7
TRANSFER OF UNEXPENDED FUNDS TO NON-PROFIT HOUSING CAPITAL REPAIRS RESERVE

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, November 13, 2007, from the Commissioner of Finance and the Commissioner of Community and Health Services:

1. RECOMMENDATIONS

It is recommended that:

1. Council approve a contribution of approximately $680,000 to the Region's Non-Profit Housing Capital Repairs Reserve from the Community Services and Housing budget to fund Housing Provider building repairs that were committed to but will be unspent in 2007.

2. Council authorize the withdrawal of these funds from the Non-Profit Housing Repairs Reserve, as required, in future years to pay for commitments made in 2007 to the Housing Providers through an executed "Additional Subsidy Agreement".

3. Region staff be authorized to take all necessary action to implement these recommendations.

2. PURPOSE

This report advises Council of issues with respect to completion of work by Housing Providers related to funding commitments made in 2007. Additionally, this report seeks approval to transfer approximately $680,000 in unexpended funds to the Region's Non-Profit Housing Capital Repairs Reserve, and withdrawal of these funds in subsequent years to fund the payment for commitments made in 2007.

3. BACKGROUND

Region commits funds to Housing Providers in 2007

In September 2007, Regional Council approved the report titled "Interim Strategy to Fund Housing Provider Building Repairs" and authorized an additional subsidy pursuant to Section 111 of the *Social Housing Reform Act, 2000* subject to the availability of those funds in the 2007 Budget. To this end, expenditures totalling $757,000 were included as part of the 2007 Community Services and Housing Operating Budget.

Accounting rules that govern the Region's financial reporting requirements dictate that goods and services must have been received as of the corporation's year end in order to be recognized as an expense in that year.

4. ANALYSIS AND OPTIONS

4.1 2007 funds remain unexpended

The Commissioner of Community and Health Services has executed "Additional Subsidy Agreements" with four Housing Providers that commit the 2007 budget of $757,000 for these expenditures. Under these agreements, Housing Providers are required to follow appropriate tendering and procurement practices, obtain the Region's written consent prior to retaining professionals or contractors to perform the work, execute contracts and change orders. Housing Providers are also required to submit supporting documentation, and invoices to the Region for work completed prior to issuing payments to their contractors. These requirements will ensure that only necessary work is completed by Housing Providers and provides the Region with assurances that their funds were spent appropriately.

The Region has made funding commitments, and Housing Providers have begun the procurement and tendering processes, however it is expected that the majority of the work will not have been completed prior to the Region's year end of December 31, 2007.

Repair projects of the nature required by the Housing Providers typically have longer procurement cycles due to the value of the work being undertaken, as well as longer delivery and installation timeframes for building systems (furnaces) and other upgrades. Some work, such as roofing and other exterior work, may also be subject to restrictions due to weather conditions. It is currently expected that due to procurement, construction, delivery and installation delays, approximately $77,000 worth of the work will have been completed by the Region's year end. The remaining $680,000 of budgeted expenditures, will not meet the Region's accounting standards to be expensed in the 2007 fiscal year.

4.2 Request to contribute unexpended funds to reserve

In 2002, the Region established the Non-Profit Housing Capital Repairs Reserve. By-Law A0317-2002-100 established that the Reserve shall be used to fund costs relating to the repair, maintenance and refurbishment of the non-profit housing facilities administered by the Region. The Region's 2007 approved operating budget included funds to pay for capital expenditures incurred by Housing Providers. Council approval is necessary to both contribute and withdraw funds from this reserve.

In order to ensure the tax levy funds collected for this purpose are available to fund the future payments that will be required under the agreements, it is recommended that the unspent funds be contributed to the Non-Profit Housing Capital Repairs Reserve and withdrawn as required to fund the future payments against these commitments.

5. FINANCIAL IMPLICATIONS

The 2007 approved budget includes sufficient funds for the Additional Subsidy Agreements entered by the Region to fund Housing Provider's capital repairs. Accounting rules that govern the Region's financial reporting activities for the operating budget do not allow the funds committed for work not yet completed to be carried forward or expensed in the current operating fiscal year.

The unspent funds collected in 2007 for this purpose can be contributed to the Non-Profit Housing Capital Repairs Reserve at year end and withdrawn as needed to ensure there is no additional tax levy impact relating to the 2007 commitments to Housing Providers.

6. LOCAL MUNICIPAL IMPACT

Ensuring that the Region's housing providers maintain their buildings benefits the residents of our local municipalities.

7. CONCLUSION

By allowing the unspent funds collected in 2007 for Housing Provider capital building repairs to be contributed to a reserve, and withdrawn as needed to fund the subsequent payments under the commitments made, the Region will ensure that funds collected are used for the purpose originally intended and no further tax levy impacts are incurred related to these commitments.

For more information on this report, contact Sylvia Patterson, Director, Housing Services Branch in the Community and Health Services Department.

The Senior Management Group has reviewed this report.