

From: Josh Browne

Sent: Wednesday, November 02, 2016 5:01 PM

To: Zuidema, Art <azuidema@london.ca>

Cc: Datars Bere, Sandra <sdatarsb@london.ca>; Purdy, Dave <dpurdy@London.ca>; Graham, Kate <kgraham@London.ca>; Hayward, Martin <MHayward@London.ca>; Barbon, Anna Lisa <ABarbon@London.ca>; Saunders, Cathy <csaunder@london.ca>; Laura Palmer; Andrea Topham >; Andrea Mackenzie; Paul Roszell; All Board members >

Subject: Share Service Review - Phase II LMHC

Hi Art, on behalf of the Board of LMHC, please accept this email as our official request for the City of London to engage PricewaterhouseCoopers LLP (as the current provider of internal audit services) on behalf of LMHC to complete phase 2 of the shared services review in 2017.

On February 28, 2013, as part of the 2013 Municipal Budget Approval process, Council requested Civic Administration to: *“work together with LMHC on a review of any shared services opportunities and cost centre savings and efficiencies; it being noted that the Municipal Council has made available the services of PricewaterhouseCoopers LLP (PwC) to assist in this regard”* and *“report back with respect to the potential establishment of a reserve fund for LMHC.”* Phase 1 of this review, which included the review and alignment of LMHC purchasing policies with the City’s Procurement of Goods and Services Policy and a detailed examination of the top approximately 20% of cost centres for purchased materials and services, was completed by PwC in 2013. For more information, please see the attached CPSC Update Report dated November 11, 2013, which also identifies future actions and next steps.

It is expected that phase 2 of the review will focus on areas where LMHC may be directly delivering or purchasing services and supports that the City directly provides, including but not limited to, technology services and purchased professional/administrative services. This request is consistent with the City’s strategic plan and commitment of Council to building strong working relationships with the boards and commissions. The Board and Management of LMHC is committed to growing and sustaining positive relationships with the City and considers this an important next step to fulfilling that commitment and to improve the delivery of an important and essential municipal service – social housing.

Thanks in advance for your time and consideration in this matter and we look forward to hearing from you and working with the Civic Administration in the future. If you required anything further, please do not hesitate to contact myself directly.

Regards,
Josh

Josh Browne, CPA, CGA, BAccS, AIHM
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London & Middlesex Housing Corporation
1229 Oxford St. E. Unit 5C5
London, Ontario
Phone: 519-434-2765 ext. *272



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TO:	CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE MEETING ON NOVEMBER 11, 2013
FROM:	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES, AND DEARNESS HOME
SUBJECT:	UPDATE ON ACTIONS RELATED TO SHARED SERVICES AND SUPPORT TO LONDON AND MIDDLESEX HOUSING CORPORATION (LMHC)

RECOMMENDATION

That, on the recommendation of the Director of Municipal Housing with the concurrence of the Managing Director of Housing, Social Services, and Dearness Home, the attached letter from the Board of Directors for the London and Middlesex Housing Corporation (LMHC) requesting amendments to LMHC’s Board size and composition **BE REFERRED** to the Civic Administration for review and recommendation for review and report back at the 2013 Shareholder’s meeting to be held by the Strategic Planning and Priorities Committee in 2014.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Reports related to LMHC have been provided Municipal Council as part of the City’s role as Sole Shareholder and housing Service Manager since the social housing transfer to municipalities in 2001. Council receives annual reports to the Sole Shareholder (last report received by the Strategic Priorities and Policy Committee on May 13, 2013). LMHC also provides annual submissions to the Municipal Budget process.

On June 20, 2011, Municipal Council approved a Declaration of the Sole Shareholder inclusive of Accountability Rules for LMHC, clarifying the parameters for the powers exercised by LMHC and the requirements set out by the City as Sole Shareholder. This arrangement also established a Civic Administration Sole Shareholder liaison with LMHC.

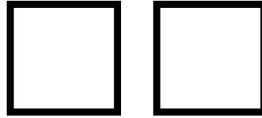
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“work together with LMHC on a review of any shared services opportunities and cost centre savings and efficiencies; it being noted that the Municipal Council has made available the services of PricewaterhouseCoopers LLP (PwC) to assist in this regard” and “report back with respect to the potential establishment of a reserve fund for LMHC.”

BACKGROUND

As sole shareholder and Service Manager (under Ontario’s *Housing Services Act, 2011*), Civic Administration has maintained a strong working relationship with LMHC. Since the approval of the City’s Declaration of the Sole Shareholder and related Accountability Rules in 2011, increased efforts have been made to support LMHC in its mandate of providing quality social housing while recognizing LMHC’s unique business and organizational autonomy as a tenant, property, and asset manager overseeing a public housing stock of almost 3300 social housing units across London and Middlesex County.

LMHC’s core business functions are focused on supporting the stability of its tenant housing, managing unit vacancy loss, assets and property management, and overall cost containment. LMHC has displayed strength and consistency in all these areas, recognizing the challenges of working within a housing system that mandates 100% rent-geared-to- income (RGI) and tenant populations, including those with priority complex needs.



Council's direction to jointly explore shared services opportunities recognized LMHC's organizational strengths as well as opportunities for the City to enhance supports to LMHC in areas where similar services are independently contracted.

Based on Council's request, a number of initiatives have been jointly undertaken by LMHC and the City, over the past year. Preliminary reviews of procurement policies and sharing opportunities for purchased goods and services was performed, as well as a high level analysis of some other opportunities for sharing in order to identify areas for savings, reduced risk exposure, stabilized programs and budgets, increased economies of scale, and increased competitive pricing.

This report provides an update on Council's review request and Civic Administration's related actions and initiatives with LMHC.

General Approach:

In March 2013, the LMHC Board endorsed Council's request and supported the establishment of a project group comprised of the LMHC leadership team and City representatives working together with PwC. The project team explored areas of potential support for LMHC through shared services with the City. This included the review and alignment of LMHC purchasing policies with the City's Procurement of Goods and Services Policy and an examination of purchased materials and services.

Update:

Review activities were jointly established by City and LMHC staff, respecting LMHC's organizational, resourcing, and core social housing business independence and focusing on areas outside the LMHC core business mandate. In general, these reviews have identified that many of LMHC's services are appropriately aligned with its business needs.

In addition to the above, there were identified areas where further support from the Civic Administration could better assist LMHC in achieving its service goals and targets.

The following is a high-level overview of some of the areas explored and the related outcomes and next steps:

1. SUPPORTING LMHC'S FINANCIAL STABILITY:

Background Information:

Within the City's role as legislated Service Manager, revenue shortfalls at LMHC are funded by the City and County to ensure the availability of its 3282 units of 100% rent-geared-to-income (RGI) housing.

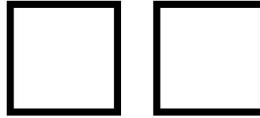
Revenue related to RGI housing is limited by provincially-established fixed rent scales for those on social assistance while service delivery and administrative costs are subject to normal cost of living and inflationary increases. Public housing providers, like LMHC, maintain 100% RGI housing which precludes market rental units unless achieved through increased tenant incomes.

LMHC's capacity to achieve budget targets must therefore focus on cost containment, minimizing vacancy loss (vacant units), minimized vacancy damage (turn-over time and costs between tenancies), and maximizing revenues from arrears recoveries and other sources.

Over the course of the past 2 years, LMHC has enhanced its focus on minimizing vacancy loss and damage and enhancing recoveries. Current vacancy rates are below 3% which is on par or exceeding private sector vacancy rates.

Focus of Review:

- Support LMHC in its ongoing efforts to stabilize budgets and funding requirements and explore the establishment of an operating reserve fund.



Update:

The City's Finance staff have been working closely with LMHC to better align budget projections and plans. Interests related to the establishment of an operating reserve have been supported by the LMHC Board.

On May 23, 2013, the LMHC Board resolved that LMHC staff work with the City to review the benefits and costs of establishing a separate operating reserve for LMHC. In general, a separate operating contingency reserve for LMHC could, if established, fund unpredictable but known expenses, such as weather related energy or snow removal costs.

The City's Finance Department will continue to manage, operate and review all City of London reserve and reserve funds including any contingency related matters associated with the operations of LMHC.

Ongoing Actions and Next Steps:

The City's Finance staff are reviewing how to best incorporate LMHC's operating reserve fund needs within the City's broader reserve fund strategy and will be separately reporting on this matter, inclusive of LMHC's needs, to Council in 2014.

2. SUPPORTING CAPACITY THROUGH SHARED SERVICES

Background Information:

LMHC was transferred from the Ontario Housing Corporation to the City of London as part of the broader social housing transition in 2001. Since that time, LMHC has maintained its own previously existing and dedicated administrative services. These functions generally work effectively within LMHC as they are responsive to LMHC's core housing business. These services have recently undergone a comprehensive organizational review in 2012 as part of a Service Manager review conducted by PwC in partnership with LMHC.

Council's request to explore shared services, including a review of procurement and other policies and a review of purchased goods and services accessed through third party providers would allow LMHC to take advantage of "shared" approaches at either lower cost or increased administrative or service efficiency.

Focus of Review:

- Assist LMHC in maximizing operational effectiveness through a review of shared service opportunities where available with the City; and
- Assist LMHC in establishing strategic partnerships with community organizations in support of services that are otherwise available within the community (generally in support of tenant populations).

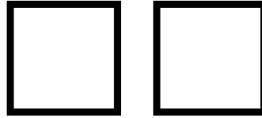
Update:

Many of LMHC's purchased goods, services, and supports are also separately procured by the City. These include technology solutions, skilled trades, supply acquisition, space rental, specialized maintenance and repair, waste management, and community programs and policies. Some shared service areas had been part of past or ongoing partnerships with the City while others were initiated through this review.

Given existing service commitments, shared services opportunities will continue to emerge over time. The focus of current activities has been to solidify working relations and focus on strategic areas of service alignment and partnership, including the following examples:

i) **Community Partnerships:**

LMHC had established a community partnership policy to more strategically engage agencies and other service providers and to access expert resources that were outside LMHC's core mandate. In June 2013, the Board of LMHC approved a final Community Partnership Policy, developed in partnership with the City, to ensure future collaborations advance LMHC's mandate with definable outcomes.



LMHC is currently working with Neighbourhood, Children's, and Fire Services (NCFS) and other local agencies in a review of programming and partnership opportunities. These actions are based on a history of working together with the community and City, including supports to tenant programming needs at LMHC family sites.

LMHC is also working with NCFS, London CAREs, the United Way, and Housing on a pilot initiative to support those moving from shelters to LMHC. Based on the Homeless Prevention Strategy, the pilot introduces housing stability resources for participant volunteers with complex needs.

ii) Solid Waste Management:

Identified by LMHC as an area for City support in its 2013 budget submission, a review of solid waste collection and piloting of new strategies was initiated by the City's Environment, Fleet & Solid Waste area. This included a review of waste management at LMHC sites (focus on traditional household waste) that had been historically identified by LMHC and the City as being better serviced through a third party waste collection provider. Initial results of pilots for move-out waste, an unfortunate but costly challenge, have identified some opportunities to work the City's collection system to consolidate some services and reduce cost. In addition, there are future opportunities to align LMHC solid waste contracts with the City's similar contracted services. Pilot activities are continuing with the City with anticipated results having both savings and future support opportunities.

iii) Shared Services and PwC Purchased Services Review:

In June, PwC provided a report developed with the support of LMHC and City staff exploring areas of procurement policy, opportunities for integrated tendering, and areas of potential shared service efficiencies.

PwC's review reflected a number of potential opportunities for further action. In June 2013, the Board of LMHC approved the PwC recommendation to adopt City's Procurement Policy as an umbrella purchasing policy, while maintaining its existing procurement practices, allowing LMHC to work more closely with the City's Purchasing office.

Work has been initiated in several areas where LMHC currently purchases goods and services. These have included preliminary discussions, consultations, and project planning activities with PwC and City service experts in areas such as Security, Information Technology, Planning, Roads, and Facility Services.

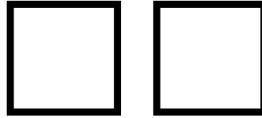
iv) Executive Recruitment:

The City's Human Resource office assisted the LMHC Board in their recruitment activities related to the hiring of a permanent executive director, exemplifying the City's capacity to leverage its service area expertise and support LMHC in unique one-time situations.

Ongoing Actions and Next Steps:

In adopting the City's Procurement of Goods and Services Policy, the Board of LMHC requested staff establish regular meetings with the City's Purchasing and Supply office to better align ongoing purchasing and supply opportunities.

In addition, several areas of the PwC findings require further review. PwC has been engaged by the City to continue working with LMHC and City service areas, such as Information Technology, to explore new cost and service options.



3. SUPPORTING ORGANIZATIONAL STRENGTH:

Background Information:

The Declaration of the Sole Shareholder and Accountability Rules outlines LMHC’s powers, authority, governance, and service compliance requirements.

LMHC provides housing to tenant populations in need of housing where other housing options are limited. Given the size of LMHC’s housing portfolio, these housing complexes require a broader review exploring future redevelopment and sustainability.

The City’s interest in future housing development will require consideration of the impacts and opportunities related to the end of mortgages and social housing operating agreements. (Although operating agreements with public housing providers do not expire, the capital debentures will eventually be retired resulting in the loss of federal subsidy to the Province).

Focus of Review:

- Advance interests in a sustainable and strong social housing portfolio as supported by LMHC, the City, and as outlined within the London Community Housing Strategy.

Update:

Over the summer of 2013, the Board of LMHC initiated work with its Corporate legal counsel revising its corporate by-laws to reflect interest in a more stable and suitable organizational model. These will be reported as part of LMHC’s annual meeting with the shareholder.

The Board of LMHC also approved a recommendation to the shareholder that the number of board members within the Declaration of the Sole Shareholder (item 6.2.c.3) be amended to add 4 additional board members and implement a staggered rotation to provide greater stability in its governance model.

The attached letter from LMHC formalizes the request of its Board. Work has been initiated with Clerks and Legal to review this request. Any recommended amendments to the size, composition and term periods of the LMHC Board will require amendment of the Declaration of Sole Shareholder and related Accountability Rules.

Ongoing Actions and Next Steps:

Since the establishment of the Declaration of Sole Shareholder and related Accountability Rules, there are a number of areas that require minor modification and updating. This review will be initiated by the City with any recommended substantive changes to these documents presented at the Annual Meeting with the sole shareholder in 2014.

NEXT STEPS:

Civic Administration will continue to work with LMHC to review and implement shared service opportunities within existing mandates and governance model in support of LMHC’s long term stability and vision as the preferred housing choice for people in need.

Work has been initiated with Planning to consider how any potential future changes and development by LMHC (and other social housing stock) can support strong community design within a new official plan. These discussions are being integrated into the work of the proposed housing development corporation.

FINANCIAL IMPACTS:

There are no financial impacts related to this report.

ACKNOWLEDGEMENTS:

The work outlined in this report is a combined effort of the Board, Leadership Team, and Staff of London and Middlesex Housing Corporation, management and staff representatives from numerous service areas at the City, and support from PricewaterhouseCoopers LLP.

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SUBMITTED BY:	
STEPHEN GIUSTIZIA MANAGER, HOUSING SERVICES (SHAREHOLDER LIAISON TO LMHC)	
RECOMMENDED BY:	CONCURRED BY:
LOUISE STEVENS DIRECTOR, MUNICIPAL HOUSING	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME

- C. City of London Project Team Members
Steve Matthew, Executive Director, LMHC and LMHC Board
Chirag Shaw, PricewaterhouseCoopers LLP

Att. Letter from LMHC to Shareholder Regarding Board Composition (below)



October 15, 2013

The Corporation of the City of London as Sole Shareholder
c/o Stephen Giustizia, Shareholder Liaison
267 Dundas Street, 3rd floor
London, ON N6A 1H2

Regarding: Recommendations to the Shareholder Related to LMHC Board Composition

At its meeting of April 25, 2013, the Board of Directors for London and Middlesex Housing Corporation resolved that:

“LMHC requests that the sole shareholder agree to introduce four additional members to the Board of Directors that shall be introduced in a staggered rotation commensurate with the schedule to be determined.”

The Corporation therefore requests of the City of London that its Declaration of the Sole Shareholder be amended to reflect this change in board membership.

Thank you,

Steve Matthew
Executive Director