



Date: May 26, 2020

Report to: Board of Directors
CityHousing Hamilton

Submitted by: Tom Hunter,
Chief Executive
Officer/Secretary

Prepared by: Rochelle Desouza,
Chief Financial Officer

Subject: **Audited 2019 Financial Report for CityHousing Hamilton
(Report #20009)**

RECOMMENDATION:

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

The Final 2019 Financial Report for CityHousing Hamilton as audited by KPMG LLP, Chartered Accountants.

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

Tom Hunter
Chief Executive Officer/Secretary

BACKGROUND:

In 2019, CityHousing Hamilton prepared financial statements as per the Canadian Public Sector Accounting Standards.

The Corporation's Auditor, KPMG, has audited the Draft 2019 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, 2019.

Statement of Operations and Accumulated Surplus – details operating results for the fiscal year ending December 31, 2019.

Statement of Cash Flow – outlines the sources and uses of funds and explains any changes in cash or working capital.

Statement of Operations and Accumulated Surplus

Consolidated operating results show a net surplus of \$27,003,580 compared to a budgeted surplus/deficit of 8,582,657, resulting in a net favourable variance of \$18,420,923. The main variance items relate:

- Operating Revenue – Unfavourable variance of (\$229k)
- Service Manager Subsidies – Unfavourable variance of (\$2,022k)
- Other (Antenna fees, Energy Rebates, Parking, Interest etc.) (SHIP and SHARP Funding) (Sold units revenue received) – Favourable Variance of \$20,950k
- Amortization of Deferred Contribution (Grant) – Not budgeted Favourable Variance of \$435k
- Administration(Salaries & Benefits) – Unfavourable variance of (\$2,262k)
- Administration(Bad Debts) – Unfavourable variance of (\$82k)
- Administration(Insurance) – Unfavourable variance of (\$108k)
- Materials & Services – Favourable variance of \$1185k
- Repairs – Unfavorable variance of (\$376)
- Interest on Long term debt – no variance
- Municipal taxes – Favourable variance of 148k
- Utilities – Favourable variance of 782k

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 – Draft Communication letter of Audit Results dated May 21, 2019 (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 \$19,134K favourable

Residential Rent – unfavourable variance of (\$295k). 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.

Commercial Rent – unfavourable variance of (\$312k) budget accounted for vacancies as revenue.

Tenant recoveries – favorable variance of \$378k, actual higher than expected

Subsidy – unfavourable variance of (\$2,022k) due to more units being rented at market.

Other revenue – favourable variance of \$21,385k due to budget being based on benchmarking and actual revenue being higher, includes interest, incentive funding and energy rebates in 2019. Received SHAIIP and SHARP funding in 2019. Sold Units Funds revenue received allocated to Other revenue.

ADMINISTRATION (SALARIES) – net unfavourable (2,262k)

Salaries, wages and benefits – net unfavourable variance of (2,262k). This is mainly due to LTD and WSIB benefit obligations, which were accrued for the first time in 2019 to the tune of \$1,708k and the inter-departmental salaries charged to operating instead of new development in 2019.

ADMINISTRATION (BAD DEBTS) – unfavourable (82k)

Bad Debt Expenses – net unfavourable variance of (\$82k). Higher than budgeted write offs. All uncollectable accounts written off till December 2018. Lean Six Sigma strategy adopted in 2016 to reduce arrears and bad debt variance, progress on past tenants will be monitored in 2020.

ADMINISTRATION (INSURANCE) – unfavourable (108k)

Insurance – unfavourable of (\$108k). Budgeted amount is lower than actual as CHH had to pay. CHH had multiple incidents with deductibles in 2019, Majority of the deductibles paid in 2019 were for fires and floods, some of which include 120 Strathcona, 185 Jackson, 50 Congress, 500 MacNab, 580 Limeridge, 66 Greendale and 95 Hess. Deductibles are paid when requested by the Insurance adjuster and not at the time of the incident.

MATERIALS & SERVICES – favourable \$1,185k

Materials and Services - favourable variance of \$1,185k. In 2019, unit turnovers, which qualified for Poverty Reduction Funds and HFH Funds were expensed under the respective project. The budgeted figure for Poverty Reduction was \$1M and HFH was \$2M.

REPAIRS– unfavourable (376k)

Under Public Sector Accounting Standards any expenses which cannot be capitalized are transferred from the capital funds to the operations. For the year 2019 \$376 was the total that would be considered operating expenses.

PROPERTY TAXES – favourable \$148k

Actual Property tax percentage was lower compared to the budgeted amount that resulted in a favorable variance of \$148k. In 2019 there were two properties 690 Stonechurch Rd West and 4 Bridgewater where property taxes will be a flow through and are part of the operating subsidy.

UTILITIES – favourable \$782k

Account Category	favourable	
Electricity	\$	891,926
Fuel	\$	102,240
Water	\$	(211,804)

CHH has started implementing energy retrofits in 2017 were 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 was secured through the province of Ontario's Social Housing Apartment Retrofit Program (SHARP), Social Housing Apartment Improvement Program (SHAIP) as well as through a loan from the City of Hamilton. This funding allowed 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 lowered energy usage and costs significantly in 2019. CHH continues to review, utility rate structures, procurement options and associated cost savings opportunities will be explored.

MANAGEMENT LETTER

The Corporation's Auditor, KPMG, has provided a Management Letter for the 2019 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.

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.