



Date: April 11, 2017

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive Officer/
Secretary

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Chief Financial Officer

Subject: **Operating Variance Report for February 28, 2017
(Report #17008)**

RECOMMENDATION:

That Report #17008 be received for information

Tom Hunter
Chief Executive Officer/Secretary

BACKGROUND:

Summarized consolidation Operating results as at February 28, 2017 are shown below:

Consolidated	Budgeted	Actual	Variance	Annual Budget
	YTD Feb 2017	YTD Feb 2017	YTD Feb 2017	Actual 2017
REVENUE				
Operating Revenue	5,969,188	6,163,885	194,697	35,815,129
Government Subsidies	5,924,190	4,004,121	(1,920,069)	35,545,137
Other	158,981	495,282	336,301	953,887
TOTAL REVENUE	12,052,359	10,663,288	(1,389,071)	72,314,153

Consolidated	Budgeted	Actual	Variance	Annual Budget
	YTD Feb 2017	YTD Feb 2017	YTD Feb 2017	Actual 2017
EXPENSES				
Administration- Salaries/wages/benefits	1,915,770	1,686,217	229,552	11,494,617
Administration-Bad Debts	54,529	59,124	(4,595)	327,174
Administration- Insurance	165,777	134,159	31,618	994,663
Administration- Other	345,782	248,586	97,196	2,074,694
Materials and Services	1,965,891	1,655,530	310,361	11,795,348
Utilities	1,832,953	1,839,664	(6,711)	10,997,716
Property Taxes	2,466,373	75,162	2,391,211	14,798,240
Amortization and Mortgage Interest	1,909,302	1,720,129	189,173	11,455,812
Allocated to Capital Services	1,395,982	1,395,980	2	8,375,889
TOTAL EXPENSES	12,052,359	8,814,551	3,237,808	72,314,153
NET SURPLUS/(DEFICIT)	-	1,848,737	1,848,737	-

Appendix A displays the consolidated year-to-date operating results as at February 28, 2017 shows a favourable variance to budget of \$1,848,737. Details on significant variances are discussed below.

Revenue

Detailed revenue information is shown in the chart below:

REVENUE DETAILS	Budgeted	Actual	Variance	Annual Budget
	YTD Feb 2017	YTD Feb 2017	YTD Feb 2017	Actual 2017
<u>Operating Revenue</u>				
Residential Rent	5,754,730	5,980,471	225,741	34,528,381
Commercial Rent	214,458	183,414	(31,044)	1,286,748
Tenant Recoveries	81,958	52,809	(29,149)	491,747
Other	77,023	442,474	365,450	462,140
TOTAL OPERATING REVENUE	6,128,169	6,659,167	530,998	36,769,016
<u>City of Hamilton Subsidy</u>				
Rent/Operating Subsidy	5,750,894	3,846,191	(1,904,703)	34,505,361
Rent Supplement Subsidy	173,296	157,930	(15,366)	1,039,776
TOTAL CITY OF HAMILTON SUBSIDY	5,924,190	4,004,121	(1,920,069)	35,545,137
TOTAL REVENUE	12,052,359	10,663,288	(1,389,071)	72,314,153

Operating Revenue

Net operating revenue is showing a favourable variance to budget of \$530,998. Revenue is budgeted as per benchmarking factors as provided by Ministry of Municipal Affairs and Housing – Variance in revenue maybe payable back to the Service Manager once the Annual Reconciliation is completed. Commercial rent is unfavorable due to vacancy loss on properties at 350 King and 162 King William.

City of Hamilton Subsidy

In 2017, CHH's subsidized portfolio was tax exempted. As a result the original budget will need adjustment. Currently the budget is with the non-tax exempt status which is resulting in operating subsidies as favourable and taxes as favourable. Awaiting Service Managers revised budgets/confirmations from tax departments to make the required changes.

Administration Salaries, Wages and Benefits

Staffing complements are being reviewed to ascertain staffing levels. In addition gapping positions has kept salaries in a favorable position.

Materials and Services

Operating expenses relating to Materials and Services are showing a favourable variance to budget of \$310,361. The chart below shows a distribution of total materials and services costs among the main cost categories:

Particulars	Budgeted	Actual	Variance	Annual Budget
	YTD Feb 2017	YTD Feb 2017	YTD Feb 2017	Actual 2017
Pest Control Operating	-	-	-	-
Pest Control Bed Bugs	2,500	483	2,017	15,000
Building Operating	396,366	392,176	4,190	2,378,196
Flooring	50,493	20,092	30,401	302,957
Unit Turnovers/ Vacancies	293,453	72,112	221,341	1,760,717
Painting Operating	63,971	34,798	29,173	383,828
Roofing Operating	24,034	9,501	14,533	144,201
Life System Operating	110,356	112,795	(2,439)	662,134
Elevators Operating	59,800	46,770	13,031	358,801
Equipment Operating	40,857	79,604	(38,746)	245,144
Plumbing Operating	119,406	101,353	18,053	716,436
Heating & Ventilation Operating	194,980	106,618	88,362	1,169,880
Grounds Operating	313,520	350,569	(37,049)	1,881,119
Electrical Operating	61,546	62,024	(478)	369,276
Building Security Operating	85,362	121,187	(35,826)	512,170
Waste Removal Operating	47,150	45,997	1,153	282,899
Safety Equipment Operating	1,101	0	1,101	6,605
Supplies -Pest Control	26,167	20,773	5,394	157,000
Supplies	44,682	78,679	(33,997)	268,091
HST Expenses-Materials & Services	30,149	-	30,149	180,894
	1,965,891	1,655,530	310,361	11,795,348

Unfavourable variance exists in equipment, grounds and supplies. CHH will monitor spending in the second quarter. Unit Turnovers over \$5,000 are reclassified to Replace and Reserve accounts.

Utilities

Budget estimated as per Ministry of Municipal Affairs and Housing (MMAH) benchmark Indices, actual rate for hydro in Hamilton higher than budgeted.

Replace & Reserve Expense Variance Statement

Appendix B details the Statement of Replace & Reserve income and expenses of CHH for the month ending February 28, 2017.

OPERATIONAL PLAN:

This report implements:

Goal 1: Create Financial Sustainability – *Ensure the integrity of the financial process, internal controls, disclosure of City Housing Hamilton Financial Statements*

TH/RD