

Report FR-SS-10-15

To: Chair Burley and Members of the Social Services Committee
From: Mary Lou Spicer, Deputy Director of Finance
Meeting Date: January 14, 2015
Subject: **Housing Financial Report and Treatment of Year-End Surplus/Deficit Position**
Status: Recommendation adopted by Committee as presented per Resolution SSC17-15; Endorsed by County Council February 3, 2015 per Resolution CC33-15;

Recommendation(s)

THAT the Social Services Committee receive Report FR-SS-10-15 regarding a Financial Report and Treatment of Year-End Surplus/Deficit Position for the Housing Department;

AND THAT the 2014 operating budget deficit be funded from the One-Time Funding Reserve;

AND THAT \$474,500 for the following capital projects included in the 2014 budget but not scheduled for completion until 2015 be transferred to the Housing Reserve for use in the 2015 capital budget:

- **Kitchen cabinet replacement, 130 Rowe's Lane, Dundalk \$45,000**
- **Reclad exterior, 100 Margaret-Elizabeth Avenue, Markdale \$15,000**
- **Parking lot paving/lighting, \$150,000 and Landscaping \$20,000 Alpha Street**
- **Water pipe replacement, 85 Lemon Street, Thornbury \$40,000**
- **Ceiling and light replacement, 41 Mark Street, Markdale \$25,000; 99 Argyle Street, Markdale \$25,000; 17 Legion Road, Meaford \$40,000**
- **Common area lighting, 43 Hill Street, Flesherton \$7,000**
- **Retaining wall, 250 12th Avenue, Hanover \$75,000**
- **Waste pump replacement, 50 McNab Street, Chatsworth \$2,500**
- **Flooring replacement, 248 Queen Street, Durham \$10,000; 41 Mark Street, Markdale \$20,000**

AND THAT the 2014 capital budget surplus be transferred to the Housing Reserve.

Background

The purpose of this report is to provide members of the Social Services Committee with a financial update with projections to year-end for the Housing Department based upon financial statements as of November 30, 2014.

Summary

This report is based upon November 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. This provides an update to the projection provided to committee November 12, 2014 in report FR-SS-36-14.

Summary of Projected Housing Year-End Surplus/(Deficit)	Projected Year-End Surplus/(Deficit)
Housing Operating Budget	(\$487,000)
Housing Programs	\$0
Investment in Affordable Housing	\$0
Non Profit Housing Operating Budget	\$79,200
Housing Capital Budget	\$82,200
Total	(\$325,600)

Housing Operating Budget

The Housing operating budget has several pressure points and is expected to end the year with a budget shortfall of approximately \$487,000 that is primarily the result of less revenue than anticipated, higher than budgeted costs for salaries and benefits, building maintenance and snow removal.

In the November financial report, revenue from tenants was projected to total \$30,000 less than budget; this figure has been reduced to a revenue shortfall of \$25,000. This is a combination of lower rent revenue than anticipated offset by \$5,700 less in bad debt write offs for former tenants than budgeted.

Salaries and benefits will exceed budget by \$123,000 and this is a combination of unbudgeted settlement and reorganization costs and the impact of the non-union grid adjustment, offset by the vacant administrative assistant position.

Previously, it was anticipated that the budget for utilities was adequate and might generate a small surplus of \$30,000; this projection has been updated to reflect a potential surplus of \$45,000. Hydro is the greatest challenge to predict due to significant fluctuations in the charge for global adjustment and a lack of control over energy consumption in the family unit properties.

The cost of rehabilitating units at vacancy continues to put pressure on the maintenance of buildings budget lines as floor replacement, clean up and repairs occur in more units and at a higher cost than anticipated. The budget for this work is \$178,400 and it is now anticipated that the cost of building maintenance could be \$240,000 overspent by the end of the year. Other variance in the building accounts such as appliance and plumbing/heating repairs, equipment purchases, site maintenance and painting are a combined \$151,100 over budget and is offset by savings of approximately \$27,900 in pest control service and small savings of \$9,450 from administration budget lines. Savings of \$34,750 from the property tax budget will also be used to offset the operating budget shortfall.

The cost for snow removal in the first four months of the year exceeded the annual budget by \$34,300; the original budget shortfall estimate of \$77,000 was calculated based on average costs over the past five years for November and December. As of November 30, snow removal is overspent by \$58,900 and this budget line may be \$65,000 overspent when the December invoices are processed.

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)

Similarly, the IAH Programs are 100% Ministry funded and program intake winds down once funds are committed to applicants.

Non Profit Housing Operating Budget

Subsidy to non-profit housing providers was expected to provide surplus totaling \$40,000; at December 31 the surplus projection has been updated to \$79,200 as several annual information returns have been reconciled with non profit housing providers.

Housing Capital Budget

In report HDR-SS-07-14, the Housing Manager received approval to proceed with an unbudgeted basement foundation waterproofing project at Alpha Street in the amount of \$125,000 including contingency with work funded by savings from 2014 awarded capital projects or if insufficient savings result, the remaining balance funded from the Housing Reserve. This project will be combined with parking lot paving/lighting upgrades and patio replacement; the full project has been deferred to 2015 in order to maximize efficiencies and manage the scope of the project.

After taking into consideration the capital carry forward projects detailed below, it is anticipated that a surplus of approximately \$82,200 will result at year-end. Staff recommends that these funds be transferred to the Housing Reserve in order to assist with funding the basement foundation waterproofing project.

Staff requests that funds for the following capital projects that were not completed in 2014 be transferred to the Housing Reserve for use in the 2015 budget:

- Kitchen cabinet replacement, 130 Rowe's Lane, Dundalk \$45,000 (2015 budget figure adjusted to \$55,000 based on recent tenders)
- Reclad exterior, 100 Margaret-Elizabeth Avenue, Markdale \$15,000 (2015 budget figure adjusted to \$40,000 based on recent tenders)
- Parking lot paving/lighting (\$150,000) and Landscaping (\$20,000) Alpha Street
- Water pipe replacement, 85 Lemon Street, Thornbury \$40,000
- Ceiling and light replacement, 41 Mark Street, Markdale \$25,000; 99 Argyle Street, Markdale \$25,000; 17 Legion Road, Meaford \$40,000
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- Waste pump replacement, 50 McNab Street, Chatsworth \$2,500
- Flooring replacement, 248 Queen Street, Durham \$10,000 (2015 budget figure adjusted to \$30,000 based on recent tenders); 41 Mark Street, Markdale \$20,000

Financial / Staffing / Legal / Information Technology

Considerations

The review of the actual to budget financial statements for November as well as taking into account known expenses and best estimates since that time projects that the Housing department will have an operating shortfall of approximately \$407,800 offset by savings of \$79,200 from the Non Profit Housing Operating Budget. This results in a net operating budget shortfall of \$407,800 at year-end that staff recommends funding from the One-Time Funding Reserve in order to maintain adequate funding in the Housing Reserve to complete capital projects. Staff also recommends transferring the capital

surplus which is expected to total \$82,200 to the Housing Reserve to assist with funding the foundation waterproofing work at Alpha Street that was approved as an unbudgeted project in 2014.

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

Director Sign Off: *Kevin Weppler, Director of Finance; Anne Marie Shaw, Director of Housing*