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# ONTARIO HOUSING CORPORATION AND METROPOLITAN TORONTO HOUSING AUTHORITY

## Capital Asset Management

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The Ontario Housing Corporation (OHC) is an agency of the Ministry of Municipal Affairs and Housing and is established under the *Ontario Housing Corporation Act*. It is funded through rental income and subsidies from the provincial and federal governments. Its mandate is to provide public housing, manage its portfolio and carry out social programs as directed by the Minister in consultation with Canada Mortgage and Housing Corporation.

OHC owns approximately 84,000 rent-geared-to-income housing units which are managed by 54 local housing authorities (LHAs) in seven regions. These units provide housing for about 250,000 tenants in 310 communities. Each LHA is governed by a board and operates under the terms of a management agreement with OHC. LHAs receive administrative support from seven regional offices and a head office secretariat of the Ministry.

The Metropolitan Toronto Housing Authority (MTHA) is the largest of the local housing authorities, managing about 29,000 units which provide housing for nearly 110,000 residents in Metro Toronto.

Housing is provided to low income households based on need. These households include families, senior citizens and single persons. While some single-family dwellings are provided, most accommodation consists of townhouses or apartment buildings. Eligible tenants pay rent based on income rather than the size or type of housing provided.

Over the last four years, OHC's property operating expenditures have been reduced by about 13%. This reduction includes a 28% drop in expenditures for capital repairs and a 7% drop in recurring property operating expenditures. Capital repair expenditures are generally for the replacement or significant betterment of a building or its elements whereas recurring expenditures are for ongoing labour, materials and services that are required each year. Property operating expenditures for the year ended December 31, 1996 are summarized below.

**1996 Property Operating Expenditures  
(excluding municipal taxes and depreciation on properties)**

	<b>\$ Millions</b>			<b>%</b>
	<b>MTHA</b>	<b>Other LHAs</b>	<b>Total OHC</b>	
Labour and related costs	57.6	48.9	106.5	28
Utilities	39.2	56.6	95.8	25
Materials and services				
- Capital repairs	33.0	47.7	80.7	21
- Recurring repairs	23.5	35.0	58.5	15
LHA administrative overhead*	12.5	28.3	40.8	11
	<b>165.8</b>	<b>216.5</b>	<b>382.3</b>	<b>100</b>
Number of units	29,400	54,600	84,000	
Number of rentable rooms	131,700	225,100	356,800	

\* Includes ministry initiatives and chargebacks for support services. Also, ministry chargebacks totalling \$16.8 million were allocated between administrative overhead and labour and related costs.

*Source: Ontario Housing Corporation*

## OBJECTIVES AND SCOPE

Our audit objectives were to assess whether OHC had in place the systems and procedures to ensure that its rental properties were repaired and maintained economically, efficiently and effectively and whether it complied with relevant legislation, corporate policies and related results reporting requirements.

This assessment included examining the relevant systems, policies and procedures at corporate offices and several LHAs, including MTHA, and surveying most others. It also included a determination of MTHA's progress in addressing pertinent recommendations and issues arising from a major review of its operations conducted by outside consultants in 1994 at the request of the then-Minister of Housing.

The Audit Services Branch of the Ministry of Municipal Affairs and Housing provides internal audit services to OHC, primarily through operational and compliance audits of LHAs. While the volume of such work has declined in recent years, its recent reports, documentation and knowledge of OHC operations helped us considerably when planning the nature and extent of our audit. We also reviewed recent reports prepared by MTHA's internal auditor when planning our work in that LHA. Recent audits of MTHA's maintenance activities were particularly helpful in reducing the extent of our work in that area.

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# OVERALL AUDIT OBSERVATIONS

## (EXCLUDING METROPOLITAN TORONTO HOUSING AUTHORITY)

For the two-year period ending February 28, 1997, the board of MTHA reported directly to the Minister of Municipal Affairs and Housing even though it was still an agent of OHC. Although our observations and recommendations regarding MTHA are similar to those for OHC generally, MTHA has been included in a separate part of this section in view of its unique relationship to the Minister during our audit.

### 3.12

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OHC has made recent improvements to better ensure that capital projects are identified and approved based on both corporate and local priorities and that those projects with the highest priorities are undertaken first. However, to reliably identify and prioritize future capital requirements, OHC needs to further improve the quality of building-condition assessments and of estimates of costs for needed repairs. It also needs more timely reporting to LHA and OHC boards on the status of capital projects, and, in particular, on those capital or ongoing repair projects involving priority health and safety or legislated compliance work, such as asbestos abatement.

OHC has reduced property operating expenditures in recent years. However, it could achieve further savings of several million dollars through benchmarking and sharing best practices among LHAs, particularly with respect to managing utility and maintenance labour costs.

OHC also needs to ensure ongoing compliance with *Ontario Fire Code* requirements through periodic, independent inspections of all properties and reporting to the respective LHA boards on the results of those inspections for any necessary action.

#### **Overall Corporation Response**

***The Ontario Housing Corporation began a restructuring project last year with the goals of improving governance and accountability while reducing the system of 54 local housing authorities to 20 local housing councils. The Ontario Housing Corporation had initiated a process that would have included the need for business plans, consideration of alternative service delivery, re-engineering, restructuring and benchmarking to meet the overall goals of improved governance and customer satisfaction within a framework of cost reduction and efficiency.***

***As a result of the government announcement on devolution in January 1997, the implementation of this restructuring has been put on hold. However, the Ontario Housing Corporation continues to work on improving the existing system, incorporating many of the activities which would have taken place had restructuring proceeded.***

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# DETAILED AUDIT OBSERVATIONS

## *CAPITAL PLANNING AND BUDGETING*

In 1994, in recognition of the need for better information about the nature and condition of OHC's many properties, the OHC board approved a Comprehensive Asset Management Program. The Program was intended to determine the general condition of housing stock; forecast long-term capital needs; match inventory stock to client needs; avoid obsolescence; and generally better manage the housing portfolio.

Since then a basic microcomputer database, the Interim Asset Management System, has been developed to capture each LHA's building profile and capital repair assessment information, including five-year capital expenditure projections. Much of the housing portfolio information on this system was gathered by LHA staff during a six-week period in 1995. Efforts to gather the information necessary to meet other program objectives, such as matching housing inventory to client needs and identifying properties that should undergo major rehabilitation or sale rather than further repairs, were suspended pending plans for reorganizing OHC.

Later in the same year, also as part of the Comprehensive Asset Management Program, outside consultants were hired to conduct building audits at several buildings in various LHAs. These audits identified a need for assistance or training for LHA staff in both problem identification, particularly structural, mechanical and electrical problems, and cost estimation. There were several significant differences between the consultants' recommended priorities and related cost estimates of capital work required and those made by OHC staff earlier that year. Sufficient training and technical assistance had not yet been provided. Therefore, we were concerned that existing building assessment information and estimates of the costs of future capital repairs may not be reliable. Reliable estimates of future capital requirements become even more important as the government considers the transfer of social housing delivery to the municipalities.

Early in 1996 OHC took several steps to significantly improve its capital planning and budgeting process for 1997 and subsequent years. To improve consistency and reliability among LHAs for determining capital priorities, OHC issued several building guidelines to LHAs, including the following:

- building standard guidelines to define an acceptable level of performance for each building element such as structure, interiors and exteriors, elevators and life-safety systems;
- life-expectancy guidelines to define the average useful life span of various building elements; and
- capital works priorities to help classify and rank projects into five categories: life safety; structured integrity; legislative requirements; policies and directives; and cost-saving initiatives.

In order to ensure priorities are being established on a province-wide basis, all capital expenditures proposed by LHAs must be reviewed and ranked by the Ministry's regional offices and by a provincial review committee.

For the 1996 capital budget, 80% of available funds was allocated to regions, as in prior years, and 20% was withheld to be allocated corporately, based on the new capital works priorities

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and guidelines. As a result LHAs were completing major high-priority projects such as recent *Ontario Fire Code* retrofit requirements.

## 3.12

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### **Recommendation**

To improve the capacity of local housing authorities to reliably estimate future capital and maintenance requirements and to prepare long-term capital budgets, Ontario Housing Corporation should:

- provide technical expertise and/or training to staff in these areas as necessary; and
- establish plans to update its asset management system and capital expenditure forecasts with improved building assessment information.

### **Corporation Response**

*Ontario Housing Corporation agrees with the recommendation and recognizes the importance of knowledge, training and consistency in implementing a new asset management system. Ontario Housing Corporation's plan was to implement the program over a period of time and in stages. It also planned to continually review and improve upon the process, and to improve upon the quality of the information obtained. It retained independent consultants to provide an assessment of some buildings to identify areas of potential weakness, training requirements and to assess the reliability of the local housing authority information. These building audits did identify a need for further training of local housing authority staff involved in the building assessment/costing activities.*

*Ontario Housing Corporation has completed a second round of training of local housing authority staff involved in assessing the building conditions, and in estimating the cost and life cycles of the repairs. The local housing authorities have been updating the existing building condition assessments and capital expenditure forecasts for the last few months, to update them by the end of May 1997. This will provide Ontario Housing Corporation with updated building assessment and costing information after a full year of actual use in the field. It will be used in the 1998 capital budget cycle.*

*This is not the end of the quality assurance process. Ontario Housing Corporation will begin a project assessment review in June 1997 by professional outside consultants to review and verify the quality of the information shown on the project assessment capital forecast forms. This will be done in selected housing authorities in several regions, including Metropolitan Toronto Housing Authority. Ontario Housing Corporation will continue to assess the need for training and process adjustments.*

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## ASBESTOS MANAGEMENT

The majority of OHC buildings were constructed in the 1950s and 1960s when products with asbestos were used in construction. In 1985 Ontario Regulation 654/85 (now known as Ontario Regulation 838/90, *Designated Substance—Asbestos on Construction Projects and in Buildings and Repair Operations*), under the *Occupational Health and Safety Act*, came into effect requiring building owners to maintain records of the locations of material containing loose asbestos and to take the action necessary to repair or remove any materials where asbestos might be exposed. Regulation 347/90 under the *Environmental Protection Act* governs the disposal of asbestos materials.

In 1993 OHC established an asbestos management policy to ensure compliance with occupational health and safety and environmental regulations regarding asbestos. The policy is intended to minimize the possibility of exposure of OHC residents, staff and workers employed by outside contractors to airborne asbestos fibres. This is to be achieved by identifying locations of potential sources of friable asbestos in building components.

We could not determine whether two LHAs we visited had complied with the Regulation because they had not conducted asbestos surveys to determine whether material containing friable asbestos was present in their buildings. Such surveys are a requirement of OHC's asbestos management policy. Our survey of LHAs revealed that several others also had yet to do surveys of asbestos materials.

A formal asbestos survey conducted by a large LHA in 1995 identified materials containing friable asbestos in several locations. While some action had been taken to correct the problems and comply with the Regulation and policy, not all necessary work had been completed at the time of our visit in November 1996. We were informed that the LHA had subsequently issued work orders to repair or remove the remaining loose asbestos.

### **Recommendation**

#### **The Ontario Housing Corporation should:**

- **remind local housing authorities of their responsibility to manage asbestos in accordance with legislation and corporate policies; and**
- **ensure that the status of asbestos surveys and actions taken to rectify noted deficiencies is reported periodically to each local housing authority board and that these boards in turn provide assurance to the board of Ontario Housing Corporation that their responsibilities have been met.**

#### ***Corporation Response***

***Ontario Housing Corporation agrees with the recommendation. The General Manager of Ontario Housing Corporation issued a memo to all local housing authorities reminding them of the corporate policy on the handling of asbestos in their buildings, and the requirement to have an asbestos management program in place for the handling of repairs that involve asbestos content in building components. This also requires the local housing authorities to report periodically to their boards on the handling of any asbestos through their asset management program.***

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## *MANAGING UTILITY COSTS AND ENERGY USE*

In 1996 OHC's costs for utilities such as electricity, fuel and water totalled over \$56 million, or about 25% of its property operating costs.

Up to 1994 OHC had been making efforts to improve energy conservation and reduce utility costs. For example, about \$8 million was spent in 1993 to complete energy retrofit projects affecting about 9,000 units. Also, twice a year LHAs were given comparative data on the energy consumption and costs for various types of buildings throughout OHC's portfolio to help them identify savings opportunities.

Our reviews of LHAs generally indicated that the LHAs that had undertaken retrofit projects and that were actively continuing initiatives to conserve energy were incurring lower utility costs per rentable room. For example, 1996 utility costs for the 10 LHAs in the southwestern region averaged just \$223 per rentable room. This level of expenditure was the lowest among all regions and over 10% below the overall corporate average of \$249 per rentable room.

While factors such as colder climates and higher unit densities or utility rates may prevent other regions and LHAs from achieving that level of expenditure and energy consumption per rentable room, further savings are achievable from identifying and sharing better energy conservation initiatives such as those in use in southwestern region. OHC management believes that a target rate of \$245 per rentable room should be achievable. If that rate is achieved, OHC would save about \$2 million annually.

For example, there were significant variances in utility costs even among LHAs that are similar in size and located in the same region. Two LHAs in one region had utility costs per rentable room that differed by as much as 200% even though they had the same number and type of units.

Many LHAs we surveyed have units that are individually metered for utilities including gas, hydro and water. While several LHAs pay all the utility costs directly, some LHAs have the tenants in individually metered units pay some or all of the utilities in exchange for a rent reduction. These LHAs believe that tenants who pay for their use of utilities are more likely to conserve energy. In addition, some LHAs that have adopted a full user-pay system for all their individually metered units indicated that they achieved net savings of about \$50 to \$100 per rentable room annually.

There are several LHAs that have many individually metered units that are not on a user-pay system, and we estimated that they could save over \$2 million annually from wider adoption of a user-pay policy.

Although energy conservation was a stated corporate priority for OHC in 1996, less than \$200,000 was invested in energy conservation projects that year because of other priorities. While several energy-saving projects were identified and ranked for funding in the 1997 capital budget, none could be funded because all of the available capital funds were required to undertake projects which were ranked in the four higher priority categories.

# 3.12

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## **Recommendation**

To reduce costs and encourage energy conservation, Ontario Housing Corporation should:

- ensure that best practices in energy conservation initiatives already adopted by some local housing authorities are periodically summarized and shared among the rest;
- reinstate periodic comparisons of local housing authority energy consumption costs to identify buildings with opportunities for savings; and
- examine the feasibility of expanding user payment for utilities related to individually metered units.

## **Corporation Response**

*Ontario Housing Corporation agrees with the recommendation.*

*Ontario Housing Corporation has done a lot of work over the years in energy management and efficiency activities. There are various publications regarding energy efficiency and local housing authority energy efficiency best practices that have been distributed to local housing authorities over the years. Ontario Housing Corporation is in the process of updating these publications in regard to new products, materials and energy efficient practices. It is also attempting to prepare a report from its Energy Management Information System; however, it has run into technical difficulties with the program.*

*At the Ontario Housing Corporation board meeting in March 1997, staff were instructed to develop a system of energy-efficiency measures to be used to identify priority, cost-effective initiatives, and to assist local authorities in taking advantage of these systems.*

*Life safety, structural integrity and legislative requirements have already been established as priority items. The Ontario Housing Corporation board is attempting to resolve policy issues of allocating funds to cost efficiencies instead of necessary repairs.*

*When buildings were first constructed, local municipal utilities had variations in requirements for individual and bulk metering resulting in Ontario Housing Corporation having a mix of individual and bulk metering in its portfolio. A user-pay policy will not result in any savings to the government as a whole for those units occupied by tenants on social assistance because these tenants are reimbursed for the costs of utilities they pay directly to the service provider, up to a cap. A user-pay policy will also impact on low income employed tenants who would be compelled to pay more for utilities under such a policy, thereby reducing their ability to pay for basic essentials.*

*The impact of the pending transfer of social housing to municipalities on Ontario Housing Corporation's energy saving initiatives is still unknown at this time.*

## 3.12

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### MAINTENANCE MANAGEMENT

Expenditures for recurring maintenance were approximately \$59 million in 1996 or about \$253 per rentable room. Materials and services amounted to about \$35 million (59%) and labour costs totalled about \$24 million (41%).

Several factors have hindered efforts to measure and assess the performance of recurring maintenance activities conducted by LHAs, as the details below illustrate.

- OHC's benchmarking project begun in 1995 as part of a major restructuring effort was suspended in late 1996 along with the restructuring plans.
- LHAs have not established standards or systems to track the relative workloads and productivity of their maintenance staff.
- Differences in the age and type of buildings and equipment LHAs must maintain significantly influence maintenance costs and may distort comparisons among LHAs.

However, one large LHA we visited was making efforts to measure the efficiency and productivity of its maintenance staff and to determine whether the work was fairly distributed among its area offices. It had designed a system to capture and report for each area office:

- the total number of work orders completed, total time taken and any backlogs; and
- details of the types of work orders and the time taken to complete each one.

Further analysis of the time taken to complete similar jobs is to be used to establish reasonable standards and benchmarks for the time required to complete routine maintenance tasks and thereby facilitate better control of staff productivity at that LHA.

Our LHA visits and surveys found few maintenance or repair backlogs in the majority of small- and medium-sized LHAs. These LHAs employ custodians to handle routine maintenance work arising from tenant requests and had established service expectations for responding to these requests.

In recent years, OHC has encouraged LHAs to implement cost-saving initiatives. For example, LHAs we reviewed have been achieving savings primarily through reducing staff and making better use of existing staff. Several LHAs have saved money by using in-house staff rather than outside contractors to do routine cleaning, repairs, and furnace inspection and maintenance.

However, without effective standards or benchmarks with which to assess maintenance costs, neither OHC nor LHAs can demonstrate the efficiency of maintenance services. In addition, while tenant surveys provide useful information on satisfaction with the maintenance services provided, the lack of expert, periodic assessments of building conditions limits the ability of LHAs to monitor maintenance quality and the impact of cost-saving initiatives on building conditions and future capital requirements.

## **Recommendation**

**To better ensure that maintenance services are delivered efficiently and effectively, Ontario Housing Corporation should:**

- **resume its benchmarking project and make use of existing local housing authority efforts to develop standards and reduce the costs for various maintenance activities;**
- **collect and share local housing authority cost-saving initiatives among local housing authorities; and**
- **require local housing authorities to use periodic expert inspections of buildings to assess the quality of maintenance services and to report the results and any recommended actions to their boards for follow-up.**

## ***Corporation Response***

***Ontario Housing Corporation agrees with the recommendation.***

***Ontario Housing Corporation is resuming its benchmarking project and will make use of existing local housing authority efforts to develop standards and reduce costs for various maintenance activities. This project was initially delayed by instructions from the Ministry on restructuring after changing government direction.***

***Ontario Housing Corporation has a bulletin called the “The OHC Manuals Bulletin” which was established in May 1996 to provide policy clarification to local housing authorities and to share best practices among the local housing authorities.***

***Ontario Housing Corporation recognizes the importance of ensuring proper maintenance of its buildings to minimize capital expenditures in the future. Ontario Housing Corporation will be exploring various ways of assessing building maintenance quality and costs in the future.***

## ***FIRE CODE COMPLIANCE***

OHC has developed a *Fire Safety Plan Manual* and fire logbook to help ensure that all LHAs are aware of their responsibilities under the *Ontario Fire Code* and that they record their efforts to comply with the *Code*. The LHAs must ensure that all buildings are in compliance with *Ontario Fire Code* Regulations, which require proper maintenance of fire protection systems and equipment and adequate documentation of all tests and inspections. During our visits to LHAs, we noted several instances where the fire logbooks had not been properly maintained. We were therefore unable to determine whether the required tests and inspections had been done.

The *Ontario Fire Code* requires fire drills to be conducted every three months in high-rise buildings and every twelve months in low-rise buildings. During our field visits we noted that the required fire drills were not being conducted by some LHAs.

## 3.12

### Recommendation

To ensure that local housing authorities are complying with the *Ontario Fire Code*, Ontario Housing Corporation should require all local housing authorities to conduct independent inspections of their buildings for compliance with corporate policy and *Ontario Fire Code* requirements at least annually and to report the results of these inspections to their respective boards for any necessary action.

### Corporation Response

*The General Manager of Ontario Housing Corporation will require that all local housing authorities inform their local boards annually, that they have:*

- *completed the Inspection, Maintenance and Fire Drills requirements under the Ontario Building Code 3.2.6 and the Ontario Fire Code 2.8.3.2 (1) in all buildings;*
- *arranged for an annual, independent inspection of their buildings to ensure that corporate policy as well as Building and Fire Code requirements are met; and*
- *reported on these results/findings to their respective boards with copies to Ontario Housing Corporation.*

*Ontario Housing Corporation supports the need for independent reviews but will avoid any duplication of effort between this work and the local fire department(s).*

## OVERALL AUDIT OBSERVATIONS (METROPOLITAN TORONTO HOUSING AUTHORITY)

Substantial progress has been made in addressing concerns raised by a special review of Metropolitan Toronto Housing Authority (MTHA) operations conducted by outside consultants in 1994. A summary of the more significant of these concerns and the status of actions taken to address them appears in the Appendix.

While important structural changes and cost reductions had been implemented at the time of our audit in late 1996 and early 1997, much of their effect will only be seen later in 1997 and subsequent years. As well, several other significant changes are being implemented in 1997, the impact of which will not be evident until 1998 and beyond. These changes include implementing new financial and property management information systems, and establishing performance management and benchmarking processes for managing staff and for reporting on performance.

Our audit revealed that further action is required to address weaknesses in building condition assessment information, in reporting on the status of priority projects such as *Ontario Fire*

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*Code* compliance work and asbestos management, and in improving the quality of maintenance services.

We also noted the potential for further savings of several million dollars through increased focus on managing utility costs and energy use and achieving private management company benchmarks for maintenance costs.

## DETAILED AUDIT OBSERVATIONS

### *CAPITAL PLANNING AND BUDGETING*

Aging buildings and continuing restraint on maintenance expenditures make it increasingly important to have a well-designed asset management program to ensure continuing safe, healthy and acceptable accommodation at reasonable cost. An effective program includes having reliable information on the current condition of properties and the estimated costs to repair them in order to properly establish capital priorities and budgets. As discussed in the Appendix, MTHA does not yet have reliable building assessment information on which to base its capital plans.

In February 1995 independent consultants were hired to conduct condition assessments of 20 properties felt to be representative of MTHA's portfolio. This was a pilot project paid for by OHC as part of its Comprehensive Asset Management Program.

These assessments were far more comprehensive than those normally conducted by MTHA staff and identified problems having immediate safety and security implications. Estimated costs to correct most of these problems were incorporated into the 1996 capital budget. However, there were still projects requiring immediate action to eliminate safety hazards and estimated to cost \$500,000 that were not included in the 1996 capital budget. At the same time, funds were spent on lower priority items such as a landscaping project costing \$1.8 million and staff facilities costing \$380,000.

The pilot project, while more reliable than previous assessments, was time-consuming and expensive. OHC therefore decided to implement a cheaper, more expedient approach to updating its Interim Asset Management System. However, MTHA was concerned that, without a very large number of experienced external staff, it could not complete proper condition assessments of all properties in the time allotted by OHC. A more thorough approach that assesses tenant needs, obsolescence and major rehabilitation requirements has been proposed but not yet implemented.

Another reason why we were concerned about the process used to set capital priorities is that MTHA had not achieved the progress demonstrated by other LHAs in completing the *Ontario Fire Code* retrofit project. This project resulted from legislation revised on October 9, 1992 which requires existing buildings to be retrofitted to comply with new *Ontario Fire Code* safety standards. As of December 31, 1996, eighty-eight of MTHA's high-rise buildings were still in the process of completing their retrofit requirements, past the October 9, 1996 compliance deadline set for these buildings. This resulted in significant liability exposure for MTHA.

## 3.12

This exposure was of particular concern because the 1996 capital budget did not address all higher priority projects while projects of lesser priority, such as the landscaping and staff facility projects noted above, were completed. Specifically, the \$2.3 million allocated to the *Ontario Fire Code* retrofit project in 1996 was not enough to meet the retrofit project requirements as the work was originally scheduled to be completed over five years for both high-rise and low-rise buildings, well beyond the deadline set by legislation. The retrofit project was accelerated late in 1996 so that \$3.5 million was actually spent in 1996.

MTHA management indicated that it expects to complete the retrofit requirements for high-rise buildings by the end of February 1997. Low-rise building retrofits are expected to be completed by October 1997, as required by the legislation. We also understand that the remaining safety-related work identified by the 1995 building assessments will be completed during 1997.

### **Recommendation**

**To improve its capacity to reliably estimate future capital and maintenance requirements and to effectively establish priorities for long-term capital repairs, the Metropolitan Toronto Housing Authority should establish plans and timetables for completing comprehensive and reliable assessments of the condition and the costs of needed repairs.**

### ***Authority Response***

***Agree. The consultants' assessments of 20 Metropolitan Toronto Housing Authority properties did not result in needs substantially different from those identified in the Metropolitan Toronto Housing Authority five-year capital plan developed by staff and already in use. The estimated cost of needed repairs that was extrapolated from the consultants' assessments generally confirmed the needs previously estimated by staff.***

***Metropolitan Toronto Housing Authority staff is currently updating the five-year capital plan utilizing a combination of consultant data, property managers' requests, and inspections by professional staff and outside consultants. This update will result in a reliable audit of technical need for maintenance and capital work.***

***It is anticipated that Metropolitan Toronto Housing Authority's revised assessments will take into account the soundness of the physical asset, the maintenance profile, the safety and security of communities and resident involvement. The board expects that the improved assessments will be accelerated in 1997 and used, to the extent possible, in formulating the capital budgets for 1998 and beyond.***

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## ASBESTOS MANAGEMENT

In 1995, in accordance with a 1993 OHC asbestos management policy, consultants conducted a survey of all MTHA properties. Requirements for the removal or control of asbestos are clearly stipulated by regulation.

The 1995 survey uncovered about 7,000 instances of asbestos that required immediate action to address. While this represented only about 1% of the sites tested, over 80% of the sites requiring action were found within residences rather than basements or garages.

MTHA procedures call for property managers to receive reports on all survey results for their buildings. The Health and Safety Committee is assigned the responsibility for performing yearly reassessments of asbestos materials and compliance with the regulation. The Asset Management Branch is responsible for maintaining and updating the asbestos inventory database and for advising property managers and the Health and Safety Committee of changes to the database.

With respect to the system for monitoring and controlling asbestos, we noted that:

- responsibility to update and maintain the database was not reassigned following restructuring in early 1996 and so the database was not updated with the 1995 survey results until late in 1996;
- action on most of the 7,000 instances had been delayed for most of the 1996 year; and
- in one project we visited, a Ministry of Environment and Energy official we contacted considered the exposed asbestos material serious enough to suggest its removal in order to prevent asbestos fibres from entering the ventilation system.

### **Recommendation**

**To ensure that high-priority projects such as asbestos abatement are completed expeditiously in order to minimize risk and exposure to residents, staff and the Metropolitan Toronto Housing Authority, the status of all projects involving health, safety or legislative compliance should be closely monitored and regularly reported to the board.**

### ***Authority Response***

***In February 1997, the Metropolitan Toronto Housing Authority engaged an external consultant to advise on the design and implementation of systems and processes to ensure corporate compliance and effective management of high-priority health, safety and environmental projects. The consultant will recommend the implementation of a process for monitoring the status of health, safety and environmental legislative compliance in association with the Metropolitan Toronto Housing Authority's projects, operations, and facilities; and for regular reporting on the same to the board.***

***Remediation and follow-up inspections of all high-priority (loose, friable, exposed) asbestos identified in the asbestos survey were complete by May 30, 1997. Remaining asbestos is contained and, undisturbed, is in compliance with applicable regulations. Procedures are in place for the safe handling and removal of asbestos materials by staff and contractors.***

***A full Asbestos Management Program covering monitoring, control, inspection and communications, and incorporating repair and/or remediation procedures for safe handling is in final draft and will be implemented by July 31, 1997.***

## 3.12

### MANAGING UTILITY COSTS AND ENERGY USE

In 1996 MTHA's costs for utilities such as electricity, fuel and water totalled \$39.2 million or about 24% of its total property operating costs.

Energy management has not been a priority since 1994 when MTHA management discontinued the practice of comparing its energy consumption to LHA energy consumption reports generated by OHC. Expenditures on energy conservation projects for 1996 were negligible. In 1996 utility costs for the seven geographic areas varied from \$272 to \$317 per rentable room and in total averaged \$297 per rentable room. In contrast the average for the 15 next-largest LHAs serving urban areas was \$249 per rentable room.

We also noted that MTHA applies a user-pay policy for utilities primarily to the approximately 500 scattered single and semi-detached units in its portfolio. Since other LHAs with user-pay policies for their individually metered units have experienced savings and reduced consumption, we believe that MTHA could achieve similar results by expanding its use of such policies wherever feasible.

MTHA management believes that the current level of expenditure can realistically be reduced and that an achievable target for 1997 would be \$276 per rentable room. This target translates into savings of almost \$3 million per year, although some capital investment will likely be required to achieve these savings.

#### **Recommendation**

**To help meet performance targets for reducing utility costs and energy use, Metropolitan Toronto Housing Authority should examine the results of initiatives taken by other local housing authorities that have achieved substantial savings in utility costs and implement those having the greatest potential for payback.**

#### **Authority Response**

**Agree. Metropolitan Toronto Housing Authority will establish an energy management program, including a pilot project to be under way by September 1997.**

***The Authority is unlikely to meet the 1997 targets for utility cost reductions. The Board expects to review the unit operating costs, which include utility costs, in 1997 and set targets for the 1998 budget.***

## **MAINTENANCE MANAGEMENT**

### **MANAGING LABOUR COSTS**

Approximately 19% of MTHA's housing units are privately managed. The cost of recurring maintenance for directly managed properties was \$38.1 million for 1996. Labour and related costs were about \$22.5 million, or about 60% of this amount. Maintenance services for directly managed properties cost \$350 per rentable room in 1996. This represents a significant reduction from 1995 costs of \$376 per rentable room and is a result of the restructuring initiatives described in the Appendix.

However, comparable costs for privately managed properties were about \$300 per rentable room in 1996, or 14% less than MTHA costs for the properties it managed. MTHA management believes that the privately managed properties are well managed as determined from the monitoring and reporting arrangements established in contracts with private companies.

Analysis of maintenance cost differences between privately managed properties and directly managed ones revealed that labour productivity is a significant factor. Specifically, MTHA maintenance staff had a high rate of absenteeism, averaging about 14 fully-paid sick days a year in 1996.

Another factor which may contribute to lower productivity is that management does not track the actual time spent by maintenance staff in completing maintenance assignments. While MTHA's property maintenance system can capture such information and standards have been proposed to provide a basis for assessing maintenance efficiency, staff performance has not been monitored against these standards. Tracking has so far been limited to the number of days required to complete jobs. With maintenance service delivery now restructured into site staff and zone crews, time tracking will be most relevant and important for managing the productivity of zone crews.

Given that MTHA plans to introduce a new building maintenance system in 1997, it may be useful to examine efforts made by other large LHAs to track maintenance jobs and staff and to establish standards before implementing the system.

We understand that management has established a goal of reducing maintenance expenditures to \$315 per rentable room by 1998. Such a reduction would achieve annual savings of about \$3.7 million and bring maintenance costs for directly managed properties to within 5% of 1996 private management costs. However, under a new contract private management costs will drop to \$270 per rentable room in 1997.

### **Recommendation**

**To help meet cost reduction targets for maintenance services, Metropolitan Toronto Housing Authority should develop strategies for increasing staff productivity and, in particular, for reducing time lost due to sick days taken.**

### **Authority Response**

**Agree. The Metropolitan Toronto Housing Authority is implementing an attendance management program to reduce lost time due to sick days taken and improve productivity.**

**As of April 1997, the Metropolitan Toronto Housing Authority had commenced preparation of a detailed analysis of sick-time utilization, in order to identify implementation priorities. Implementation is expected to commence during the second quarter of 1997. The board expects a measurable reduction in sick-time utilization within 12 months.**

## **3.12**

### **MANAGING MAINTENANCE QUALITY**

MTHA also lacked effective systems to monitor the quality of maintenance work performed by staff and external contractors. For example, a recent internal audit of maintenance services conducted using outside technical expertise found that 31% of sampled maintenance jobs that had been performed by external contractors had quality deficiencies. Late in 1996 MTHA established maintenance inspection procedures to be carried out by internal maintenance staff and property managers. The first round of inspections detected quality problems in less than 1% of external maintenance jobs inspected. Only one community office detected any problems. However, given the earlier results of the internal audit, we question whether these inspections provided reliable assurance of maintenance quality.

In addition, consultants hired by MTHA in 1996 to identify training needs and to develop a corporate training plan found that many maintenance staff lacked necessary attributes such as technical and safety knowledge and practical experience.

One approach MTHA has used to assess maintenance work has been resident satisfaction surveys. However, these surveys have had only limited usefulness because the response rate for many individual community offices is insufficient to assess results for specific buildings or property managers.

In contrast, our review of agreements and procedures for private management companies revealed that controls over the delivery of maintenance services were stronger for the privately managed companies than for the services delivered by MTHA, as the following points illustrate.

- Service delivery expectations, reporting requirements and performance evaluation criteria were clearly specified in contracts, and MTHA staff ensured that those contract provisions were met.
- Private property managers were evaluated annually against budget, maintenance quality and resident satisfaction criteria.

We understand that with the reorganization, property managers will be responsible for the quality of maintenance work done in the buildings they manage through quarterly inspections and results reporting. Periodic inspections are also to be conducted by an independent reviewer.

### **Recommendation**

**To better manage maintenance services, Metropolitan Toronto Housing Authority should establish service delivery, reporting and performance evaluation expectations for maintenance staff that are similar to those established for the private management companies it has under contract. Metropolitan Toronto Housing Authority should also examine maintenance management systems established by other large local housing authorities for their applicability to its requirements.**

### **Authority Response**

***Agree. A review of the maintenance management systems of our directly managed portfolios, privately managed portfolios, and the larger local housing authorities will be undertaken. Standards will be developed and incorporated in the maintenance management plan by fall 1997.***

## **FIRE CODE COMPLIANCE**

MTHA has made various efforts to ensure compliance with *Ontario Fire Code* requirements. For instance, in 1994 external consultants were engaged to carry out a number of building audits to assess *Ontario Fire Code* compliance. Such efforts are important because MTHA incurs sizable losses from property damage and bodily injuries caused by fires.

However, our visits to several MTHA buildings uncovered instances of non-compliance such as fire logbooks not being kept up to date and notices of procedures in case of fire not being posted where required. In February 1997 management promptly followed up on all non-compliance that was noted during our visits and conducted a further review of all logbooks and requirements to ensure compliance.

### **Recommendation**

**To better ensure that *Ontario Fire Code* requirements are met and that any deficiencies are promptly identified and rectified, Metropolitan Toronto Housing Authority should periodically conduct independent inspections of all properties for compliance with *Ontario Fire Code* requirements, take any necessary corrective actions and report the results to its board.**

### **Authority Response**

***Agree. The Metropolitan Toronto Housing Authority will establish an independent audit process to monitor fire code compliance across the portfolio. Compliance issues will be identified and reported to the board on a quarterly basis. The audit frequency and approach is being designed and the first report to the board will be in September 1997.***

# APPENDIX

## MAJOR ISSUES RAISED AND ACTIONS TAKEN OR PLANNED IN RESPONSE TO 1994 CONSULTANT'S REPORT

### CAPITAL PLANNING AND BUDGETING

3.12

1994 Issues	Action Taken or Planned
<ul style="list-style-type: none"> <li>A backlog of capital projects was estimated to be \$230 million in 1994.</li> <li>Backlog of capital projects resulted in priority work such as Ontario Fire Code upgrades and elevators repairs not being done.</li> </ul>	<ul style="list-style-type: none"> <li>Backlog still exists of about \$200 million although estimate is not based on a detailed assessment of all properties. (See below.) Funding not yet received to clear it.</li> <li>Capital budgeting process was not revised until 1997; prior to that serious deficiencies were not addressed on a timely basis. Priorities such as Ontario Fire Code upgrades are now being addressed. Some were included in the 1996 budget and the remainder are included in the 1997 budget.</li> </ul>
<ul style="list-style-type: none"> <li>No comprehensive database on properties owned.</li> <li>No studies yet on remaining useful life or cost of portfolio or how to regenerate it. Need for capital asset regeneration program.</li> </ul>	<ul style="list-style-type: none"> <li>MTHA has not yet developed a comprehensive database of its portfolio. Instead management is planning a more comprehensive approach to be developed in 1997.</li> <li>In October 1996 a proposal was made by MTHA to the OHC board on the need for a more comprehensive portfolio assessment and regeneration program.</li> <li>The only effort thus far to collect data on sites has been a pilot project, supported by OHC, where consultants studied a sample of 20 properties located in 11 of the 72 communities to assess conditions and needed repair costs. The remaining properties (over 90%) have not been similarly assessed. Consequently, a comprehensive database still does not exist as a basis for establishing priorities and reliably estimating future repair/rehabilitation requirements.</li> </ul>
<ul style="list-style-type: none"> <li>Lack of strategy for enforcing resident accountability. For instance, managing behaviour for greater asset protection.</li> </ul>	<ul style="list-style-type: none"> <li>On February 1, 1997, procedures were introduced to more clearly hold tenants accountable by charging them for the actual costs of repairing damages they cause to MTHA property.</li> </ul>

# APPENDIX

## MAJOR ISSUES RAISED AND ACTIONS TAKEN OR PLANNED IN RESPONSE TO 1994 CONSULTANT'S REPORT

### ACQUISITIONS OF GOODS AND SERVICES

1994 Issues	Action Taken or Planned
<ul style="list-style-type: none"> <li>The purchasing function was decentralized and not well coordinated among the six districts. Purchases of maintenance consumables were not well coordinated to take advantage of bulk purchasing.</li> </ul>	<ul style="list-style-type: none"> <li>As of January 1996, all purchasing was centralized at head office. Management estimates that this centralization effort has generated savings of over \$2.5 million. These savings came from better control and coordination over volumes purchased, especially with consumable maintenance items such as supplies and spare parts, and better prices from greater bulk purchases.</li> </ul>
<ul style="list-style-type: none"> <li>Contractors with poor performance continued to work for MTHA or bid on future jobs.</li> </ul>	<ul style="list-style-type: none"> <li>In early 1996, sixteen companies were barred from bidding on MTHA contracts, primarily for poor performance, sending a strong message that MTHA will no longer tolerate chronic performance problems from contractors.</li> <li>In July 1996 a pre-qualification process was implemented which included the evaluation of contractors based on past performance. The prequalification process should prevent companies with poor qualifications or performance histories from obtaining work solely on the basis of a low bid.</li> <li>For maintenance work, new evaluation procedures were adopted in July 1996 to make property managers accountable for inspecting contractors' work.</li> </ul>
<ul style="list-style-type: none"> <li>Technical Services Branch had complete control of the bid evaluation process. Such control provided opportunities for irregularities and favouritism. Also, project specifications were issued with inaccuracies.</li> </ul>	<ul style="list-style-type: none"> <li>Effective August 1995 evaluation of contractor bids is being done by both the Purchasing Department and the Capital Projects Section, with technical assistance from external consultants. This measure should greatly reduce the risk of favouritism.</li> <li>In 1996 a new capital project management process was implemented where external consultants are hired and held accountable to prepare accurate design specifications, assist in contractor selection and inspect work to ensure it meets quality and design specifications.</li> </ul>

# APPENDIX

## MAJOR ISSUES RAISED AND ACTIONS TAKEN OR PLANNED IN RESPONSE TO 1994 CONSULTANT'S REPORT

### MAINTENANCE MANAGEMENT

**3.12**

1994 Issues	Action Taken or Planned
<ul style="list-style-type: none"> <li>• Need to revamp maintenance administration, as there was too much paperwork and a lack of coordination in a decentralized operation.</li> <li>• Need for proper training and allocation of staff.</li> <li>• The quality and efficiency of maintenance activities was not measured, and standards had not been established.</li> <li>• Opportunities for cost reductions through greater use of private management.</li> </ul>	<ul style="list-style-type: none"> <li>• A reorganization of the maintenance function took place in early 1996. Following an extensive review of maintenance requirements, the board decided to reduce staff by over 100 positions and to divide the remaining maintenance staff into two groups. One group, located at the project sites, is responsible for routine maintenance (custodial) functions (340 staff), and a second group of about 200 staff are assigned to one of four zone crews, each of which is responsible for ongoing and planned maintenance in its respective zone.</li> <li>• Recurring maintenance costs have been reduced from \$376 per rentable room in 1995 to \$350 per rentable room in 1996, a savings of almost \$3 million.</li> <li>• Other changes introduced or planned:               <ul style="list-style-type: none"> <li>- by December 1997 performance of maintenance staff will be measured against target levels for such indicators as maintenance costs as % of private management costs, % of inspected properties properly maintained, and % of maintenance requests completed within time standard.</li> <li>- established training program for maintenance staff and/or property managers which will continue into 1997 based on skills testing undertaken in 1996.</li> <li>- plans to implement a formal performance management system for staff starting in 1997, with full implementation by January 1998.</li> </ul> </li> <li>• MTHA continues to manage over 80% of its properties. Fifteen projects are privately managed under contract with MTHA. Despite recent cost-cutting efforts, recurring maintenance costs per rentable room for properties managed by MTHA still substantially exceed those incurred by private management.</li> </ul>

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# APPENDIX

## MAJOR ISSUES RAISED AND ACTIONS TAKEN OR PLANNED IN RESPONSE TO 1994 CONSULTANT'S REPORT

### SECURITY SERVICES

1994 Issues	Action Taken or Planned
<ul style="list-style-type: none"><li>• Need for a professional police force, preferably the Metropolitan Toronto Police Force (MTPF), to provide security in the areas of highest and most persistent security problems, where this initiative is supported by the majority of residents.</li><li>• Need for security contract with a single private firm supervised by the professional police force and able to provide the necessary level of security required for the rest of the communities.</li></ul>	<ul style="list-style-type: none"><li>• MTHA decided that a professional police force was not affordable. In 1995 security services for all areas considered lower risk were contracted out to a single security firm. Security for higher risk areas continued to be provided by MTHA security staff designated as Provincial Offences Officers. These staff received substantial training from professional sources.</li><li>• The single security contract was terminated after one year because of concerns over the quality of service and high and rising administrative costs (\$2.5 million). Security services returned to being delivered by MTHA staff.</li><li>• The 1997 budget for security services is \$11.6 million, 92% of which relates to salaries and benefits for about 220 officers, supervisors and support staff.</li><li>• A 1996 study requested by the Metro Toronto Police Services Board resulted in several recommendations to improve safety in Regent Park. The three recommendations made to MTHA have been acted upon. MTHA is working with MTPF and resident representatives on security strategies, including closer cooperation between MTHA Security and MTPF.</li><li>• The Security Services Branch has developed a comprehensive set of risk assessment and measurement tools as well as performance indicators and standards planned for use beginning in 1997.</li></ul>