

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD
MEETING OF WEDNESDAY, DECEMBER 12, 2018**

SUBJECT **2019 Administration and Development Services Budgets**

ISSUE

To provide the Capital Region Housing Corporation (CRHC) Board a review of estimated revenues and expenditures for the 2018 operating year and to present the 2019 Administration and Development Services Budgets.

BACKGROUND

Administration Budget

The administration budget includes costs to the CRHC associated with overall corporate management such as salaries and benefits, Capital Regional District (CRD) corporate allocations, Regional Housing service delivery allocations, consultants, legal fees and office operating costs. The main source of funding for the administration budget are the property management fees charged to the 42 CRHC buildings. In the administration budget, the management fees are represented as revenue; and, in the building operating budgets, the management fees are represented as expenditures. Other sources of revenue include property management fees from other Housing Societies, operating interest income and transfers from the Corporation Stabilization Reserve (CSR) and Capital Surplus.

The CSR was created through surplus development fees that CRHC received throughout its history of developing affordable housing. The CSR has an estimated December 2018 balance of \$932,788.

Development Services Budget

In response to the 2016-2019 Strategic Plan, the CRHC Board approved the *CRHC Portfolio Renewal, Redevelopment and Development Strategy* (2016-2019). Through this strategy there was a requirement to increase development capacity with the hiring of a Manager of Capital Projects. The strategy includes two new developments, two redevelopments and one building envelope remediation.

During the pre-development phase of a potential capital project, the cost of the salary and overhead for the Manager of Capital Projects is recovered through the CSR if required. Once a project is approved, required project management and administrative staff salaries will be recovered through the capital projects. Development costs from the projects are captured in the Major Capital Plan.

ALTERNATIVES

Alternative 1:

- 1) That the Capital Region Housing Corporation 2019 Administration Budget be approved; and
- 2) That the Capital Region Housing Corporation 2019 Development Services Budget be approved.

Alternative 2:

That staff amend the 2019 Administration and Development Services Budgets as directed by the Capital Region Housing Corporation Board.

FINANCIAL IMPLICATIONS

Administration Budget (Appendix A)

In 2018, there was a (\$57,530) shortfall or -3.9% variance in administrative revenues that was offset by decreased expenditures.

Two projects, valued at \$60,000 were not completed in 2018 and will be re-budgeted for 2019.

There was an overall 2018 operating surplus of \$36,760 that was related to a surplus in salaries due to staff vacancies.

In 2019, there is a proposed expenditure increase of \$311,100 or 21.2%. This is due to contract settlements in CUPE and Exempt salaries, new Regional Housing First Program (RHFP) service delivery allocation, new CRD corporate allocation model and the addition of 2.0 full time employees (FTEs) for increased property management services for new buildings arising through RHFP.

Explanations for budget line variances +/-10% and \$10,000 can be found in the notes.

Development Services Budget (Appendix B)

In 2018, the estimated expense actuals for the Development Services budget are \$134,350 with a deficit variance of (\$39,350) or -12.8% due to the deferral of the Ashlar Building Envelope Remediation (BER) project. 2018 Development Services (\$39,350) deficit to be funded by Corporation Stabilization Reserve and recovered from approved Capital Projects. Staff are proposing a 2019 budget of \$159,440.

CONCLUSION

The administration budget includes costs to CRHC associated with overall corporate management. The main source of funding for the administration budget are the management fees charged to the 42 buildings. In 2019, there is a proposed increase of \$311,100 or 21.2% due to contract settlements in CUPE and Exempt salaries, new RHFP service delivery allocation, new CRD corporate allocation model and the addition of 2.0 FTEs for increased property management services to manage new buildings arising through the RHFP.

In 2018, the estimated actuals for the development services budget are \$134,350 with a deficit variance of (\$39,350) or -12.8% due to the deferral of the Ashlar BER project that will be funded by Corporation Stabilization Reserve. Staff are proposing a budget of \$159,440 to fund the Major Capital Projects' staff and overhead for 2019.

RECOMMENDATIONS

- 1) That the Capital Region Housing Corporation 2019 Administration Budget be approved; and
- 2) That the Capital Region Housing Corporation 2019 Development Services Budget be approved.

Submitted by:	Christine Culham, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBC, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

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Attachments: Appendix A - Administration Budget
Appendix B - Development Services Budget