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February 15, 2019

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

Dear Ms. Norio:

At their February 15, 2019 meeting, the Niagara Regional Housing Board of Directors, passed the following motion as recommended in attached report NRH 3-2019:

1. That the following 2018 year-end surplus transfers totaling \$2,689,169 **BE APPROVED**
 - a) \$2,565,605 transfer to the NRH Reserve to fund future housing provider capital costs
 - b) \$117,675 transfer to the NRH Owned Units reserve to fund annual capital requirements
 - c) \$5,889 transfer to the NRH Rent Supplement Reserve to fund continuing in-situ rent supplements
2. That this report be **REFERRED** to the March 20, 2019 Corporate Services Committee (CSC) meeting.

Your assistance is requested in moving report NRH 3-2019 through proper channels for approval.

Sincerely,


69 Mayor Walter Sendzik
Chair

REPORT TO: Board of Directors of Niagara Regional Housing

SUBJECT: 2018 Year-End Transfer Report

RECOMMENDATION

That the Niagara Regional Housing (NRH) Board of Directors **APPROVE** the following recommendations:

1. That the following 2018 year-end surplus transfers totaling \$2,689,169 **BE APPROVED**
 - a) \$2,565,605 transfer to the NRH Reserve to fund future housing provider capital costs
 - b) \$117,675 transfer to the NRH Owned Units reserve to fund annual capital requirements
 - c) \$5,889 transfer to the NRH Rent Supplement Reserve to fund continuing in-situ rent supplements
2. That this report be **REFERRED** to the March 20, 2019 Corporate Services Committee (CSC) meeting.

KEY FACTS

- As of December 31, 2018, the operating statements for Niagara Regional Housing (NRH) indicate a **2018 budget surplus before indirect allocations of \$2,689,169** or 4.8 percent of NRH's global budget
- The purpose of this report is to implement the process required for the NRH Board to move forward the transfer of the year-end surplus to the NRH Reserve and NRH Owned Units reserve (Recommendation #1)
- The transfer of the year-end surplus to the NRH Reserves (Recommendation #1) is recommended to support the development of a capital program for housing providers to support significant anticipated capital requirements and to the NRH Owned Units reserve to support ongoing funding requirements of the NRH-owned units annual capital program
- The current NRH Reserve balance set aside for new initiatives is insufficient to take advantage of anticipated funding announcements in alignment with the National Housing Strategy. Recommendation #1 will increase NRH-readiness to move forward with the project should additional funding be made available

- At the time of writing this report, the Niagara Region is reporting a consolidated levy deficit position and has indicated intent to utilize a portion of the NRH surplus to mitigate the overall Regional deficit

CONSIDERATIONS

Financial

Main Drivers of 2018 Surplus:

- \$51 thousand surplus in administrative costs mainly driven by timing of executive-office initiatives partially offset by higher than budgeted costs related to the building condition assessments at all properties and insurance costs relating to property damage in the year
- \$477 thousand surplus driven by savings in utility costs and property tax savings for NRH-owned units, offset by \$844 thousand in higher than budgeted property infrastructure and grounds maintenance costs
- \$3.0 million surplus in budgeted subsidy payments to non-profit, co-op and federal providers along with prior year adjustments, in addition to the timing of take-up for Ministry-funded programs expected to be utilized in 2019. This variance is partially offset by the \$1.0 million unfavourable variance in Federal & Provincial Grants as revenue is deferred to align with timing of program spending and related administrative costs.
- \$71 thousand surplus due to timing of housing provider database implementation & capital asset management software implementation
- \$1.4 million surplus in Other Revenue mainly due to rental revenues for NRH-owned units and a favourable variance in investment income, in addition to the recognition of provincial funding related to the providers where the NRH holds no further obligation
- The overall 2018 surplus is partially offset by \$370 thousand encumbrance to the 2019 budget for ongoing strategic initiatives. These initiatives include ongoing costs relating to reviewing NRH Board governance; ongoing housing provider system software development; designated substance surveys initiative; and office seating upgrade. No further initiatives are being recommended.

See attached Appendix 1: 2018 Year-End Summary

2019 Outlook

- The NRH 2019 operating budget has been adjusted to reflect main surplus drivers. This would include a budget for utility rebates, a reduction in provider subsidy costs due to trending and a slight increase in property taxes due to the addition of Carllton Street build in 2019. The 2019 operating budget also reflects the impact of end of operating agreements (EOA) and changes in Ministry funding allocations.

- The 2019 operating budget reflects a year-over-year increase in contribution to the NRH-Owned Units capital reserve restricted to Carlton Street, Jubilee Drive and Fitch Street buildings. In addition, the 2019 operating budget includes a restricted transfer to the NRH reserve for the development of a capital program for housing providers to support anticipated capital requirements.

Corporate

The Corporate Year-End Results and Transfer Report will be considered at CSC on March 20, 2019 and will include a recommendation to refer the requested year-end transfer to the Regional Council meeting on March 28, 2019.

Other Pertinent Reports

n/a

Submitted by:


Donna Woiceshyn
CEO

Approved by:


Walter Sendzik
Chair

This report was prepared by Stephanie Muhic, Program Financial Specialist, in consultation with Donna Woiceshyn, CEO.

Appendix 1: Year-End Summary

2018 NRH Variance Summary	Budget to Actual Variance \$ Surplus (Deficit)	Comments
Expenditures		
Compensation	(114,790)	(-) Unbudgeted increases & changes in Senior Management Team (+) Timing of staffing transitions and Ministry administrative funding for program support
Administration	51,356	(+) Timing of executive office initiatives & consulting (-) Higher than expected costs for building condition assessments and insurance costs
Operational & Supply	1,665	
Property Taxes & Rent	101,750	(+) Favourable property tax billings compared to budget estimate
Property Infrastructure & Maintenance	(584,812)	(-) Unfavourable driven by HVAC maintenance, electrical & plumbing, higher than expected repair & maintenance costs related to move-outs (e.g. flooring) & higher than expected costs related to pest control
Grounds	(259,556)	(-) Higher than expected grounds costs driven by increased service contract renewal costs due to increases in minimum wage & service level requirements
Utilities	375,132	(+) Favourable utilities due to savings in electricity & natural gas costs due to capital improvements (e.g. heating control systems) & unbudgeted electricity rebates
Occupancy & Infrastructure	(367,486)	
Equipment, Vehicles, Technology	70,775	(+) Timing of Integrated Housing Provider solution software & capital asset management software
Community Assistance	2,975,202	(+) Timing of Ministry funded programs: SHIP, SIF, IAH-E, PHB-SDV (+) Lower than budgeted provider subsidies
Financial Expenditures	25,235	
Total Variance - Expenditures	2,641,957	
Revenue		
Federal & Provincial Grants	(942,056)	(-) Deferred recognition based on timing of Ministry funded programs & related administrative costs: SHIP, SIF, IAH-E, PHB-SDV
By-Law Charges & Sales	250	
Other Revenue	1,365,432	(+) Higher NRH-owned units rental revenue (+) Investment income (+) Recognition of provincial funding where NRH holds no further obligation
Total Variance - Revenue	423,626	
Total Intercompany Charges	(6,492)	
Total Transfers	(369,921)	(-) 2018 Year-end Encumbrances including Designated Substance Surveys, Completion of software implementation to support housing providers and capital asset management; Board Governance process; completion of office seating updates.
Total Surplus After Transfers & Before Indirect	2,689,169	