rate decreases expected in 2020
- Rent Supplement Regular increased by \$514 thousand (16.4%) to include a 1.8% legislated increase over 2018 including incremental subsidy for additional units due to End-of-Operating Agreement (EOA) to cover rent-supplement costs formerly funded by the Federal government, in addition to a \$72,000 subsidy amount for the expected units in the downtown St. Catharines Bethlehem-Penn Terra development.
- Increases and decreases in Ministry-funded program allocations which are 100% funded by Provincial/Federal dollars:
 - IAH-E Rent Supplement *decrease* of \$267 thousand to \$895 thousand in 2019
 - IAH-E Housing Allowance *increase* to \$259 thousand in 2019
 - IAH-E Niagara Renovates *increase* of \$11 thousand to \$1,137 thousand in 2019
 - IAH-E Homeownership *flat* to 2018 at \$180 thousand in 2019
 - SIF Rent Supplement *decrease* of \$1,192 thousand to \$727 thousand in 2019
 - SIF Housing Allowance *increase* to \$1,006 thousand in 2019
 - SIF Homeownership *decrease* of \$20 thousand to \$20 thousand in 2019
 - SIF Niagara Renovates not allocated funds in 2019, a *decrease* of \$50 thousand

The 2019 operating budget will be adjusted to reflect any surplus program funding not taken up by programs in 2018, in addition to any new funding announcements received in the 2018/2019 years.

- *Decrease* to the Non-Profit and Co-op subsidy of \$1,585 thousand (7.1%) per legislated indices imposed by the Ministry where savings are mainly driven by lower utility cost indices & in alignment with 2018 actual subsidy payments
- *Decrease* in Federal Program subsidy of \$81 thousand (6.4%) as a result of EOA
- *Decrease* to the NRH/LHC-Debenture expense of \$96 thousand (4.4%) due to debt reduction owed to the province as some of the LHC unit agreements expire

- *Decrease* in other financial expenditures of \$41.5 thousand (20%) driven by cost savings from shifting to a new collection agency; in addition to bad debt costs budgeted based on historical write-offs
- *Increase* Transfer to Capital Reserves of \$1,866 thousand (479%) from \$390 thousand.
 - \$1,274 thousand restricted Transfer to NRH Reserve, part of the housing programs budget to support the development of a capital program for housing providers to support significant anticipated capital requirements
 - \$981 thousand Transfer to NRH Owned-Units capital reserve, including restricted reserve contributions of \$190 thousand for the new Carlton Street build, \$72 thousand for Jubilee Drive, and \$89 thousand for Fitch Street. The remaining \$630 thousand reflects an increase of \$401 thousand to support ongoing funding requirements of the NRH-owned units annual capital program
- *Decrease* in Federal Funding of \$449 thousand driven by scheduled service manager funding schedules relating to decreasing debenture expenses for portion of owned-units & EOA
- *Increase* in rental revenue of \$1,232 thousand (9.3%) based on 2018 actuals, as well as 52% of the increased rental revenues driven from the new Carlton Street build, with expected occupancy in January 2019
- *Increase* in non-rental revenue of \$63 thousand (16%) driven by ongoing revenue sharing agreements (e.g. hot water rental agreement); and includes revised estimates for maintenance charges, misrepresentation revenue and other ancillary revenue sources such as laundry and telecommunications agreements

Program Changes

- Appendices A, B, and C include business cases to be reviewed with respect to the addition of 1 permanent full-time employee (FTE) in Housing Operations, supporting NRH-owned units, as well as two temporary FTEs
- Permanent FTE (Appendix A): This business case outlines the request for an additional Tenant Support Representative in Housing Operations
- Temporary FTE (Appendix B): This business case outlines the request to extend the Eligibility Review Officer pilot program for an additional year as an employee within Housing Programs
- Temporary FTE (Appendix C): This business case outlines the request pilot an additional Community Programs Coordinator, directing 50% of the resource to support expanded demand in the NRH-Owned Units portfolio, with the additional capacity used to identify and evaluate demand for this service from the housing provider portfolio

Service Reductions/Increases

- The Ministry of Municipal Housing and Affairs is continuously developing new funding and program models. Since the devolution of housing, NRH has adapted and absorbed numerous new initiatives such as homeownership and home renovation programs, housing allowance programs, portable rent benefit programs, multiple new rent supplement programs and

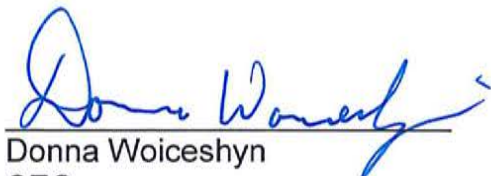
programs to develop increased affordable housing supply in Niagara. NRH continues to incorporate Ministry-funded programs including the IAH-E Rent Supplement, IAH-E Homeownership, and IAH-E Niagara Renovates, along with the SIF Rent Supplement, SIF Homeownership, and SIF Niagara Renovates programs into the budget process. Year-over-year these amounts are expected to change to reflect the take-up of funding. With changes in government in 2018, it is expected that new funding announcements will be delayed until early 2019. NRH intends to identify, secure, and leverage continued funding to support expanding service offerings to meet increasing demands for affordable housing.

- Federal Section 95 Providers agreements are continuing to expire as Federal Housing Provider mortgages mature. Housing Providers are then considered to have met all obligations with the Federal Housing program and are free to stop offering subsidies. To preserve social housing units in Niagara, NRH is working with Federal Providers to find innovative solutions that will protect existing tenants from losing subsidy and to maintain the existing number of units for social housing purposes in Niagara.

NRH has included dollars to secure Rent Supplement agreements for the affected units. This strategy will ensure that over time NRH can meet the legislated unit targets set by the Province for Service Level Standards. Currently the Ministry has allocated untargeted funding (until 2020) to help service managers plan for EOAs. The additional negotiation and support necessary to keep the Federal Providers within the portfolio is putting pressure on staff resources. This problem will grow over the coming years as the bulk of operating agreements will be expiring.

Submitted by:

Approved by:



Donna Woiceshyn
CEO



Henry D'Angela
Chair

This report was prepared by Victoria Duru, Program Finance Specialist, in consultation with NRH Senior Management Team and Donna Woiceshyn, CEO.

Appendix A

NRH Owned-Units Tenant Support Representative - 2019 Operating Budget
Business Case

Niagara Regional Housing, Niagara Regional Housing, NRH-01

Initiative Start Date: January 01, 2019

Reason for Business Case: Program Change from assessment growth - Existing Services

Description of program change:

This program change is to include an additional Tenant Support Representative (TSR) within the NRH Housing Operations team. Currently, the team consists of three TSRs responsible to support the property administration team through the annual renewal process, service requests & work order management, and ancillary responsibilities.

Business Reasons for Program Change:

The NRH Housing Operations team continues to deal with a high volume of service requests & work order management to maintain the owned-units portfolio. In addition, the annual renewal process requires, at times, complex rent calculations. The need for additional operational support was also identified in the Organizational Review Report provided by Ernst & Young to support the aging of the NRH portfolio and increasing levels of maintenance. Increasing the TSR team by 1 permanent FTE, to a total of 4, supports the restructuring of roles to focus two roles on the annual renewal process, with the remaining two FTE supporting owned-units service requests and required maintenance / work order management.

Supports Council's Strategic Priorities: Do business differently, Organizational excellence

The recommended addition of an additional permanent TSR supports improving the way NRH does business through continuous improvement of the owned-units service requests, as well as the annual renewal requirements for NRH tenants.

Supports Economic Prosperity (Dials): Community Symptoms

To continue to improve the households served by NRH, directly linked to furthering economic prosperity in Niagara, this TSR will support further efficiencies and a stronger service-oriented approach in responding to tenant requests and/or the annual renewal process.

Risk Assessment: High-priority

This role is necessary to continue to improvement of services required by tenant support representatives. The role is identified as high-priority due to challenges being experienced on the team, including risk relating to year-end and operational audits. For example, in the 2017 year-end financial audit, risks identified included incomplete annual rent increases and inconsistent rent charges, risks that have financial impact on the operating budget of owned-units. With this new role, along with a restructuring of responsibilities to differentiate between tenant support representatives responsible for rent calculations versus those responsible for maintenance calls and work order management.

Staffing Impact:

1 Permanent, Full Time - Non-Union

Total Cost of Staffing Position: \$64,000

Staffing Implementation Date: January 01, 2019

The addition of this role remains within the 2019 Regional Guidance, with the NRH Owned-units division supporting the ongoing costs through savings identified in the property & infrastructure budget.

Appendix B

NRH Eligibility Review Officer - 2019 Operating Budget Business Case

Niagara Regional Housing, Niagara Regional Housing, NRH-03

Initiative Start Date: January 01, 2019

Reason for Business Case: Program Change from assessment growth - Existing Services

Description of program change:

This program change is to extend the piloted role, Eligibility Review Officer, currently extended to December 31, 2018 to December 31, 2019, as an employee of housing programs. This role is expected to continue the directive initiated in the initial phase of the pilot program to investigate suspected fraud and misrepresentation of income, to support transparent, fair, and lawful use of housing program budget.

Business Reasons for Program Change:

This business case is to extend the contract for an additional year and to provide continued support of fraud identification, investigation and prevention. The number of referrals received to date, have kept the incumbent at full capacity. Referrals have been received from both the NRH owned-units housing portfolio, as well as the housing provider portfolio, representing over 6,000 social and affordable housing units. Two-thirds of the investigation have confirmed instances of fraud leading to cease to qualify notices and removal of RGI subsidies and Landlord Tenant Board evictions. One-third of the investigations, offers positive impact in terms of preservation of tenancy and eligibility.

Supports Council's Strategic Priorities: Organizational excellence

Extending the Eligibility Review Officer pilot program continues to promote safe and affordable tenancies for housing applicants, ensuring that NRH focuses on all housing providers maintaining financial stability and ensuring the integrating of the social housing program.

Supports Economic Prosperity (Dials): Community Symptoms

The role of the Eligibility Review Officer supports fostering safe and affordable tenancies by ensuring NRH and housing providers leverage the full capacity of social and affordable housing units to meet the demands of eligible applicants and tenants on the waitlist. While this role has the responsibility to investigate potential negative implications associated with tenancy, this is to the benefit of the community as a whole, a supports a transparent approach to housing oversight in Niagara.

Risk Assessment: Priority

This pilot project continues to be a priority for NRH as it ensures the integrity of the social housing program, as well as supporting the initiative towards human services integration.

Staffing Impact:

1 Temporary, Full Time - Non-Union

Total Cost of Staffing Position: \$85,000

Staffing Implementation Date: January 01, 2019

The addition of this role remains within the 2019 Regional Guidance, funded through reduced social housing programs costs due to lower provider subsidies driven by favourable cost indices in the housing portfolios.

Appendix C

NRH Community Program Coordinator - 2019 Operating Budget Business Case

Niagara Regional Housing, Niagara Regional Housing, NRH-02

Initiative Start Date: January 01, 2019

Reason for Business Case: Program Change from assessment growth - Existing Services

Description of program change:

This program change is to include an additional Community Program Coordinator (CPC) to support the ongoing work in the NRH Owned-Units tenant portfolio, in addition to introducing the CPC program support to the Housing Providers' portfolios to determine the extent and nature of the need in their communities. Currently, the team consists of three CPCs providing tenant support, eviction prevention, and community development in the NRH public housing communities.

Business Reasons for Program Change:

Due to the increase in high-need tenants within the NRH public housing portfolio, the current CPC team is operating at capacity, resulting in an inability to respond efficiently and effectively to tenant support and community development requests. The lack of capacity has negative consequences on individuals, families and the community, overall. In 2017, a total of 927 new tenant referrals were received representing 1/3rd of the NRH housing portfolio. This is in addition to ongoing caseload. Similar trends are being experienced in 2018. The need for additional CPC support was also identified in the Organizational Review Report provided by Ernst & Young to support the increasingly vulnerable tenants being housed. Increasing the CPC team by 1 temporary FTE, to a total of 4, will support the current demand, as well as being able to appropriately evaluate the demand for this service to support the more than 3900 housing provider units.

Supports Council's Strategic Priorities: Organizational excellence

The recommended addition of a temporary CPC supports improving the way NRH does business through continuous improvement of the tenant supports being offered, mitigating known costs of landlord-tenant disputes, eviction costs, move-out costs, etc.

Supports Economic Prosperity (Dials): Community Symptoms

To continue to improve the households served by NRH while fostering safe and affordable tenancies, this CPC will support further efficiencies and a stronger service-oriented approach to support healthier tenant lifestyles, the stability to pursue educational and employment opportunities, and to discontinue negative behaviours.

Risk Assessment: Priority

This role is being submitted as a pilot, to support ongoing community programming, in addition to evaluating the need for support for the more than 3900 housing provider units. In 2017, CPCs supported 110 evictions in the public housing portfolio. To support ongoing economic prosperity initiatives led by NRH and/or Niagara Region, the addition of a CPC will support proactive prevention of evictions, homelessness, and tenant engagement and pride through community development initiatives.

Staffing Impact:

1 Temporary, Full Time - Non-Union

Total Cost of Staffing Position: \$88,000

Staffing Implementation Date: January 01, 2019

The addition of this role remains within the 2019 Regional Guidance, with the NRH Owned-Units & NRH Housing Programs division supporting the cost of the pilot program.