



# Notice No: 08-12

## APPLICABLE TO:

DATE: October 1, 2008

<input checked="" type="checkbox"/>	Municipal & Private Non Profit
<input checked="" type="checkbox"/>	Co-operatives
<input type="checkbox"/>	Federal Non Profits
<input type="checkbox"/>	OCHAP/CSHP
<input type="checkbox"/>	Rent Supplement

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

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**SUBJECT: 2009 Funding Formula Indices**

### Background

A new regulation amending *Social Housing Reform Act, 2000* (SHRA) Ontario Regulation 339/01 was filed on September 6, 2007. The amendment reflects changes in the funding formula and took effect on January 1, 2008.

In economic conditions where rents were not rising as fast as operating costs, it was determined that the current funding formula would not provide housing providers with an adequate level of funding. The new funding formula is more responsive to changes in both revenue and cost levels and will provide housing providers with a sustainable level of subsidy in any economic environment. Operating subsidies will closely match the actual financial needs of housing providers, providing more funding when needed and less funding when not needed. The changes in the funding formula will ensure the financial viability of housing providers in the provision of affordable housing.

### Implementation

Two Index Tables are shown on the attached Appendix "A" – one for 100% RGI Non-Profit providers and one for Non-Profit providers with both RGI and market units in their portfolio. The 2009 Mixed Non-Profit Index Table presents a combination of indices for costs and revenues for mixed non-profit projects. The 2009 index will be applied to the 2008 indexed benchmarked amounts.

Cost items for mixed non-profit projects were indexed for the first time in 2008. As revenue items for mixed non-profit projects were indexed in 2008, the standard single-year index is required for 2009 – listed in the 2009 Market Rent Index Table, Appendix "A" of NRH Notice 08-11.

The 2009 100% RGI Non-Profit Index Table presents a list of indices for individual cost items for 100% RGI non-profit projects. 100% RGI cost items were indexed in 2008. The 2009 indices will be applied to the 2008 indexed benchmark operating cost amounts.

The numbers provided in Appendix “A” are percentages. To apply these indices in the subsidy calculation process, the number should be converted into an index factor by expressing the cost index as a decimal figure and adding 1.0 to the decimal figure. For example, 2.34% converts to a factor of 1.0234; and -2.34% converts to a factor of 0.977.

### **Service Manager’s Role**

NRH will calculate housing providers’ 2009 operating budget using the 2009 funding formula indices for both 100% RGI Non-Profit projects and Mixed (RGI & Market) Non-Profit projects.

### **Housing Provider’s Role**

Housing providers are required to develop their 2009 operating budget in accordance with the 2009 funding formula indices.

Housing providers are reminded that the following information is required to be forwarded to NRH 90 days prior to the start of their fiscal year:

- Market rents/housing charges for fiscal 2008
- Estimated total RGI revenue
- Estimated property taxes (include copy of final 2008 tax bill)
- Estimated mortgage payments

If you have any questions regarding the 2009 funding formula indices, please contact Donna Mino, Cost Analyst or your Housing Administrator at (905) 682-9201.

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Lora Beckwith, General Manager

Attachments: Appendix “A”

**Appendix “A”****2009 Indices – Providers with RGI/Market Units**

<b>Benchmark Costs</b>	<b>Item</b>	<b>Description</b>	<b>2009 Index</b>
Benchmark Costs	Administration and Maintenance	Ontario CPI all items	<b>1.79%</b>
	Insurance	Ontario CPI – homeowner’s home and mortgage insurance sub-index	<b>1.80%</b>
	Bad Debt	Market Rent Index	<b>Table (NRH Notice 08-11)</b>
	Electricity	Ontario CPI – Electricity sub-index	<b>-4.88%</b>
	Water	Ontario CPI – Water sub-index	<b>14.72%</b>
	Natural Gas	Ontario CPI – Natural Gas sub-index	<b>-3.46%</b>
	Oil and Other Fuel	Ontario CPI – Oil and other fuel sub-index	<b>48.10%</b>
	Capital Reserves	Ontario CPI all items	<b>1.79%</b>
Benchmark Revenues	Indexed Market Rent	Market Rent Index	<b>Table (NRH Notice 08-11)</b>
	Vacancy Loss	Market Rent Index	<b>Table (NRH Notice 08-11)</b>
	Non Rental Revenue	Factor of 1	<b>Factor of 1</b>

**2009 Indices – Providers with 100% RGI**

<b>Benchmark Costs</b>	<b>Item</b>	<b>Description</b>	<b>2009 Index</b>
Benchmark Costs	Administration and Maintenance	Ontario CPI all items	<b>1.79%</b>
	Insurance	Ontario CPI – homeowner’s home and mortgage insurance sub-index	<b>1.80%</b>
	Bad Debt	Ontario CPI all items	<b>1.79%</b>
	Electricity	Ontario CPI – Electricity sub-index	<b>-4.88%</b>
	Water	Ontario CPI – Water sub-index	<b>14.72%</b>
	Natural Gas	Ontario CPI – Natural Gas sub-index	<b>-3.46%</b>
	Oil and Other Fuel	Ontario CPI – Oil and other fuel sub-index	<b>48.10%</b>
	Capital Reserves	Ontario CPI all items	<b>1.79%</b>