

Report FR-SS-21-16

To: Chair Burley and Members of the Social Services Committee
From: Mary Lou Spicer, Deputy Director of Finance
 Anne Marie Shaw, Director of Housing
Meeting Date: July 13, 2016
Subject: **Housing Financial Update and Year End Projection as of May 31, 2016**
Status: Recommendation adopted by Committee as presented per Resolution SSC56-16; Endorsed by County Council August 2, 2016 per Resolution CC97-16;

Recommendation

THAT Report FR-SS-21-16 regarding a Financial Update and Year-End Projection as of May 31, 2016 for the Housing Department be received for information.

Background

The purpose of this report is to provide members of the Social Services Committee with a financial update for the Housing Department based upon financial statements as of May 31, 2016.

Summary

This report is based upon May 2016 financial statements as well as having taken into account known expenses that have been incurred since that time as well as calculating best estimates for the remainder of the year.

Summary of Projected Housing Year-End Surplus/(Deficit)	Projected Year-End Surplus/(Deficit)
Housing Operating Budget	\$39,100
Housing Programs	\$0
Investment in Affordable Housing	\$0
Non Profit Housing	\$0
Housing Capital Budget	\$0
Total	\$39,100

Housing Operating Budget

Based upon the May financial statements, it is anticipated that the budget will be adequate and the department will finish the year on target with a small projected surplus of \$39,100. Salaries and associated benefits are expected to total approximately \$52,000 less than budget as the result of a change in staffing with a position vacant for half of the year.

The greatest challenge in predicting a year-end position for the housing operating budget continues to be utility costs; for most buildings four months' invoices had been received at the time the financial statements were reviewed. Hydro costs are the difficult component to predict with the varying cost of the global adjustment portion of the invoice. This refers to a charge that accounts for the difference between the market price and the rates paid to regulated and contracted generators and for conservation and demand management programs. The rate changes depending on the invoice date and fluctuates throughout the year; a comparison of a June 2015 and a June 2016 invoice shows an increase of 20% in the global adjustment component of the invoice. The other unknown when trying to predict cost is a lack of control over energy consumption in the family unit properties. At this point, it is anticipated that the combined budgets for heat, hydro and water are close to break-even; as more invoices are received, this projection will be refined. The year-end projection show hydro may exceed budget by \$43,000, offset by estimated savings in the gas budget of \$37,000 with water on target for a net shortfall of \$6,000.

Revenue from tenants totaled \$6,800 more than budget for the first five months of the year. The budget includes a \$22,000 provision for bad debt write off; the budget was reduced from \$40,000 based upon the 2015 actual write off that totaled \$16,225 as well as an analysis of former tenant debts. If all balances from former tenants require write off, this will result in a \$45,100 write off which is \$23,100 greater than the budget. When the tenant revenue and potential bad debt write off are combined, this may result in a shortfall of \$16,300 at year-end.

Property management staff works with the goal of keeping building maintenance costs within budget while ensuring residents have a properly maintained and safe environment in which to live. The cost of rehabilitating units upon vacancy remains a budgetary pressure as floor replacement, clean up and repairs occur in more units. Traditionally, the largest pressure is in the family units however there have been several apartment unit turnover costs in the \$10,000 price range. The 2016 operating budget for building maintenance is \$185,700 with \$82,100 spent to May 31; this includes costs related to a power surge that affected family units as well as a loss of power to an apartment building, with both events occurring in Owen Sound. This budget line funds

general repairs as well as costs to make apartments ready for occupancy and staff is optimistic that this budget is sufficient for the remainder of the year.

Any savings from the budget for property taxes cannot be determined at this time until final billings have been received. It is expected that expenditures will remain within budget and staff is hopeful that savings will exist that may be used to offset other budget lines.

The cost of snow removal also continues to be a challenge with the cost for the first four months of the year totaling \$113,100 and this leaves \$40,700 available for the remainder of the year. If the costs for November and December align with the five year average for the same period, this should be sufficient.

The rent supplement program shows savings of \$9,400 in the first five months of the year as a result of agreements not renewed with private market landlords; this will result in savings of approximately \$20,000 in 2016 as it is expected that new agreements with a non-profit housing provider will be signed in early 2017.

Housing Programs

The Housing programs budget includes Rental and Supportive Housing subsidy to Owen Sound Municipal Non Profit, Delivering Opportunities to Ontario Renters (DOOR) for one affordable housing project that is not fully complete in Durham and funds repaid under the previous Home Ownership Program. These programs do not have a levy requirement and therefore will not generate a surplus or deficit at year-end.

Investment in Affordable Housing (IAH)

Similar to the Housing Programs budgets, the IAH Programs are 100% Ministry funded and program intake winds down once funds available for the year are committed to applicants.

Non Profit Housing

The financial statements to May 31 reflect a small surplus totaling \$32,100 and the budget for this program is considered sufficient for the remainder of the year.

Housing Capital Budget

The 2016 capital program included projects totaling \$2,450,000 plus \$341,900 carried forward from 2015 for a total of \$2,791,900. Report HDR-SS-07-16 recommended awarding the cladding at the highrise in Owen Sound at a cost of \$1,320,000 excluding HST which resulted in a \$143,232 budget shortfall. The report recommended that the shortfall be funded from savings in the capital budget or if insufficient savings exist, the

shortfall be funded from the Housing Reserve at year-end. To date, \$29,800 in savings from a completed roofing project is available to assist with the shortfall. Additional projects are either in progress or to be tendered; it is anticipated that further savings will be available to offset the amount required to be funded from reserve.

A capital budget was created for 2016 to provide funds to rehabilitate family units upon vacancy; the rationale behind this adjustment was to improve tracking the costs and timing of makeovers as well identifying that the opportune time to conduct these types of repairs is while a unit is unoccupied. Approximately \$76,600 of the \$100,000 budget was spent by May 31.

After taking into consideration that any shortfall in the reclad project will be funded from reserve, the capital budget is at a break-even point.

Financial / Staffing / Legal / Information Technology

Considerations

As of the end of May, the review of the actual to budget projects that the Housing department will have an operating budget surplus of approximately \$39,100 at year-end and the non profit and capital budgets are expended to end the year within budget.

Staff will continue to monitor the financial statements; financial projections will be updated and presented to the Social Services Committee later this year.

Link to Strategic Goals / Priorities

The analysis of current financial statements compared to the approved budget is a key mechanism to ensure Council's goals of ensuring financial sustainability and ongoing public accountability are maintained.

Attachments - none

Respectfully submitted by,

Mary Lou Spicer, Deputy Director of Finance

Anne Marie Shaw, Director of Housing

Director Sign Off: *Kevin Weppler, Director of Finance*