



01 February 2012

Mayor Joe Fontana
(via email)
Chair, Strategic Priorities & Policy Committee
300 Dufferin Street
London ON N6A 4L9

Dear Mayor Fontana:

Re: City of London Budget Target for London & Middlesex Housing Corporation

I write in response to the 18 January 2012 Services Review Committee meeting, whereby London & Middlesex Housing Corporation (LMHC) was requested to accommodate the Council-directed 2012 budget target and to provide an information report to the Strategic Priorities and Policy Committee with respect to the implications of the required budget reductions.

LMHC respects Council's intention to minimize property tax increases for 2012 and wants to contribute in that effort. We identify the following amendments to our 2012 operating budget:

Change item	Description	Comment
Revenue increase of \$27,000	Rental income from cell phone antennas at Hale, Wharncliffe and McNay	Installation at all sites is completed or in progress and revenue confirmed.
Expense decrease of \$40,000	1% economic development levy	
Expense decrease of \$25,000	Insurance	Actual rate increase is less than quoted at budget
Expense decrease of \$10,000	Salaries, wages and benefits	Efficiency gains in compensation rates

The 2012 LMHC budget impact is \$102,000 with no service implications and decreases our subsidy request to \$8,359,832 or a 7.7% increase over last year's subsidy. This leaves LMHC \$478,743 over the Council approved target.

To further support Council in its effort to minimize property tax increases, LMHC proposes that our projected 2011 operating surplus of approximately \$300,000, be retained by LMHC for 2012 budget funding. This reduces our subsidy request to only \$178, 743 over the target.

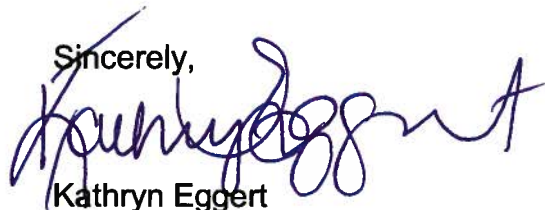
As you well know, annually declining rent revenue drives the required subsidy from the City of London. Declining rent revenue is primarily attributable to two factors:

- Provincially controlled rent scale that has not changed since 1993. Tenants in receipt of Ontario Works (OW) or Ontario Disability Support Program (ODSP) have their rent-geared-to-income (RGI) determined by this scale.
- Local housing rules (9 out of 10 people housed will be from the shelter system) has shifted the tenant mix so that more tenants in LMHC housing are recipients of OW or ODSP (54.2% in 2011).
- For every 1% increase in tenants housed in LMHC properties whose RGI is associated with the OW and ODSP rent scale, our revenue decreases by approximately \$100,000.

Our operating expenses increased only 2.7% over the 2011 budget and this increase is mostly attributable to increases in pest control, water, electricity, insurance and property taxes, rates which are municipally and provincially regulated.

We recognize that the revenue model presents ongoing economic challenges. LMHC is committed to finding solutions for sustainability and rejuvenation so that all people have opportunity for active citizenship.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kathryn Eggert', is written over the typed name.

Kathryn Eggert
Executive Director

/ds