



Notice

Number: 07-08A

APPLICABLE TO:**DATE: May 25, 2007**

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<input checked="" type="checkbox"/>	Mandatory
<input type="checkbox"/>	For Information

SUBJECT: Housing Provider Annual Reporting: 5-Year Capital Plan**BACKGROUND:**

The adequacy of housing provider capital reserve funds has been of concern to both housing providers and service managers for some time. In 2005, Niagara Regional Housing (NRH) implemented a Capital Asset Management Strategy to address the long-term viability of the affordable housing asset and to preserve the housing stock in Niagara. Housing providers will be informed as the various strategies unfold and will be involved in this important process.

The first phase of the strategy is complete. Building Condition Assessments (BCA) have been completed on the majority of housing providers. Data from the studies were input into the Capital Forecasting Software (CFS) to allow providers to monitor and revise their short and long term capital plans based on condition, priority and availability of funding. For those providers who did not undertake a BCA, an extrapolation based on similar buildings was used for input into the CFS.

Capital Forecasting System Data

The CFS data will become out-of-date as housing providers complete, defer or revise capital work. The amount of reserves will also require revision when the actual interest earned on the investments is determined. Therefore it is necessary for both housing providers and NRH to update the capital reserve data in the CFS, on an annual basis, to ensure that the data remains current and meaningful.

It is also important for providers to develop and maintain a 20-year capital plan for determining appropriate investment vehicles and for long-term planning purposes.

The 5-year capital budget and plan discussed in this notice is to facilitate short term planning.

IMPLEMENTATION:

The housing provider is responsible to ensure that accurate and complete information of capital reserve activity is reported on the Annual Information Return (AIR). Providers are now required to submit their 5 year capital plan to NRH together with their year end submission of audited financial statements and AIR.

Details:

- Page A6 of the AIR includes sections for beginning balances, transfer from operating and investment income as well as an area to itemize expenses. The itemized expenses detail the work actually completed in the fiscal year. The information reported will be compared to the provider's reserve fund study and/or most recent 5-year capital plan. Providers are requested to supply additional information when they deviate from their reserve fund study or latest 5-year plan. (*Appendix C*).
- The *SHSC Capital Forecasting Software* allows providers to make changes to their short and long-term capital plans. (*Refer to Appendix A for steps*).
- The board of directors must approve the 5-year capital plan and two signing officers are required to sign the plan. The capital plan is to be submitted with the year end financial reporting. Providers are requested to include appropriate details to explain changes in their capital work priorities. (*Refer to Appendix B*)
- Providers can choose to send a CFS electronic update to NRH (*refer to Appendix A for steps*).

Please note that a 5-year capital plan is also required from providers who do not have a reserve study in the CFS. Any software program can be used to create the plan as long as the results contain the same information as produced by the CFS 5-year capital budget. (*Refer to Appendix B*)

Implementation Date: Providers' fiscal year starting in 2006.

Service Manager's Role:

NRH will maintain and update the NRH "rolled up" CFS to track and identify trends. NRH will also analyze providers' current year capital spending in relation to their 5 year capital plans and original reserve fund study to identify appropriate mitigating strategies to be implemented to preserve and protect the affordable housing stock in Niagara.

Housing Provider's Role:

Housing providers are required to submit their 5 year capital plan, approved by their board of directors, to NRH as part of their annual year end submission of financial statements and AIR.

This new reporting requirement is initiated under the authority of the *Social Housing Reform Act Section 113, (6) and (7)*.

If you have any questions regarding this notice, please contact your Housing Administrator at (905) 682-9201.

Lora Beckwith, General Manager

Enclosures: Appendix A - How to Make Changes in the CFS
Appendix B - 5 year Capital Plan as produced by the *SHSC Capital Forecasting Software*
Appendix C - Annual Information Return, page A6
Appendix D - Typical Annual Cycle Guidelines

Appendix “A”

To make changes to the capital data:

1. Click on the **TIMING OF WORK** button on Schedule 4 (or 4A if you have previously made changes).
2. Make the appropriate changes, by cutting and pasting work to the appropriate year.
3. Once your changes are complete, click on **continue** to return to 4A. Don't forget to click **SAVE PROJECT** and overwrite the file to save the changes.
4. Print a 5 year capital budget by clicking on **Capital Budget**, 5 year plan, enter your next fiscal year start and click the print button.
5. Remember to always **UPDATE** on Schedule I unless a new BCA has been created.
6. Enter your new current reserve fund balance, start year and annual allocation on Schedule 1. For consistency please leave the interest and inflation factors at 5% and 2% until further notice.

For complete instructions please refer to the *“A Guide to Capital Reserve Planning and a guide to hiring Consultants for Capital Reserve Planning.”*

To send an electronic copy to NRH:

1. The CRS folder contains several files. Click on the CRS file that does not say BCA, but does include the provider's name or address.
2. Right click on this file, choose “send to” and address the file to your Housing Administrator.