

**LONG TERM STAFF HOUSING STRATEGY
FINANCIAL IMPACT SUMMARY**



Description	Original 1993-94	Revised * 1993-94	Difference	Explanation
REVENUES				
Rental Revenue	\$5,091,000	\$2,295,000	\$2,796,000	Represents the projected impact of moving all tenants to the lower of Yellowknife or local market rates. Note 1.
Less:				
Electricity	(\$1,003,000)	(\$752,000)	(\$251,000)	Represents the projected impact of no longer charging tenants who will pay their own utility bills a flat rate for utilities. Note 2.
Water/Sewer	(\$216,000)	\$0	(\$216,000)	
Net Increase to Revenues	\$3,872,000	\$1,543,000	\$2,329,000	
EXPENDITURES				
Electricity	(\$4,767,000)	(\$3,575,000)	(\$1,192,000)	Represents projected reduction to electrical payments made by the GNWT on behalf of tenants as a result of tenants paying their electrical bills directly to the suppliers. Note 3.
Water/Sewer	(\$3,421,000)	\$0	(\$3,421,000)	Represents projected reduction to water and sewer payments made by the GNWT on behalf of tenants as a result of tenants paying their water/sewer bills directly to the suppliers. Note 3.
Household Allowance	(\$636,000)	(\$477,000)	(\$159,000)	Represents the projected reduction in payments to employees with the cessation of the Household Allowance Program. Note 4.
Power Support Program	\$1,154,000	\$866,000	\$288,000	Represents the projected increase to the Power Support Program for subsidies to tenants who will now pay their electricity bills directly to the suppliers. Note 5.
Power Support Expenditure Offset		(\$866,000)	(\$866,000)	
Water/Sewer Subsidy Program	\$2,589,000	\$0	\$2,589,000	Represents the projected increase to the Water and Sewer Subsidy Program for subsidies for tenants who will now pay their water/sewer bills directly to the suppliers. Note 6.
Standard Accommodation Allowance	\$1,798,000	\$46,000	\$1,752,000	Represents the projected cost increase of extending the Standard Accommodation Allowance to tenants in Level 3 communities whose rents will rise to within 80% or more of Yellowknife rates. Note 7.
Net Decrease to Expenditures	(\$3,283,000)	(\$4,006,000)	\$723,000	
Total Impact	\$7,155,000	\$5,549,000	\$1,606,000	

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* Represents deferring rent increases to July 1, 1993; user pay electricity to July 1, 1993; and user pay water/sewer to July 1, 1994

The staff housing occupancy and tenant data upon which these calculations are based are of the date the original calculations were made. Occupancy and tenant status changes daily as staff are hired, transferred or terminate. As a result, many of the calculations are based on historical averages of vacancy levels and turnover rates.

NOTE 1 - RENTAL REVENUE:

Original Calculation:

Application of the new rent scale which is based on charging rents at the lower of Yellowknife or local market levels for similar accommodation will generate increased annual revenue of \$5,091,000.

In Level 1 and 2 communities, there are a total of 1,476 units, of which 1,063 are presently occupied. The annual impact of these changes would be an overall annual increase in rental revenue of \$2,649,000.

In Level 3 communities, there are a total of 400 units, of which 329 are presently occupied. The impact of these changes would be an annual increase in rental revenue of \$2,441,000, which would be largely offset by the extension of the \$5400 per year Standard Accommodation Allowance to these employees. At the time the original calculations were performed, 333 units were occupied, which would have produced additional standard accommodation costs of \$1,798,000, reducing the net impact in Level 3 communities to \$643,000.

Of the total number of 1,392 tenants, 1,229 will experience rental increases, 103 will experience rental decreases, and 60 will experience no change.

Revised Calculation:

There are two factors that result in the \$2,796,000 reduction in projected revenue from the original 1993/94 projections. These are:

1. In order to mitigate the impact of the rent increases on tenants in the first year, no employee will have his/her rent increased by more than 25% when the increases are implemented. 544 employees will have their increases capped for one year as a result of this change. The full year impact of the application of this cap will reduce projected revenue by \$2,031,000. The full or partial extension of the Standard Accommodation Allowance will also be deferred until rents reach at least 80% of the new rent scale.
2. As the implementation date for the rent increases has been deferred from April 1 to July 1 of 1993, the rental income projections have been revised accordingly. This reduces the rental revenue increase by a further \$765,000.

NOTE 2 - REDUCTIONS TO RENTAL REVENUE AS A RESULT OF TENANTS PAYING THEIR UTILITY BILLS DIRECTLY TO THE SUPPLIERS (USER PAY)

Original Calculation:

These rental revenue reductions reflect the change from the current practice of charging tenants a flat square metre rate for utilities to having them pay utility costs directly to suppliers. As a result, the current rents must be reduced. The present charge is \$0.80 per square metre per month for electricity and \$0.26 per square metre per month for water/sewer. To calculate the projected reductions, the total area of those units where the utilities component is currently being charged and where it will be feasible to meter future consumption was determined and the area multiplied by the appropriate rate (either \$0.80 or \$0.26). (For tenants occupying units where it will not be feasible to meter individual consumption, their square metre rate will be adjusted to reflect appropriate community rates and average consumption levels. It should be noted that the rental revenue increase resulting from this adjustment has not been determined yet.)

Revised Calculation:

The revised 1993/94 figures reflect the deferral of the implementation of the user pay policy for electricity to July 1, 1993 and for water/sewer to July 1, 1994.

NOTE 3 - REDUCTIONS TO UTILITY EXPENDITURES CURRENTLY MADE BY THE GNWT FOR ELECTRICITY AND WATER/SEWER FOR STAFF HOUSING:

Original Calculation:

These expenditure reductions result from having those employees occupying staff housing where it is feasible to meter consumption paying their utility bills directly to suppliers. The GNWT will no longer make utility payments on behalf of these employees. The projections are based on local community rates and consumption averages for those units that will be converted to having the tenants pay their utility bills directly to the supplier. The original 1993/94 projections were a \$4,767,000 expenditure reduction for electricity and a \$3,421,000 expenditure reduction for water and sewer.

Revised Calculation:

The revised 1993/94 figures reflect the deferral of the implementation of the user pay policy for electricity to July 1, 1993 and for water/sewer to July 1, 1994.

NOTE 4 - HOUSEHOLD ALLOWANCE

Original Calculation:

The Government currently pays household allowances to 352 employees who occupy their own homes in communities outside Yellowknife where the cost of utilities exceeds Yellowknife costs by 25%. The household allowance has been discontinued as utility subsidies are available through the Territorial Power Support Program and the Water/Sewer Subsidy Program as well as the fact that the original intent of the Allowance was to recognize the subsidies available to tenants in Staff Housing, which are to be discontinued. The Household Allowance currently costs the GNWT \$636,000 per year.

Revised Calculation:

The revised 1993/94 expenditure reduction of \$477,000 reflects a termination date of July 1, 1993 for the Household Allowance.

NOTE 5 - POWER SUPPORT PROGRAM:**Original Calculation:**

Tenants who will now pay their electrical bills directly to the supplier will become eligible for the Territorial Power Support Program administered by the GNWT. This program, available to all private residential consumers outside of Yellowknife where local rates are higher than Yellowknife, subsidizes rates for the first 700 kilowatt hours of monthly power consumption. The original 1993/94 projected increase of \$1,154,000 is based on the previous actual usage reduced by an estimated 15% reduction in consumption to reflect anticipated energy conservation practices by tenants.

Revised Calculation:

The revised 1993/94 projection of \$866,000 reflects the deferral of the implementation of the user pay policy for electricity to July 1, 1993.

Power Support Program Expenditure Offset:

The costs to the GNWT of the Power Support Program have been historically funded by dividends paid by the Power Corporation to the GNWT. Increased Power Support Program expenditures will increase the level of these dividends. Due to stabilized oil prices, declining rates of inflation, and significantly reduced operating costs, it is projected that increased dividend payments will not significantly impact power rates.

NOTE 6 - WATER/SEWER SUBSIDY PROGRAM**Original Calculation:**

Tenants who will now pay their water and sewer bills directly to the supplier will become eligible for the Water/Sewer Subsidy Program where the Program is in effect. The Water/Sewer Subsidy Program is in effect in all hamlets and settlements, the Town of Norman Wells, and the Town of Iqaluit. The Water/Sewer Subsidy Program subsidizes residential customers for the difference between the local economic rate and .22 cents per litre. This subsidy is paid directly to the supplier so the tenants' water/sewer bills will reflect the subsidized rate.

For municipalities, this change is negligible as the water/sewer revenue they previously received for government staff housing will now be received through a combination of direct tenant billings and government contributions pursuant to the Water/Sewer Subsidy Policy

The original 1993/94 projected expenditure increase in the Water/Sewer Subsidy Program of \$2,589,000 represents the full year impact of tenants paying their own water/sewer bills for the

approximately 750 units that can be individually metered for water. For units that cannot be individually metered, these tenants will continue to be charged a flat per square metre charge that will reflect average consumption levels at the .22 cents per litre rate.

Revised Calculation:

The revised 1993/94 projection of zero reflects the delay in implementation of tenant user pay for water/sewer until July 1, 1994.

NOTE 7 - STANDARD ACCOMMODATION ALLOWANCE

Original Calculation:

At the time the original calculations were performed, there were 333 tenants occupying staff housing in level 3 communities. Increasing rents to Yellowknife market levels will mean these employees will qualify for the \$5400 Standard Accommodation Allowance available to all other employees. Currently these employees pay reduced rents in lieu of receiving the Standard Accommodation Allowance. The original 1993/94 projected increase of \$1,798,000 presumed full implementation of rental increases on April 1, 1993.

Revised Calculation:

The revised 1993/94 figures reflect the impact of capping the 1993/94 increases at 25% of present rent, implementing the increases on July 1, 1993 rather than April 1, 1993, and prorating the provision of the Standard Accommodation Allowance according to the percentage of the lower of Yellowknife or local market rent being charged. (At 80% of full market rent, tenants will be eligible to receive 20% of the Allowance, increasing to 80% of the Allowance when the rent reaches 95% of full market value.) Because of these revisions, it is anticipated the Allowance will be extended in full or in part to a total of seventeen tenants in 1993/94 for a total cost of \$46,000.

