



Notice

No: 09-05

APPLICABLE TO:

DATE: February 25, 2009

<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

SUBJECT: Housing Provider Retention of 50% Operating Surplus

Background

The *Social Housing Reform Act, 2000* (SHRA) and O.Reg. 339/01, s. 29 provides the funding formula for the calculation of housing providers' operating subsidies. As per SHRA 2000, s. 106, the formula for the year end reconciliation includes a repayment to the service manager of an "amount equal to 50 per cent of the amount of the provider's surplus, if any, for the fiscal year in respect of its housing projects in the service area *or such lesser amount as the service manager may determine*". The repayment of the 50% surplus comes into effect when a housing provider has reached an overall operating surplus of \$300 per unit.

Housing providers in the Niagara region have expressed concern over the surplus repayment, and have indicated that the funding formula provides few incentives to find cost savings. They would be encouraged to find and implement cost saving measures if they were allowed to retain their full operating surplus.

Building Condition Assessment & Reserve Fund Study

In November 2006, NRH engaged Stonewell Group Inc. to complete Building Condition Assessments for providers in Niagara. Their report indicated that the existing rate of contribution was not adequate to fund providers' capital repairs for the duration of the 30 year study period and that a lump sum of \$65 million was needed now to adequately fund the reserves.

In response to the concerns expressed by housing providers, and the condition of existing reserve funds, NRH has approved the following policy:

Housing providers are able to retain their full operating surplus, as identified by NRH through the year end reconciliation of their audited financial statements, on the following conditions:

1. That the 50% surplus be deposited in the housing provider's capital reserve accounts invested with SHSC-FI; and,
2. That an up-to-date 5-year capital plan must be submitted by housing providers together with their year end audited financial statements (*see Notice 07-08*).

Housing providers who do not deposit the funds into an SHSC-FI investment account, or do not submit an up-to-date 5-year capital plan will not be eligible to retain the 50% surplus for that fiscal year.

Implementation

This policy is effective with housing providers' fiscal years starting in 2008 and will not be applied retroactively.

Service Manager's Role

NRH will process year end reconciliations in accordance with this policy.

Housing Provider's Role

Housing providers must comply with the above conditions in order to retain the 50% surplus identified by NRH in the reconciliation of their audited financial statements.

Housing provider staff are required to provide this Notice to their Board of Directors for information purposes.

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

Lora Beckwith, General Manager