



Date: September 26, 2017

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive Officer/
Secretary

Prepared by: Rochelle Desouza
Chief Financial Officer

Subject: **Operating Variance Report for August 31, 2017
(Report #17028)**

RECOMMENDATION:

That Report #17028 be received for information

Tom Hunter
Chief Executive Officer/Secretary

BACKGROUND:

Summarized consolidation Operating results as at August 31, 2017 are shown below:

Consolidated	Budgeted	Actual	Variance	Annual Budget
	YTD Aug 2017	YTD Aug 2017	YTD Aug 2017	Actual 2017
REVENUE				
¹ Operating Revenue	23,876,753	23,567,537	(309,216)	35,815,129
² Government Subsidies	14,246,439	14,317,701	71,262	21,369,658
Other	635,925	983,369	347,444	953,887
TOTAL REVENUE	38,759,116	38,868,607	109,491	58,138,674

Consolidated	Budgeted	Actual	Variance	Annual Budget
	YTD Aug 2017	YTD Aug 2017	YTD Aug 2017	Actual 2017
EXPENSES				
³ Administration-Salaries/Wages/Benefits	7,663,078	7,366,207	296,871	11,494,617
Administration-Bad Debts	218,116	199,883	18,233	327,174
Administration-Insurance	663,109	637,521	25,588	994,663
⁴ Administration-Other	1,383,129	1,204,154	178,975	2,074,694
⁵ Materials and Services	7,863,565	7,842,568	20,998	11,795,348
⁶ Utilities	7,331,811	7,566,739	(234,928)	10,997,716
² Property Taxes	415,174	519,314	(104,140)	622,761
Amortization and Mortgage Interest	7,637,208	7,415,776	221,432	11,455,812
Allocated to Capital Services	5,583,926	5,583,922	4	8,375,889
TOTAL EXPENSES	38,759,116	38,336,084	423,032	58,138,674
NET SURPLUS/DEFICIT	-	532,523	532,523	-

Appendix A details the consolidated year-to-date operating results as at August 31, 2017 showing a favourable variance to budget of \$532,523. 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 Aug 2017	YTD Aug 2017	YTD Aug 2017	Actual 2017
<u>Operating Revenue</u>				
Residential Rent	23,018,921	22,901,913	(117,008)	34,528,381
Commercial Rent	857,832	665,624	(192,208)	1,286,748
Tenant Recoveries	327,831	275,643	(52,188)	491,747
Other	308,093	707,726	399,633	462,140
TOTAL OPERATING REVENUE	24,512,677	24,550,906	38,229	36,769,016
<u>City of Hamilton Subsidy</u>				
Rent/Operating Subsidy	13,553,255	13,679,143	125,888	20,329,882
Rent Supplement Subsidy	693,184	638,558	(54,626)	1,039,776
TOTAL CITY OF HAMILTON SUBSIDY	14,246,439	14,317,701	71,262	21,369,658
TOTAL REVENUE	38,759,116	38,868,607	109,491	58,138,674

Operating Revenue¹

Net operating revenue shows a favourable variance to budget of \$38,229. Revenue is budgeted as per benchmarking factors as provided by Ministry of Municipal Affairs and Housing (MMAH) – Variance in revenue is estimated for 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 Street East and 162 King William Street.

City of Hamilton Subsidy and Property Taxes²

In 2017, CHH's subsidized portfolio became tax exempt (pending confirmations from Municipal Property Assessment Corporation (MPAC) for tax exemption). As a result, in August 2017, the budgets were adjusted as per Service Managers original budget estimates for taxes and operating subsidies.

The variance in property taxes exist because of receivable for 690 Stonechurch, 4 Bridgewater from the Service Manager and lower estimates for taxes in market properties.

Administration Salaries, Wages and Benefits³

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

Administration Other⁴

Seasonal Variance exists in administration other. In addition management and staff are monitoring spending conscientiously and effectively- for example all training is only after approved by the management team as identified in the Performance Appraisal of the person requesting it.

Materials and Services⁵

Operating expenses relating to Materials and Services are showing a favourable variance to budget of \$20,997. The chart below shows a distribution of total materials and services costs among the main cost categories:

Particulars	Budgeted	Actual	Variance	Annual Budget
	YTD Aug 2017	YTD Aug 2017	YTD Aug 2017	Actual 2017
Pest Control Operating	-	8,085	(8,085)	-
Pest Control Bed Bugs	10,000	483	9,517	15,000
Building Operating	1,585,464	1,727,927	(142,463)	2,378,196
Flooring	201,971	102,980	98,992	302,957
Unit Turnovers/Vacancies	1,173,811	490,154	683,657	1,760,717
Painting Operating	255,885	304,646	(48,761)	383,828
Roofing Operating	96,134	168,287	(72,153)	144,201
Life Systems Operating	441,423	519,608	(78,185)	662,134
Elevators Operating	239,201	246,211	(7,011)	358,801
Equipment Operating	163,429	267,207	(103,778)	245,144
Plumbing Operating	477,624	489,449	(11,825)	716,436
Heating & Ventilation Operating	779,920	755,981	23,939	1,169,880
Grounds Operating	1,254,079	1,460,211	(206,132)	1,881,119
Electrical Operating	246,184	219,955	26,229	369,276
Building Security Operating	341,447	443,869	(102,422)	512,170
Waste Removal Operating	188,599	285,842	(97,242)	282,899
Safety Equipment Operating	4,403	-	4,403	6,605
Supplies -Pest Control	104,667	70,863	33,804	157,000
Supplies	178,727	280,810	(102,082)	268,091
HST Expenses -Materials & Services	120,596	-	120,596	180,894
TOTAL MATERIAL & SERVICES	7,863,565	7,842,568	20,998	11,795,348

CHH monitors spending in this quarter as seasonal variances exist for many expenses. Unit Turnover costs above \$5,000 are reclassified to Replace and Reserve accounts. When expenses flow through the repairs system some come through as building operations, flooring, painting etc. this causes Unit Turnovers/Vacancies to be lower than budget and other expenses to appear higher than budget.

Utilities⁶

Budget estimated as per Ministry of Municipal Affairs and Housing (MMAH) benchmark indices, actual rate for hydro in Hamilton is 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 August 31, 2017.

ALIGNMENT TO THE 2017-2021 STRATEGIC PLAN:

This report implements:

Economic Prosperity and Growth

CityHousing Hamilton believes that residents reach their full potential when they have access to employment, entrepreneurship or education opportunities that will contribute to the growth and prosperity of the City of Hamilton.

Built Environment and Social Infrastructure

CityHousing Hamilton is committed to finding new ways to be innovative that will contribute a dynamic City characterized by unique infrastructure, buildings, and public spaces. The maintenance, renewal and new development of our housing stock will ensure that the quality of life, well-being and enjoyment of our residents', influences the design and planning of our homes.

Our People Our Performance

CityHousing Hamilton aims at delivering consistent and excellent service for all its residents, while searching for ways to increase efficiencies and effectiveness in how we operate. To provide the highest quality of service to our residents within current resources, we work to empower staff to deliver on our service commitments by strengthening staff competencies, standardizing operating processes, streamlining services and technology and holding staff accountable to better respond to the needs of residents.

TH/rd

Mission: We provide affordable housing that is safe, well maintained and cost effective and that supports the diverse needs of our many communities.