



County of Wellington Social Services Department – Housing Services DIRECTIVE

Directive Number: 2012-08

Effective Date: December 13, 2012

This directive applies to housing providers funded under the following social housing programmes. Please note if your programme is not checked, this communication is not applicable to your project(s).

√	Provincially Reformed Non-Profit Housing Programmes (MNP, PNP & OCHAP)
√	Provincially Reformed Co-operative Housing Programmes (Co-ops)
√	Municipal Non-Profit Housing Programme (Section 56.1 Pre-1986)
	County of Wellington Housing Services (CWHS)(LHC)
	Federal Non-Profit Housing Programme (Section 95 Pre-1986)

Subject: Housing Provider Retention of Operating Surplus

Legislated Reference:

- Housing Services Act, 2011 O.Reg 367/11 S 5, 9 for providers with both market and RGI units
- Housing Services Act, 2011 O.Reg 367/11 S 12, 14 for providers with 100% rent geared to income (RGI) units
- Housing Services Act, 2011 O. Reg 367/11 S 98 (3, 4)

Background:

The Housing Services Act, 2011, and related O. Reg. 369/11, s.5, states that up to fifty percent (50%) of the housing provider's surplus for a fiscal year, in excess of \$300 per unit, may be repayable to the Service Manager. This surplus sharing formula was also set out in prior legislation, the Social Housing Reform Act, 2000. The Service Manager's practice has been to require the operating surplus to be shared, with fifty percent (50%) repayable to the Service Manager.

The Housing Services Act, 2011, allows a housing provider to contribute an amount to its capital reserves, in addition to the amount required under O. Reg. 367/11 s.98 (3), but only with the approval of the Service Manager.

Federal/Provincial Municipal Non-Profit Operating Agreements stipulate that the Service Manager can reclaim 100% of the year-end surplus. The Service Manager has historically reclaimed these surpluses.

In the years 2008 to 2011, the federal and provincial governments provided over \$8.1 million in funding to the Service Manager to fund housing provider capital projects through the Social Housing Capital Repair Fund and the Social Housing Renovation and Retrofit Programme. While these funds enabled housing providers to carry out immediate and imminent retrofits, renovations and repairs without drawing on their capital/replacement reserves, the Service Manager acknowledges that housing providers are challenged to fund significant capital projects with limited capital resources in future years.

Direction:

The Service Manager will allow housing providers to retain 100% of their year end operating surplus, including the amounts previously repayable to the Service Manager, effective their fiscal year ending 2012, under the following conditions:

1. The amount previously repayable to the Service Manager is transferred to the housing provider's Capital/Replacement Reserve Fund within 60 days of receipt of its reconciled Annual Information Return (AIR) from the Service Manager;
2. The housing provider provides documentation to the Service Manager that the funds have been deposited to its Capital/Replacement Reserve Fund within 60 days of receiving the reconciled AIR;
3. The funds and any interest/growth from the funds are maintained in the Capital/Replacement Reserve Fund;
4. The funds are used for capital expenditures only;
5. The housing provider submits an annual one year capital budget and a five year capital plan to the Service Manager annually, at the time of the regular budget submission; and
6. The additional contribution to the Capital/Replacement Reserve Fund is reflected in the submitted capital plans of the housing provider.

Exception: If the housing provider has an accumulated operating deficit, the housing provider may retain the full 100% of the operating surplus in its operating fund until the deficit is eliminated. Once the deficit is eliminated, the housing provider must transfer the surplus amount previously repayable to the Service Manager to its Capital/Replacement Reserve Fund for future capital repair needs.

Application:

This change becomes effective for all 2012 fiscal year ends.

This directive should be provided to the housing provider's auditor prior to the next audit. Audited financial statements and Annual Information Returns (AIR) should reflect the required changes (retention of the surplus/ due to the Capital/Replacement Reserve Fund) related to the year end surplus.

For all 2012 year end AIRs that have been submitted to the Service Manager prior to this directive, the Service Manager will make the required adjustments to the treatment of the surplus in the reconciliation.

If you have any questions, please contact your Housing Advisor at County of Wellington Housing Services.

Heather Burke

Heather Burke
Housing Director