



Mailing Address:
P.O. Box 344
Thorold ON L2V 3Z3

Street Address:
Campbell East
1815 Sir Isaac Brock Way
Thorold ON

Phone: 905-682-9201
Toll Free: 1-800-232-3292
(from Grimsby and beyond Niagara region only)

Main Fax: 905-687-4844
Fax – Applications: 905-935-0476
Fax – Contractors: 905-682-8301
Web site: www.nrh.ca

February 14, 2020

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

Dear Ms. Norio,

At their February 14, 2020 meeting, the Niagara Regional Housing Board of Directors, passed the following motion as recommended in attached report NRH 2-2020:

1. That the unaudited summarized results for Niagara Regional Housing as detailed in Appendix 1, **BE RECEIVED**.
2. That the following 2019 year-end operating surplus transfers of \$1,185,178 **BE APPROVED** as follows:
 - a) \$580,000 transfer to the NRH Owned Units Reserve to fund heat control system upgrades in owned units to be completed in 2020
 - b) \$250,000 transfer to the Niagara Regional Housing Reserve to fund the Affordable Housing Master Plan to be completed in 2020
 - c) \$355,178 remaining surplus to be transferred to the Niagara Regional Housing Reserve to be utilized for new capital development opportunities to reduce the housing wait list
3. That this report be **REFERRED** to the March 11, 2020 Corporate Services Committee (CSC) meeting.

Your assistance is requested in moving report NRH 2-2020 through proper channels for approval.

Sincerely,



Mayor Walter Sendzik
Chair

REPORT TO: Board of Directors of Niagara Regional Housing

SUBJECT: 2019 Year-End Transfer Report

RECOMMENDATIONS

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

1. That the unaudited summarized results for Niagara Regional Housing as detailed in Appendix 1, **BE RECEIVED**.
2. That the following 2019 year-end operating surplus transfers of \$1,185,178 **BE APPROVED** as follows:
 - a) \$580,000 transfer to the NRH Owned Units Reserve to fund heat control system upgrades in owned units to be completed in 2020
 - b) \$250,000 transfer to the Niagara Regional Housing Reserve to fund the Affordable Housing Master Plan to be completed in 2020
 - c) \$355,178 remaining surplus to be transferred to the Niagara Regional Housing Reserve to be utilized for new capital development opportunities to reduce the housing wait list
3. That this report be **REFERRED** to the March 11, 2020 Corporate Services Committee (CSC) meeting.

KEY FACTS

- As of December 31, 2019, the operating statements for Niagara Regional Housing (NRH) indicate a 2019 budget surplus before indirect allocations of \$1,185,178 or 4.3 percent of NRH's overall net budget
- The purpose of this report is to obtain approval from the NRH Board to transfer the year-end surplus to the NRH Owned Units Reserve, the NRH Reserve and to the Niagara Region (Recommendation #1)
- The transfer to the NRH Owned Units Reserve (Recommendation #1a) is recommended to fund heat control system upgrades in owned units which will realize immediate savings on energy costs. This will be allocated via budget adjustment to NRH's 2020 budget to execute the project.

- The transfer to the NRH Reserve (Recommendation #1b) is recommended to fund the Affordable Housing Master Plan. This will be allocated via budget adjustment to NRH's 2020 budget to execute the project.
- The transfer to the Niagara Region (Recommendation #1c) is recommended to allow Council to consider the full impact of all consolidated levy results and direct any remaining surplus/deficit in accordance with the Niagara Region's Operating Surplus/Deficit Policy C-F-022.

CONSIDERATIONS

Financial

Allocations of 2019 Surplus:

- **Heat Control System Upgrades**

During the year, the Niagara Regional Housing Board of Directors approved a \$1.2 million allocation of 2019 surplus resulting from lower than budgeted subsidy payments to non-profit, co-op and federal housing providers to fund heat control system upgrades (K3D) for the providers to create future operating savings for those entities. Further correspondence with the providers has indicated a less than anticipated take-up of this initiative during 2019, with only \$506 thousand committed to providers.

It is recommended that a transfer to the NRH Owned Units Reserve (Recommendation #1a) from 2019 surplus be used to fund the installation of K3D upgrades in NRH owned units. A total of 10 NRH owned unit properties have been identified (333 units) for a total estimated cost of \$580 thousand (including non-refundable portion of HST) to install the K3D upgrades.

An examination of the Niagara Regional Housing building on Buckley Ave in Niagara Falls since the conversion to K3D limiting thermostats has yielded approximately \$147/ unit in savings annually. (Based on the current rates provided by the Ontario Energy Board). The K3D technology provides a savings of 1,100 kWh (kilowatt hour) annually per unit. On a 60 unit building an energy savings of 66,000 kWh would be realized annually for a total of nearly \$9,000/ year.

These figures are based on electric heat only and not overall electricity savings for the unit.

- **Affordable Housing Master Plan**

The Board of Directors requested a feasibility study on the owned units to explore regeneration/intensification opportunities as approved in the Business Plan for 2019-2020. This scope of the plan has expanded from the feasibility study to a 25 year Affordable Housing Master Plan. NRH has been engaging with a consultant to put together a draft scope of work for the project. The recommended funding allocation of \$250 thousand to the Niagara Regional Housing Reserve would be used to fund the plan as the expanded scope was not considered in the 2020 budget.

The Master Plan will direct NRH and the Region to present a vision and a strategy to revitalize community housing through redevelopment and growth as well as maintain the current housing stock in Niagara.

The Master Plan will explore how and when potential divestment strategies to either replace existing units or generate revenue to increase the supply of affordable housing in Niagara.

- **Transfer to Niagara Region**

At the time of writing this report, the Niagara Region is consolidating its overall levy results and expects any consolidated levy surplus/deficit after specific transfers recommended for strategic one-time initiatives (like the heat control system upgrades and the affordable housing master plan) to be nominal. In accordance with the Niagara Region's Operating Surplus/Deficit Policy C-F-022, the Niagara Region would like to recommend any unused surplus be allocated to areas identified as underfunded per the Reserve and Reserve Fund Policy C-F-013.

In the Q3 2019 consolidated financial update, it was identified that the Niagara Region's corporate stabilization reserves that support all levy programs including Niagara Regional Housing are well below recommended targets and should be considered in the yearend transfer recommendation.

Main Drivers of 2019 Surplus:

- \$121 thousand surplus is due to actual health and dental claims experienced in the year being less than budgeted.
- \$295 thousand surplus is due to the timing of executive-office initiatives and the designated substance survey reports for housing providers. The consultant did not complete all of the survey reports prior to yearend; as a result, a request has been made to encumber \$109 thousand into the 2020 budget.
- \$944 thousand deficit is a result of an expanded preventative maintenance program and move-out costs (\$660 thousand), higher than anticipated pest control costs (\$301 thousand), and higher than budgeted snow removal costs in the first half of the year (\$156 thousand); offset by lower than budgeted utility costs resulting from capital improvements and new heating control systems (\$223 thousand).
- \$3.1 million surplus in budgeted subsidy payments to non-profit, co-op and federal providers, in addition to the timing of take-up for Ministry-funded programs expected to be utilized in 2020. This variance is partially offset by the \$1.4 million unfavourable variance in Federal & Provincial Grants as revenue is deferred to align with timing of program spending and related administrative costs.

- \$681 thousand surplus in Other Revenue mainly due to higher than anticipated rental revenues for NRH-owned units (\$526 thousand) and a favourable variance in investment income (\$184 thousand)
- The overall 2019 surplus is partially offset by \$735 thousand encumbrance to the 2020 budget for ongoing strategic initiatives. These initiatives include ongoing costs relating to heat control system upgrades for providers as mentioned previously (\$506 thousand); the designated substance surveys initiative (\$110 thousand); masonry wall investigations at various housing providers (\$87 thousand); and ongoing housing provider system software development (\$32 thousand). No further initiatives are being recommended to be encumbered to the 2020 budget.

The NRH 2020 operating budget, approved at the end of 2019, considered the main drivers of the current surplus and was adjusted accordingly to reflect anticipated spending in 2020.

See attached Appendix 1: 2019 Year-End Summary

Corporate

The Corporate Year-End Results and Transfer Report will be considered at CSC on March 11, 2020 and will include a recommendation to refer the requested year-end transfers to the Regional Council meeting on March 26, 2020.

Other Pertinent Reports

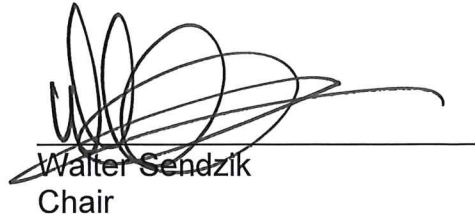
- 19-184-3.2 – Housing Programs Variance Spent Report

Submitted by:



Donna Woiceshyn
Chief Executive Officer

Approved by:



Walter Sendzik
Chair

This report was prepared by Donovan D'Amboise, Program Financial Specialist, in consultation with Dan Ane, Manager Program Financial Support, Cameron Banach, Manager Housing Operations and Donna Woiceshyn, CEO.

Appendix 1: Year-End Summary

2019 NRH Variance Summary	Budget to Actual Variance \$ Surplus (Deficit)	Comments
Expenditures		
Compensation	121,466	(+) Less than budgeted utilization of employee benefits
Administration	294,609	(+) Timing of executive office initiatives & the designated substance survey reports for housing providers
Operational & Supply	6,732	
Property Taxes & Rent	(50,274)	(-) Unfavourable property tax billings compared to budget estimate (on total budget of \$4.9 million)
Property Infrastructure & Maintenance	(961,100)	(-) Unfavourable driven by expanded preventative maintenance program, move-out costs & higher than expected costs related to pest control
Grounds	(155,973)	(-) Higher than expected grounds costs driven by higher than budgeted snow removal costs in the first half of the year
Utilities	222,954	(+) Favourable utilities due to savings in electricity costs due to capital improvements and new heating control systems
Occupancy & Infrastructure	(944,393)	
Equipment, Vehicles, Technology	41,004	(+) Timing of Integrated Housing Provider solution software
Community Assistance	3,102,730	(+) Timing of Ministry funded programs: SIF, IAH-E, OPHI, COCHI (+) Lower than budgeted subsidy payments to non-profit and co-op providers and rent supplement to landlords (-) Support to Community Services Homelessness division
Financial Expenditures	29,294	
Total Variance - Expenditures	2,651,441	
Revenue		
Federal & Provincial Grants	(1,381,483)	(-) Deferred recognition based on timing of Ministry funded programs & related administrative costs: SIF, IAH-E, OPHI, COCHI
Other Revenue	680,598	(+) Higher NRH-owned units rental revenue (+) Investment income
Total Variance - Revenue	(700,885)	
Total Intercompany Charges	(6,546)	
Total Transfers	(758,833)	(-) 2019 Year-end Encumbrances including Designated Substance Surveys, Completion of Integrated Housing Provider software implementation to support housing providers and capital asset management; Heat control system upgrades for providers
Total Surplus After Transfers & Before Indirect Allocations	1,185,178	