



**Date:** May 29, 2018

**Report to:** Board of Directors  
CityHousing Hamilton

**Submitted by:** Tom Hunter,  
Chief Executive  
Officer/Secretary

**Prepared by:** Rochelle Desouza,  
Chief Financial Officer

**Subject:** **Audited 2017 Financial Report for CityHousing Hamilton  
(Report #18008)**

**RECOMMENDATION:**

That the Board of Directors authorize the President and Vice-President to execute:

The Final 2017 Financial Report for CityHousing Hamilton as audited by KPMG LLP,  
Chartered Accountants.

A handwritten signature in blue ink that reads "Tom Hunter".

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Tom Hunter  
Chief Executive Officer/Secretary

**BACKGROUND:**

The Corporation's Auditor, KPMG, has audited the Draft 2017 Financial Statements for CityHousing Hamilton (Appendix A). The report includes three key financial reports:

Statement of Financial Position – summarizes the financial balances as at December 31, 2017.

Statement of Operations and Changes in Fund Balances – details operating results for the fiscal year ending December 31, 2017.

Statement of Changes in Financial Position – outlines the sources and uses of funds and explains any changes in cash or working capital.

## Statement of Operations and Changes in Fund Balances

Consolidated operating results show a net surplus of \$608,860 compared to a budgeted surplus/deficit of zero, resulting in a net favourable variance of \$608,860. The main variance items relate:

- Operating Revenue – Favourable variance of \$864k
- Service Manager Subsidies – Unfavourable variance of (\$2,195k)
- Other (Antenna fees, Energy Rebates, Parking, Interest etc.) – Favourable Variance of \$1,432k
- Amortization of Deferred Contribution (Grant) – Not budgeted Favourable Variance of \$782 \*
- Administration(Salaries & Benefits) – Favourable variance of \$663k
- Administration(Bad Debts) – Unfavourable variance of (\$79k)
- Administration(Insurance) – Favourable variance of \$19k
- Materials & Services – Favourable variance of \$187k
- Amortization/Interest on Long term debt – Unfavourable variance of (\$439) \*
- Municipal taxes – Unfavourable variance of (\$87k)
- Utilities – Unfavourable variance of (\$538k)

Following discussion and approval by the Board of Directors, this document requires execution by the President and Vice-President.

KPMG's Report to the Board of Directors – Communication letter of Audit Results dated May 27, 2017 (Appendix B). This document outlines the audit results and reportable matters.

Summarized main variance information from the Statement of Operations is shown below:

### REVENUE-gross revenue \$101K favourable

Residential Rent – Favourable variance of \$1157k. Budget is based on rent as dictated by the Service Manager. Revenue is based on what CHH has historically charged with an increase as per the Residential Tenancies Act. The number of units rented out as market higher than expected.

Commercial Rent – unfavourable variance of (\$293k) budget accounted for vacancies as revenue.

Tenant recoveries – Favorable variance of \$413k, actual higher than expected

Subsidy – unfavourable variance of (\$2,195k) due to more units being rented at market.

Other revenue – favourable variance of \$1,019k due to budget being based on benchmarking and actual revenue being higher, includes interest, incentive funding and energy rebates in 2017.

## ADMINISTRATION (SALARIES) – net favourable 663k

Salaries, wages and benefits – net favourable variance of \$663k. This is mainly due to the strategy adopted in 2017 for gapping positions, reduction in conference expenses and overall cost conciseness of supplies. SHARP funding received and staff allocated to the project, staffing cost capitalized.

## ADMINISTRATION (BAD DEBTS) – unfavourable (79k)

Bad Debt Expenses – net unfavourable variance of (\$79k). Higher than budgeted write offs. All uncollectable accounts written off till December 2016. Lean Six Sigma strategy adopted in 2016 to reduce arrears and bad debt variance.

## ADMINISTRATION (INSURANCE) – favourable 19k

Insurance – favourable of \$19k. Budgeted amount is higher than actual as CHH had to pay. CHH had multiple incidents with deductibles in 2017, Majority of the deductibles paid in 2017 were for fires and floods, some of which include 30 Sanford, 245 Kenora, 191 Main, 95 Hess, 20 Congress, 36 Laird. Deductibles are paid when requested by the Insurance adjuster and not at the time of the incident.

## MATERIALS & SERVICES – favourable \$187k

Materials and Services - favourable variance of \$187k. In 2017, unit turnovers, furnaces and equipment of higher value were expensed under the replace and reserve account. The budgeted figure in the replace and reserve account for unit turnovers was \$1.2 M.

## AMORTIZATION/MORTGAGE INTEREST AND DEFERRED CONTRIBUTIONS– favourable \$343k

Amortization/mortgage interest shows a net favorable variance of 343k. In 2017 the amortization of deferred were not included in the budgets. The revenues for deferred revenue were \$782k and the expenses were \$439K. For Service Manager Portfolios the mortgages paid are a flow through and would be part of Operating Subsidy.

## PROPERTY TAXES – unfavourable (\$87k)

Actual Property tax percentage was higher compared to the budgeted amount that resulted in a favorable variance of \$45k. In 2017 there were two properties 690

Stonechurch Rd West and 4 Bridgewater where property taxes will be a flow through and would be part of the operating subsidy for 42K.

## UTILITIES – unfavourable (\$538k)

Electricity	\$	829,746
Fuel	\$	(417,119)
Water	\$	(951,373)
Total	\$	(538,746)

Utility rate increases and inadequate control on how residents use energy are primary factors leading to the unfavorable variance of (\$538k). To address these issues, CHH has started implementing energy retrofits in 2017 which are expected to significantly reduce electricity, natural gas, and water usage in its most energy-intensive buildings. These retrofits will primarily consist of building automation systems for heating controls, efficient water fixtures, and energy efficient lighting. Capital funding for the retrofits has been secured through the province of Ontario's Social Housing Apartment Retrofit Program (SHARP) as well as through a loan from the City of Hamilton. This funding will allow CHH to implement large scale energy efficiency projects with significant energy cost savings while having a minimal impact on CHH's capital budget. Based on anticipated construction dates, these energy retrofits are expected to lower energy usage and costs significantly in 2018. Utility rate structures and procurement options will also be reviewed and associated cost savings opportunities will be explored.

## OTHER FUNDS

The balance in our Replace and Reserve fund is \$3,613,558. This balance is representative of projects which are work in progress. CHH is in a process of developing a strategy to build back the Replace and Reserve fund. The Sold Unit fund balance is 5,672,117 which is to be used for new construction or capital projects as directed by the Board.

## MANAGEMENT LETTER

The Corporation's Auditor, KPMG, has provided a Management Letter for the 2017 audit for CityHousing Hamilton (Appendix B).

Note: numbers have been rounded and grouped for presentation.

## **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.

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