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October 18, 2019

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

Dear Ms. Norio:

At their October 18, 2018 meeting, the Niagara Regional Housing Board of Directors, passed the following motion:

1. That the Niagara Regional Housing Board of Directors **APPROVE** the Proposed 2020 Operating Budget increase of \$555,778 or 2% over the 2019 operating budget in accordance with Council approved budget planning direction, with a net levy impact of \$28,344,677 before indirect allocations and;
2. That this report **BE REFERRED** to the Budget Review Committee of the Whole for consideration, as part of the 2020 budget deliberations.

Your assistance is requested in providing the attached report, NRH 16-2019, to the Budget Review Committee of the Whole.

Sincerely,

Mayor Walter Sendzik
Chair



REPORT TO: Board of Directors of Niagara Regional Housing

SUBJECT: Proposed 2020 Operating Budget

REPORT DATE: Friday, October 18, 2019

Recommendation

1. That the Niagara Regional Housing Board of Directors **APPROVE** the Proposed 2020 Operating Budget increase of \$555,778 or 2% over the 2019 operating budget in accordance with Council approved budget planning direction, with a net levy impact of \$28,344,677 before indirect allocations and;
2. That this report **BE REFERRED** to the Budget Review Committee of the Whole for consideration, as part of the 2020 budget deliberations.

Key Facts

- The purpose of the report is to seek approval for the proposed 2020 Operating budget for NRH.
- Niagara Region's Financial Management & Planning staff presented to Budget Review Committee of the Whole (BRCOW) Report CSD 40-2019, dated June 20th, 2019, respecting the 2020 Budget Planning. On July 18, 2019, Regional Council approved the use of the Core CPI at 2% for Regional Departments, ABC's and Rate programs.
- The proposed 2020 NRH Operating Budget reflects a \$555,778 increase (2.0%) and has met guidance.

Financial Considerations

NRH staff worked together to reach Council's guidance of 2.0%. The 2020 Budget was prepared based on maintaining current service standards. There were no program changes to the 2020 proposed operating budget for NRH.

The 2020 proposed Operating Budget is as follows:

	2019 Approved Budget	2020 Proposed Budget	\$ Change	% Change
Gross Expenditure	\$ 56.82	\$ 58.13	\$ 1.31	2.3%
Gross Revenue	\$ (29.03)	\$ (29.78)	\$ (0.76)	2.6%
Net Expenditure (Revenue) before indirect allocations	\$ 27.79	\$ 28.35	\$ 0.56	2.0%
Staff Compliment	2019 Approved FTE	2020 Proposed FTE	# Change	% Change
Full-Time Permanent Employees	51	51	0	0.0%
Full-Time Temporary Employees (Ministry-funded / pilot programs)	9	9	0	0.0%
Total FTE Count	60	60	0	0.0%

Analysis

The following highlights the changes in the proposed 2020 Operating budget as compared to the 2019 approved budget.

Compensation:

- Increase in Compensation of \$110 thousand (2.2%) is driven by corporate compensation guidance and benefit related costs. There were no net new additions to the employee compliment for 2020.

Occupancy and Infrastructure:

- Increase in Occupancy and Infrastructure of \$1.2 million (8.4%) which is driven by the following:
 - \$366 thousand driven by an increase in repairs and maintenance costs based on trending
 - \$265 thousand increase for pest control costs to include preventative maintenance
 - \$264 thousand related to an increase in property taxes as a result of the full year addition of 527 Carlton Street and properties purchased in Thorold & Welland which have been added to the NRH Owned-units properties in 2019
 - \$230 thousand increase to align with 2020 signed service contracts. The service contracts include the additions for Carlton and properties purchased in Thorold. These costs are offset by an increase in revenues associated with these properties
 - \$58 thousand net increase in utility costs based on 2019 trends. Utility costs have slightly reduced for all owned units, but were offset by the new costs related to Carlton and Thorold properties.

- \$49 thousand increase to security costs related to required daily security at Gale street

Community Assistance:

➤ *Decrease in Community Assistance of \$595 thousand (1.9%) as follows:*

- \$332 thousand (9.1%) decrease in Rent Supplement Regular due to a decline in rent geared to income subsidy to landlords. The 2020 budget includes a 1.8% legislated increase over 2019 for rent supplement and it includes an incremental subsidy for additional units due to End-of-Operating Agreements (EOA) to cover rent-supplement costs formerly funded by the Federal government. The proposed 2020 rent supplement budget also includes a \$72,000 subsidy amount for the expected units in the downtown St. Catharines Bethlehem-Penn Terra development
- \$61 thousand (1.5%) decrease in Ministry funded program assistance which are 100% funded by Provincial/Federal dollars. Any new funding announcements received in the 2020/2021 years will be adjusted in year. The following increases and decreases by program are listed below:
 - IAH-E Rent Supplement *decrease* of \$679 thousand to \$216 thousand in 2020
 - IAH-E Housing Allowance *decrease* of \$74 thousand to \$186 thousand in 2020
 - IAH-E Niagara Renovates *decrease* of \$1.1 million to \$0 in 2020
 - IAH-E Homeownership *decrease* of \$180 thousand to \$0 in 2020
 - SIF Rent Supplement *decrease* of \$187 thousand to \$540 thousand in 2020
 - SIF Housing Allowance *remains* at \$1.0 million in 2020
 - SIF Homeownership *decrease* of \$20 thousand to \$0 in 2020
 - OPHI Homeownership *increase* of \$100 thousand as new for 2020
 - OPHI Niagara Renovates *increase* of \$546 thousand as new for 2020
 - OPHI Rent Supplement *increase* of \$800 thousand as new for 2020
 - OPHI Housing Allowance *increase* of \$257 thousand as new for 2020
 - COCHI Repairs *increase* of \$505 thousand as new for 2020
- *Increase* of \$200 thousand for the Homeownership program funded by the revolving loan fund
- *Decrease* to the Non-Profit and Co-op subsidy of \$435 thousand (2.1%) due to alignment with 2019 actual subsidy payments and expected RGI subsidy trends
- *Decrease* in Federal Program subsidy of \$117 thousand (9.9%) as a result of EOA

Financial Expenditures:

- Decrease in Financial Expenditures of \$258 thousand (11.6%) is as follows:
 - *Decrease* to the NRH/LHC-Debenture expense of \$368 thousand (17.9%) due to debt reduction owed to the province as four agreements have expired
 - *Increase* in bad debt costs anticipated due to an internal review on tenant arrears owed to NRH. The write-off of arrears is expected in 2020

Transfers to Reserves:

- *Increase* Transfer to Capital Reserves of \$827 thousand (36.7%) from \$2.3 million.
 - \$267 thousand increase transfer to NRH reserve from Housing Programs to support programs for housing providers (total transfer to reserve of \$1.5 million)
 - \$561 thousand increase transfer to NRH Owned-Units reserve to support repairs required on owned-units (total transfer to reserve of \$1.5 million transfer)). The total transfer includes restricted reserve contributions of \$81 thousand for 527 Carlton Street, \$72 thousand for Jubilee Drive, and \$89 thousand for Fitch Street East. The remaining \$1.3 million is required to support ongoing funding requirements of the NRH-owned units annual capital program. Increased contributions to reserves are supported by the Niagara's 10-Year Housing and Homelessness Action Plan report COM 40-2019

Revenues:

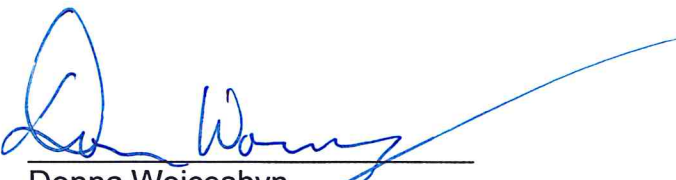
- *Increase* in Revenues of \$756 thousand (2.6%) is as follows:
 - Decrease in Federal & Provincial grants of \$67 thousand (0.5%) driven by scheduled service manager funding schedules due to EOA
 - *Increase* in rental revenue of \$642 thousand (4.4%) based on 2019 actuals (includes full year-revenues for Carlton Street and Thorold Properties purchased in 2019)
 - *Increase* in other revenue of \$200 thousand relating to recognition of revenue from the revolving loan in order to fund the homewonership program for 2020

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/SIF Rent Supplement, IAH-E/SIF Homeownership, and IAH-E/SIF Niagara Renovates and new OPHI/COCHI funding which is replacing IAH-E/SIF into the budget process. Year-over-year these amounts are expected to change to reflect the take-up of funding. 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.

Other Pertinent Reports

CSD 40-2019

Submitted by:
Donna Woiceshyn
Chief Executive Officer**Approved by:**
Walter Sendzik
Chair

This report was prepared by Stephanie Muhic, Program Financial Specialist, in consultation with Donna Woiceshyn, CEO and Dan Ane, Manager Program Financial Support.