



Committee Report

Report FR-SS-37-16

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: November 9, 2016
Subject: **Housing Financial Update and Year End Projection as of September 30, 2016**
Status: Recommendation adopted by Committee as presented per Resolution SSC87-16; Endorsed by County Council November 22, 2016 per Resolution CC147-16;

Recommendation

- 1. That Report FR-SS-37-16 regarding a Financial Update and Year-End Projection as of September 30, 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.

Summary

This report is based upon September 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	\$20,000
Housing Programs	\$0
Investment in Affordable Housing	\$0
Non Profit Housing	\$65,400
Housing Capital Budget	\$0
Total	\$85,400

Housing Operating Budget

Based upon the September 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 \$20,000. Salaries and associated benefits are expected to total approximately \$55,000 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. 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 projection indicates that hydro may exceed budget by \$110,000, offset by estimated savings in the gas budget of \$68,000 with water on target for a net utility budget shortfall of \$42,000.

Revenue from current and previous tenants totaled \$31,400 more than budget to September 30. 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 an approximate write off of \$45,100 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 small surplus of \$8,300 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 \$147,000 spent to September 30; 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. After taking into consideration the various building maintenance budget lines, overall there may be a budget shortfall of \$51,400 by the end of the year as higher costs for pest control, appliance/equipment repairs, electrical work etc. have been higher than anticipated.

The budgets for property taxes and insurance premiums have provided savings of \$12,300 and \$14,300. The cost of snow removal was a challenge with the cost for the first four months of the year totaling \$113,100; 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 amount should be sufficient.

The rent supplement program shows savings of \$16,000 to September 30 as a result of agreements not renewed with private market landlords; this will result in savings of approximately \$23,500 in 2016 as it is expected that new agreements with a non-profit housing provider will be signed in early 2017.

Overall based upon the information provided above, the housing operating budget is projected to end the year with a small surplus of \$20,000. The final year-end position will vary from the projection depending on utility costs and building maintenance expenses.

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 reflect a \$35,400 surplus with several mortgage renewals occurring during the year at a lower rate and several subsidy reconciliations that show fewer funds required by housing providers than anticipated. Based upon this information, the budget for this program is expected to generate savings of \$65,400 at year end.

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.

A capital budget of \$100,000 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. This budget line is currently overspent by approximately \$74,800.

There are projects that will not be tendered and/or not completed by year-end; these projects will be identified in the year-end report with a motion to transfer the funds to reserve for use in 2017.

The capital budget is in a current shortfall position of \$137,200 after taking into consideration factors:

- Shortfall of \$143,232 in cladding project
- Additional costs that were incurred for 2015 projects completed in 2016
- Insurance reimbursements from prior years fire claims that were higher than estimated
- Union Gas rebates for prior year projects
- Unbudgeted work (power loss at an apartment building and a walk behind snowblower)

When considered overall, this is slightly less than the shortfall from the cladding project; the budget shortfall will be funded at year-end from the Housing Reserve as discussed above.

Financial / Staffing / Legal / Information Technology Considerations

As of the end of September, the review of the actual to budget projects that the Housing department will have an operating budget surplus of approximately \$85,400 at year-end. This is the result of the \$20,000 from the housing operating budget, the non-profit budget with a \$65,400 surplus and the capital budget with a shortfall as the result of the higher than budgeted cost of the cladding project that will be funded from the Housing Reserve.

Staff will bring a final report on budget surplus/shortfalls as well as identifying projects to be carried forward to 2017 to Committee of the Whole in January 2017.

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