

**TORONTO SENIORS HOUSING CORPORATION (TSHC)  
AUDIT & FINANCE AND RISK COMMITTEE (AFRC) MEETING**

**Date: Wednesday, January 31, 2024**

**Time: 4:00 – 5:30pm**

**Location: WebEx & Livestream**

**Agenda**

<b>Item</b>	<b>Time</b>	<b>Description</b>	<b>Action</b>	<b>Supporting Documents</b>	<b>Presenter</b>
1.	4:00 5 min	Chair's Remarks	Information	NA	Lawrence D'Souza, Chair
2.	4:05 2 min	Land and African Ancestral Acknowledgements	N/A	N/A	Chair
3.	4:07 2 min	Approval of Public Meeting Agenda	Approval	Agenda	Chair
4.	4:09 2 min	Chair's Poll re: Conflict of Interest	Declaration	N/A	Chair
5.	4:11 1 min	Approval of AFRC Public Minutes of Meeting of November 28, 2023	Approval	AFRC Public Minutes of Meeting of November 28, 2023	Chair
6.	4:12 1 min	Approval of AFRC Closed Session Minutes of Meeting November 28, 2023	Approval	AFRC Closed Minutes of Meeting of November 28, 2023	Chair
7.	4:13 2 min	AFRC Action Items Review	Information	AFRC Action Items List	Chair

**Toronto Seniors  
Housing Corporation**

8.	4:15 5 min	2024 AFRC Work Plan	Information	Work Plan	Grant Coffey
9.	4:20 10 min	2024 TCHC/TSHC Consolidated Budget	Information	2024 Consolidated Budget	Vince Truong
10.	4:30 10 min	Financial Update	Information	Report	Vince Truong
11.	4:40 25 min	Finance Policy:  a) General Finance Delegation of Authority  b) Delegation of Authority – Procurement  c) Capital Expense Policy	Approval	Report	Vince Truong
12.	5:05 1 min	Adjournment	Approval	N/A	Chair

## **Toronto Seniors Housing Corporation (TSHC)**

### **Audit, Finance and Risk Committee (AFRC)**

**Date: November 28, 2023**

**Time: 4:00 pm**

**Location: WebEx and Livestream**

#### **DRAFT Minutes**

The Audit, Finance and Risk Committee (AFRC) of the TSHC Board held its meeting on November 28, 2023, at 4:00 pm via WebEx video conference. This meeting was livestreamed.

#### Board Members in attendance:

- Lawrence D'Souza, *Committee Chair and Director*
- Brenda Parris, *Director*
- Linda Jackson, *Director*
- Warren Law, *Director*
- Fareed Amin, *Board Chair*

#### TSHC staff present:

- Jill Bada, *Interim Chief Executive Officer*
- Grant Coffey, *Director, Strategy and Business Management*
- Vince Truong, *Interim Finance Lead*
- Brad Priggen, *Director, Operations*
- Arlene Howells, *Director, Engagement, Partnerships and Communications (I)*
- Carol Francis, *Director, People and Culture*
- Tolu Solebo, *Manager, Financial Reporting and Compliance*
- Fatima Mahmood, *Executive Assistant*
- Tina Ferreira, *Executive Assistant to CEO*

**Item 1: Chair's remarks**

---

The Chair welcomed everyone and stated that this meeting is being livestreamed on YouTube.

**Item 2: Land and African ancestral acknowledgements**

---

The Chair began with Land and African ancestral acknowledgements.

**Item 3: Approval of public meeting agenda**

---

The Chair asked if there were any amendments to the public meeting agenda.

Hearing none.

**Motion:** Upon motion, duly made by Warren Law, and seconded by Brenda Parris and all in favour, it was resolved that the public meeting agenda, as presented, is hereby approved.

**Item 4: Chair's poll re: conflict of interest**

---

The Chair requested that members of the committee declare whether they were in conflict of interest with any agenda item.

No conflicts were declared.

**Item 5: Approval of public minutes of AFRC meeting of September 28, 2023**

---

The Chair tabled the public minutes of the September 28, 2023, meeting and asked that they be taken as read.

**Motion:** Upon motion, duly made by Warren Law, and seconded by Brenda Parris, it was resolved that the public minutes are hereby approved.

**Item 6: Approval of closed minutes of AFRC meeting of September 28, 2023**

---

The Chair tabled the closed minutes of the September 28, 2023, meeting and asked that they be taken as read.

**Motion:** Upon motion, duly made by Warren Law, and seconded by Brenda Parris, it was resolved that the closed minutes are hereby approved.

**Item 7: October and YTD 2023 Financial Result**

---

At the invitation of the Chair, Vince Truong provided an update on the financial results for October and year to date 2023.

It was noted the overall results for the first ten months of 2023 came as indicated in the revised Statement of Operations that incurred operating expenses of \$35,238,249. Revenue amounted to \$29,423,645, that was composed of \$3,118,831 from the City of Toronto deferred grant, \$26,055,496 from TCHC for TSHC's rental units and \$249,318 interest income earned on bank balances. This resulted in a deficit of \$5,814,604 for the first ten months of the year.

The budget for the first ten months indicated revenue of \$26,200,495 and expenses of \$35,901,447 for a difference of \$9,700,952. There is a favourability of \$3,886,348, noting a majority is in the City of Toronto grant of \$3,118,831 along with \$663,198 savings in terms of expenses. It is anticipated a deficit of \$8,181,021 on a budget of \$11,712,591 and a favourability of \$3,531,570. Vince Truong stated that a majority of the favourability was on the City of Toronto grant that was not budgeted in the original conversation. It was noted that this reconciles back to the \$8.531M approved budget. At this point it is anticipated that TSHC's outcome will come in slightly better as a result of the City of Toronto grant that was received in 2022 and carried over to 2023.

An overview of the Statement of Financial Position was provided and it was noted that the cash balance as of October 31, 2023 was \$1,035,587. In early November, \$3M of cash advance was provided to TSHC.

A detailed discussion took place regarding the current financial results of the Corporation.

**ACTION ITEM:** Provide Committee with a consolidated list of items that fall under the category 'other costs' as indicated in the Statement of Operations.

**Item 8: 2023 Audit Engagement & Audit Timeline**

---

At the invitation of the Chair Vince Truong provided an overview of the audit engagement and audit timelines for 2023.

It was noted that KPMG serves as the external auditor for the City of Toronto (City) and many of its Agencies, Boards and Commissions and was selected as the City's external auditor following a call for proposals by the City's Auditor General. The City's agreement with KPMG is for five years, commencing with the 2020 fiscal year end and ending in the 2024 fiscal year end. The City approved KPMG to be TSHC's auditor for fiscal years 2021, 2022 and 2023.

KPMG provided a quote to TSHC of \$17,500 (plus HST) to account for additional work and inflation. Prior year's cost was \$15,000 (plus HST). It was noted that this is a reasonable increase, and within budget.

Vince Truong noted that preliminary planning is expected to begin in December 2023, and the audit work to begin on February 26, 2024 for approximately 1.5 week to 2 weeks.

The audit report is expected to be completed by March 15, 2024, and will be presented to the AFRC Committee in late March.

**Item 9: Motion to move into closed session**

---

The Chair asked if there were any questions prior to moving into closed session.

None declared.

**Motion:** Upon motion, duly made by Warren Law, and seconded by Brenda Parris, it was resolved that Committee move into closed session.

**Item 10 to 14: closed session**

---

**Item 15: Motion to approve closed session decisions**

---

**Motion:** Upon motion, duly made by Brenda Parris, and seconded by Lawrence D'Souza, and unanimously carried, it was resolved that the Committee approved items discussed in the closed session.

**Item 16: Adjournment**

---

The Chair thanked the committee members, staff and all the presenters for their attendance and contributions and declared the meeting adjourned.

**Motion:** Upon motion, duly made by Brenda Parris, and seconded by Warren Law, it was resolved that the meeting be adjourned.

---

Lawrence D'Souza, Chair  
Audit, Finance and Risk Committee (AFRC)

**Toronto Senior Housing Corporation (TSHC)  
Audit, Finance and Risk Committee**

**Action Items List as of  
January 2024**

	<b>Meeting Arising From</b>	<b>Description</b>	<b>Resp.</b>	<b>Status</b>
1.	September 28, 2023	Bring to Committee a presentation on building emergency procedures.	Brad Priggen	In progress (Q2 2024)
2.	November 28, 2023	Staff to review the agreement contract and confirm that TSHC is to receive the surplus after the first year.	Vince Truong	In progress
3.	November 28, 2023	Going forward quarterly adjustments be recorded in TSHC books the two entries - revenues and expenses.	Vince Truong	In progress
<b>Action Items Completed</b>				
13.	November 28, 2023	Provide Committee with a consolidated list of items that fall under the category 'other costs' as indicated in the Statement of Operations.	Vince Truong	Completed

**Toronto Seniors Housing Corporation**  
**Audit Finance and Risk Committee**  
**Proposed Work Plan 2024**

<b>Q1</b>	<b>Q2</b>
<b>January 31, 2024</b>	<b>April 4, 2024</b>
<ul style="list-style-type: none"> <li>- AFRC 2024 Workplan</li> <li>- 2024 TCHC/TSHC Consolidated Budget*</li> <li>- Financial Update</li> <li>- Finance Delegation of Authority*</li> <li>- Procurement Delegation of Authority*</li> <li>- Capital Expense Policy*</li> </ul>	<ul style="list-style-type: none"> <li>- 2023 Audit Report*</li> <li>- Recommendation to the City of Toronto re: TSHC's 2024 Auditor*</li> <li>- 2023 Year-End Reconciliation*</li> <li>- Financial Update</li> <li>- 2023 TSHC Financial Result*</li> <li>- Emergency Management Overview</li> </ul>

<b>Q2</b>	<b>Q3</b>
<b>June 12, 2024</b>	<b>September 9, 2024</b>
<ul style="list-style-type: none"> <li>- Q1 &amp; May 2024 Financial Result*</li> <li>- Q1 2024 Reconciliation*</li> <li>- Financial Update</li> <li>- Update on Transition/Lease Agreement*</li> </ul>	<ul style="list-style-type: none"> <li>- 2025 Budget Update*</li> <li>- Q2 &amp; August 2024 Financial Results*</li> <li>- Q2 2024 Reconciliation *</li> <li>- Financial Update</li> <li>- Enterprise Risk Management Framework and Plan*</li> </ul>

<b>Q4</b>	<b>Q4</b>
<b>October 2, 2024</b>	<b>November 28, 2024</b>
<ul style="list-style-type: none"> <li>- 2025 Budget Update*</li> <li>- 2024 Insurance Renewal* &amp; Insurance presentation (HSC)</li> <li>- Financial Update</li> </ul>	<ul style="list-style-type: none"> <li>- 2025 Proposed Budget*</li> <li>- Q3 &amp; October 2024 Financial Results*</li> <li>- Q3 2024 Reconciliation*</li> <li>- 2024 Audit Engagement &amp; Audit Timeline</li> <li>- Financial Update</li> </ul>

\* Indicates proceed to Board subsequently after Committee

Date: January 25, 2024

# Toronto Seniors Housing Corporation

## Toronto Seniors Housing Corporation

### Audit, Finance and Risk Committee Meeting

Topic: 2024 TCHC/TSHC Consolidated Operating Budget

Item #: 9

Date: January 31, 2024

**Report: AFR: Jan. 31, 2024, item #9**

**To:** Audit, Finance and Risk Committee

**From:** Vince Truong, Finance Lead (I)

**Date:** January 31, 2024

#### **Purpose:**

The purpose of this report is to provide an update on the 2024 TCHC/TSHC Consolidated Operating Budget. The 2024 TCHC/TSHC Consolidated Operating Budget was approved at the January 4, 2024 TSHC Board meeting.

#### **Recommendation:**

It is recommended that the AFRC receive this report for information.

#### **Reasons for Recommendation:**

The City of Toronto (The City) has asked Toronto Community Housing Corporation (TCHC) and Toronto Seniors Housing Corporation (TSHC) to present the 2024 Operating Budget in a consolidated format. The Board of Directors, and the Audit, Finance and Risk Committee have been updated on the 2024 Budget process in previous meetings, outlining the financial challenges faced by the City, and the significant deficit faced by the City at the onset of the budgeting process in the fall of 2023.

# Toronto Seniors Housing Corporation

The 2024 Consolidated Operating Budget for TCHC and TSHC includes the following:

- Total consolidated revenue of \$749,863,000 comprising of Residential Rent Geared to Income (RGI), Market Rent, City Subsidies, and other income for TSHC and TCHC;
- The year over year increase in RGI is approximately 1% and for Market Rent is 2%, mainly due to the continued improvement in the occupancy rate and a tight rental market in Toronto;
- The City subsidies and one-time adjustments were higher to accommodate for additional cost pressures as outlined in the consolidated expense with an increase of \$40,000,000 in ongoing support and \$33,580,000 in one-time support for expected efficiency savings from future projects;
- Total consolidated expense of \$749,863,000 is an increase of 7% from 2023 Budget, mainly due to the high inflationary cost pressure. Key highlights include major increases in mortgage and interest, due to the rate increase over the last year, and the effects on the renewals and lines of credit. Costs in operations to service and maintain units, along with Community Safety Unit (CSU) and security has increased by 9% on average, and insurance increase significantly due to high claims and cost increase in property value in the industry.
- The consolidated COVID-19 expense is approx. \$2,059,000 down from prior year of \$10,754,000, and all expenses are expected to be absorbed into the operations. The remaining effect is a result of uncollected bad debts and lost commercial revenue from parking, laundry and cable services due to COVID-19.

The priority setting for TSHC's 2024 Operating Budget are the following:

- As directed by the Interim Strategic Directions (ISDs) and Strategic Priorities set by the Board of Directors:
  - Provide safe, clean, and well-maintained buildings and stable tenancies;

# Toronto Seniors Housing Corporation

---

- Enhance tenant engagement and inclusion in their communities and provide opportunities for tenants to have a voice;
  - Facilitate access to services and programs that tenants need and want;
  - Develop and promote innovation and leading practices which contribute to seniors' well-being;
  - Strive for organizational excellence to ensure effective and efficient delivery of our mandate;
  - Be an employer of choice by fostering a culture of innovation that engages, empowers, and supports staff.
- 
- TSHC continues to work towards establishing and stabilizing corporate functions in Finance, People and Culture, Policy Planning and Quality Improvement, and Partnerships, Engagement and Communication;
  - TSHC continues to include the Integrated Service Model (ISM) which is now embedded in our strategy and operations;
  - TSHC continues to work with TCHC and the City for cost sharing models to achieve cost efficiencies;
  - TSHC continue to ensure effective services in both tenant supports and building management;
  - TSHC to implement a new Community Connect+ tenant engagement approach and the Community Activities Funds to assist with tenant events and activities.

## Key Risks and Challenges:

- TCHC and TSHC face long-term financial instability resulting from structural challenges, misaligned funding, inflationary pressures, cost increases and a challenging operating environment that houses a vulnerable and equity deserving population with high support needs and the demands of maintaining an aging building stock. Despite ongoing investment from the

# **Toronto Seniors Housing Corporation**

City, the limited ability to increase revenues requires ongoing subsidy support and organization-wide cost control measures;

- TSHC has further deferred 10 FTE corporate positions from the approved 20 positions in the 2022 Budget to 2025 Budget year. The reduction in staffing will delay implementation or limit certain organization activities and corporate capacity;
- Potential risk of not delivering on TSHC's Interim Strategic Directions and Strategic Priorities due to the above risks and challenges will be mitigated through priority review of workplan activities and timing.

Please see Attachment 1 for the 2024 Consolidated Budget Notes, along with Attachment 2, a presentation to the City of Toronto Budget Committee on January 17, 2024. Attachment 3 is the 2024 TCHC-TSHC Consolidated Operating Budget summary.

City Council will review and consider the budget for approval on February 14, 2024.

Name: Vince Truong

Title: Finance Lead (I)

## **List of Attachments:**

**2024 TCHC-TSHC Consolidated Budget Notes (Attachment 1)**

**2024 TCHC-TSHC Consolidated Presentation - Budget Committee (Attachment 2)**

**2024 TCHC-TSHC Consolidated Operating Budget (Attachment 3)**

**Item #9**

**Attachment 1**

**2024 TCHC-TSHC  
Consolidated Budget  
Notes**

# 2024 Budget Notes

## Toronto Community Housing Corporation and Toronto Seniors Housing Corporation

While we aim to provide fully accessible content, there is no text alternative available for some of the content within these pages. If you require alternate formats or need assistance understanding our charts, graphs, or any other content, please contact us at [FPD@toronto.ca](mailto:FPD@toronto.ca).

### Description

Toronto Community Housing Corporation (TCHC) and Toronto Seniors Housing Corporation (TSHC) deliver an essential frontline service providing housing stability and social supports for low income and equity deserving Torontonians. Together with the City of Toronto (the City), TCHC and TSHC help make it possible for tens of thousands of individuals and families to live in affordable homes, supporting the wellbeing of people and communities.

Our overall priorities are to provide a positive tenant experience, maintain quality homes and build safe and vibrant communities. These priorities underscore our continued focus on delivering clean, well-maintained buildings where all tenants have the opportunity to thrive in their communities. We are committed to ensuring that service delivery meets high standards consistently across the organization.

### Why We Do It

TCHC's mission is to provide clean, safe, well-maintained, affordable homes for residents. TSHC's vision is to provide safe, diverse, and vibrant communities where tenants have a sense of inclusion and well-being. Our portfolio of social housing buildings is an efficient and effective way to provide homes to Torontonians who are most in need. Our role is critical to ensuring that tenants can live well in an environment that is significantly more enriching and minimizes the impact on other parts of the housing and healthcare system.

We serve a diverse population that requires a wide range of supports that help tenants maintain successful tenancies. We connect residents to services and organizations that support tenant needs; as well, through the development and delivery of community programs we foster safe, healthy, and vibrant communities.

*The City of Toronto aims to deliver these outcomes equitably, efficiently and with excellent customer service to help improve the lives of Torontonians and work to earn their trust and confidence.*

#### Program / Agency:

**TCHC:****Lily Chen**

Chief Financial Officer

Tel: (416) 981-4256

Email: [Lily.Chen@torontohousing.ca](mailto:Lily.Chen@torontohousing.ca)**TSHC:****Vince Truong**

Interim, Finance Lead

Tel: (647) 500-9819

Email:

[Vince.Truong@torontoseniorshousing.ca](mailto:Vince.Truong@torontoseniorshousing.ca)

#### Corporate:

**Cindy Williamson**

Manager, Financial Planning

Tel: (416) 397-4531

Email: [Cindy.Williamson@toronto.ca](mailto:Cindy.Williamson@toronto.ca)

## What Service We Provide

### Deeply Affordable Housing

Around 110,000 people call TCHC and TSHC home, with 89% of households benefiting from the Rent-Geared-to-Income (RGI) program that offers deeply affordable housing for as little as \$85 per month.

Renters at TCHC and TSHC are diverse and united by a need to access affordable housing. Half of the households have a member with a disability, sixty-percent are female-led, thirty-percent primarily speak a language other than English, and seventy-five percent rely on government funding as their main or only source of income with the average RGI annual income at \$16,300.

### Long-Term Stewardship of a Critical Public Asset

Together, TCHC and TSHC manage and maintain 2,100 buildings, worth over \$10.0 billion. Our capital repair and community revitalization programs are focused on ensuring that these public assets are maintained in a state of good repair into the future.

### Housing and Support for Seniors

TSHC is committed to supporting seniors, allowing them to live independently and to age in their homes and communities while enjoying a better quality of life. This support includes a focus on providing clean and well-maintained buildings and improved health, wellness, and social supports for tenants 59 years of age and better.

TSHC manages a portfolio of 83 buildings with approximately 14,000 units, for approximately 15,000 low and moderate-income seniors.

**How Much Resources (gross 2024 operating budget):** \$749.9 million

## Budget at a Glance

2024 OPERATING BUDGET <sup>1</sup>			
\$Million	2024	2025	2026
Revenues	\$403.5	\$415.5	\$421.0
City Base Funding	\$312.8	\$312.8	\$312.8
City One-Time Funding	\$ 33.6		
Gross Expenditures	\$749.9	\$771.5	\$806.0
Net Expenditures	\$ 0	\$ 43.2	\$ 72.2
Approved Positions	2,653	2,663	2,663

2024 - 2033 10-YEAR CAPITAL PLAN <sup>1</sup>			
\$Million	2024	2025-2033	Total
<b>Gross Expenditures</b>			
Building Repair	\$332.8	\$1,957.0	\$2,289.8
Development	\$135.4	\$ 956.4	\$1,091.8
IT	\$ 8.6	\$ 0	\$ 8.6
<b>City Funding</b>			
Building Repair <sup>2</sup>	\$142.8	\$1,457.2	\$1,600.0
Development*	\$ 46.6	\$ 152.2	\$ 198.8
IT	\$ 8.6	\$ 0	\$ 8.6

\*Does not include City S37/Infrastructure funding

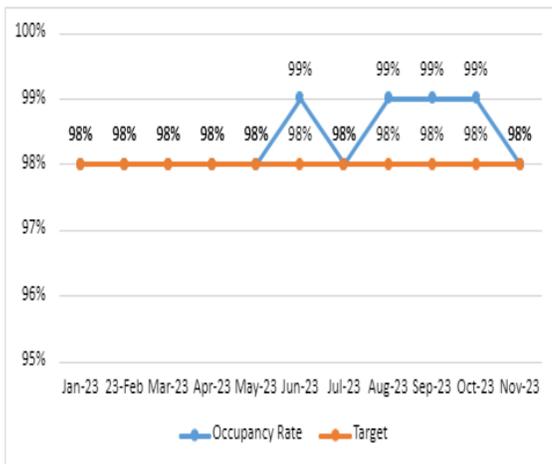
**Notes:**

- 1) TCHC and TSHC are presenting a consolidated 2024 Budget, as agreements between the two organizations are still under review.
- 2) City funding of \$1.600 billion for repair capital is included in the TCHC's 10-Year Capital Plan as an ongoing amount to reach industry standard FCI. Building Repair Capital funding requirements will be revisited and confirmed in future years along with ongoing Provincial and Federal funding.

## How Well We Are Doing – TCHC Behind the Numbers

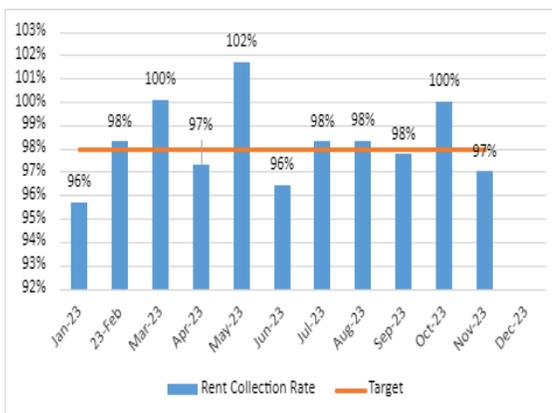
### Outcome Measures

#### Deeply Affordable Housing – Housing Occupancy Rate



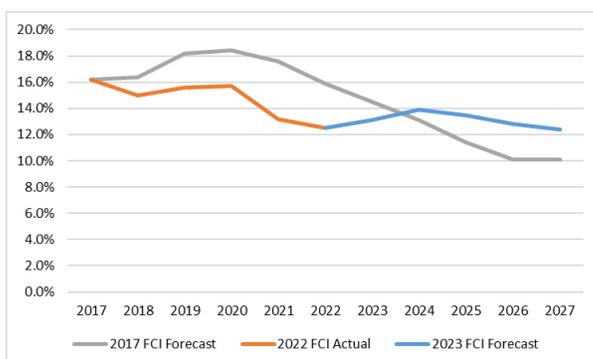
- The average TCHC vacancy rate from 2021 to 2023 (November) is in line with the service manager 2% vacancy rate target. The housing occupancy rate at the end of November is 98.5%.
- TCHC is monitoring the vacancy rate closely to ensure rentable RGI units are available to be responsive to tenants' needs and support movement on the Centralized Waiting List, including programs such as Crisis Transfer (internal) and Rapid Rehousing (City).
- Multiple strategies such as the City's Choice-Based and Rapid Rehousing are starting to become stabilized and have helped to consistently occupy units.
- In partnership with the City's Shelter and Support Services and the Housing Secretariat, TCHC ensures that those facing homelessness receive the necessary assistance to secure stable housing quickly.

#### Deeply Affordable Housing – Rent Collection Rate



- The YTD average rent collection rate is 98.1%.
- During the initial three quarters of 2023, TCHC consistently maintained high rent collection rates, with an average of 98%.
- Focus on compliance with the rent collection process ensures that payments are consistently monitored and managed. In addition, prioritizing early intervention, TCHC is working to identify potential issues and offering support to tenants at the earliest signs of financial difficulty.
- TCHC is undertaking revisions to the Arrears Collection Process to streamline and simplify the process, and training staff to equip them with the skills needed to engage with tenants to proactively address arrears as soon as possible.

#### Stewardship of Public Asset – Facility Condition Index (FCI)

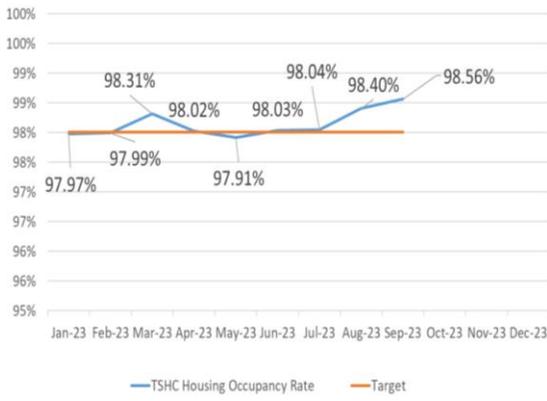


- FCI is the industry standard to measure the condition of buildings and physical infrastructure. The metric is obtained by aggregating the values of deferred repairs or building upgrades required and comparing against the asset replacement values of buildings and/or the building portfolio.
- The FCI represents the number of building components reaching or exceeding the end of their useful life.
- An FCI of 10% or less is the industry standard for a state of good repair.
- Due to inflation and other factors causing price and demand escalations, it is becoming increasingly challenging to meet and maintain a 10% FCI target. This has impacted previous year FCI projections that had TCHC on target to achieve 10% FCI by 2027. TCHC is currently working on addressing shortfalls.

## How Well We Are Doing – TSHC Behind the Numbers

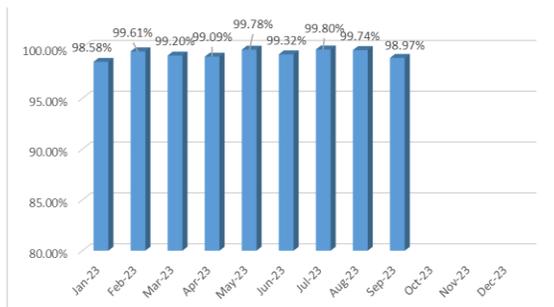
### Outcome Measures

#### Deeply Affordable Housing – Housing Occupancy Rate



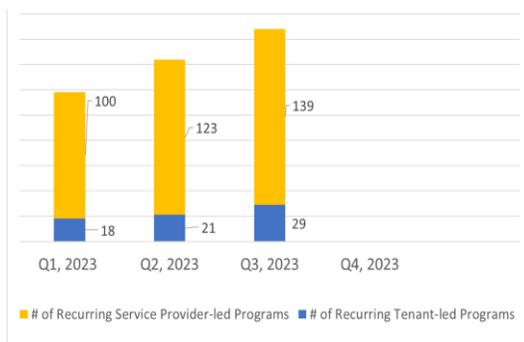
- Maintaining a high housing occupancy rate is essential to ensure rentable RGI units are available and to support movement on the Centralized Waiting List.
- The average housing occupancy rate in the first three quarters of 2023 was 98.14%, surpassing the target rate of 98%. The housing occupancy rate at the end of September stood at 98.56%.
- The average unit turnover days in Q3 was at 65 days, well below the YTD sector average of 98.9 days.
- TSHC will continue to monitor results and process efficiencies as well as work with the Service Manager to ensure service reporting and service targets are met.

#### Deeply Affordable Housing – Rent Collection Rate



- Compliance in rent collection enables TSHC to maintain and improve housing quality while supporting senior tenants effectively.
- During the initial three quarters of 2023, TSHC has consistently maintained high rent collection rates, with an average of 99.34%.

#### Support for Seniors – Recurring Programs for Seniors



- Programs are vital for senior tenants as they cater to seniors' unique needs and contribute to seniors' overall quality of life.
- Over the last three quarters, there has been a consistent increase in recurring programming offered to seniors living in TSHC, including an expansion in the number of recurring tenant-led programs.
- A variety of activities are being organized in seniors' buildings, covering themes such as food security and nutrition, health and wellness, personal development and learning, social recreation, and faith-based activities.

## How Well We Are Doing - TCHC

Service	Measure	2021 Actual	2022 Actual	2023 YTD (Nov)	2023 Target	2023 Projection	Status	2024 Target	2025 Target
<b>Outcome Measures</b>									
Deeply affordable housing	TCHC Occupied units	98%	98%	98%	98%	98%	●	98%	98%
	TCHC Rent and fees collected	99%	98%	98%	98%	98%	●	98%	98%
Stewardship of Public Asset	Facility Condition Index (FCI)	13.2%	12.5%	N/A	13.1%	13.5%	●	13.9%	13.5%

2023 Projection to 2023 Target Comparison  
 | 100% (MET TARGET)      | 70 – 99% (LOW RISK)      | 69% and Under (REQUIRES ATTENTION)

The Facility Condition Index (FCI) increase in 2023 is driven by the following pressures:

- Significant increase in on demand capital repairs resulting from prior years' lower volume due to impacts of the pandemic and reluctance of tenants to allow entry into units.
- Cost escalations driven by market conditions; primarily inflationary pressures and supply chain issues.

## How Well We Are Doing – TSHC

Service	Measure	2021 Actual	2022 Actual	2023 YTD (Sept)	2023 Target	2023 Projection	Status	2024 Target	2025 Target
<b>Outcome Measures</b>									
Deeply affordable housing	TSHC Occupied units	n/a	96% (June 2022)	98%	98%	98%	●	98%	98%
	TSHC Rent and fees collected	n/a	99%	99%	98%	98%	●	98%	98%

2023 Projection to 2023 Target Comparison  
 | 100% (MET TARGET)      | 70 – 99% (LOW RISK)      | 69% and Under (REQUIRES ATTENTION)

## EXPERIENCES, CHALLENGES AND PRIORITIES

### Our Experience and Success

#### TCHC

- TCHC continues to work closely with tenants, external partners, and service agencies to ensure tenants have successful tenancies and remain housed. Successful tenancies are supported by the improvements made to the arrears management, rent collection and vacancy management strategies as outlined below.
  - TCHC continued to see a steady decrease in vacancy rate and associated increase in the occupancy rate of RGI units. At the end of November 2023, the vacancy rate was 1.5% (occupancy rate is 98.5%), putting the program on track to reach the lowest annual vacancy rate (highest occupancy rate) experienced in the past five years. This steady increase is attributable to improvements in the vacancy management process related to the implementation of the Choice-Based offer process managed through Access to Housing, and to focused efforts from front line staff who ensure vacancies are filled as quickly as possible.
  - Management of outstanding arrears continues to be a key focus area in 2023, with the lowest percentage increase in arrears in the last five years. As of the end of November, TCHC has a 5% increase in arrears from 2022 numbers, which reflects the work done to keep arrears growth down. Staff continue to focus on arrears management, prioritizing repayment agreements with tenants as early as possible to reduce the accumulation of arrears. Proactive arrears management strategies are the best way to keep arrears growth down and to support households in maintaining their tenancies in good standing.
- As part of the continued implementation of the Customer Service Delivery model that rolled out in 2020, TCHC is reviewing the number of tenant service hub office locations to ensure that effective service continues to be delivered to tenants who access these spaces. A continuous improvement review is underway, with a review of relevant data and feedback from staff and tenants on the service experience in the hub offices. Following this review, changes in the service delivery model will be implemented following Board review and approval.
- TCHC continues to experience higher than average work orders and capital needs in buildings that were previously managed by third parties. Within the regional teams, TCHC underwent a review of budget allocations to ensure that the appropriate resources are available to manage the higher workload required to bring the buildings/communities in line with overall TCHC standards.
- TCHC continues to focus on fostering partnerships with community agencies and the private sector to support delivery of Community Economic Development and active living programs, which provide supports for vulnerable tenants. For example, in 2023 a strengthened partnership between TCHC and the Furniture Bank was developed, with furnishings provided to 500 households entering TCHC from the shelter system through the Rapid Rehousing Program.
- Ernst & Young (EY) developed a Strategic Financial Sustainability Report in collaboration with the City, TCHC, and TSHC based on an independent financial review, which identified future funding requirements to maintain current service levels and recommended a series of business opportunities that could reduce costs and benefit service delivery over time. Implementation of the Strategic Financial Sustainability Report launched in the summer of 2023, with several business and cost efficiency initiatives now underway.
- A complete delivery of the State of Good Repair program for \$2.290 billion has been implemented with a flexible capital planning approach to account for ongoing inflation, supply, and labour impacts to ensure the delivery of projects, which will enhance living conditions of tenants across the city.
- Currently, 525 TCHC units are under construction across the revitalization portfolio including 71 in Lawrence Heights, 138 at Don Summerville, 213 in Regent Park, and 103 in Alexandra Park.
- TCHC has made progress in transferring the scattered homes portfolio to the non-profit sector, enabling TCHC to focus fully on the multi-residential portfolio and to protect the transferred units as social housing in perpetuity, helping to maintain these as affordable homes across the City.
- Employee turnover has been reduced through augmented non-union compensation and improved benefits, and learning and development opportunities that are more competitive with our comparator market, enhancing TCHC's ability to retain employees and attract new top talent.
- In consultation with the City's Office of the Chief Information Security Officer (CISO), TCHC embarked on a multi-year program focused on improving cybersecurity resilience. The Information Technology Services

team continues to replace end-of-life technologies. Most notably completing the implementation of Microsoft 365, which brought improved collaboration tools to both TCHC and TSHC.

- In 2023, leveraging the new HoMES solution and its data, TCHC has started to implement business intelligence tools and dashboards to support greater insights into the organization and improve organization wide decision-making.

## TSHC

- Developed Interim Strategic Directions, setting key strategic objectives and enablers, key performance indicators and a workplan for the corporation.
- Developed Community Connect+ as a new way to work with tenants with goals to increase tenant-led activities, increase volunteerism and improve tenant health and well-being. Tenants, staff, community partners and service providers all participated in the design process where tenant voices were part of decision making.
- Continued operational performance improvements in Housing Occupancy, Rent Collection and Arrears, Unit-Turn Over, exceeding industry average in all categories. As well as, improved Work-Order backlog being addressed and reduced times with Office of the Commissioner of Housing Equity (OCHE) referrals.
- Completion of several deliverables within three quality improvement projects on (1) Safety & Security, (2) Pest Management and (3) Staff and Tenant Relations with over 100 recommendations under review.
- Placed 100 tenants from the Rapid Rehousing Initiative and 196 tenants through the TSHC Complex Tenancy team to stabilize vulnerable tenancies.
- Established a new partnership with Baycrest to support tenants in North Toronto and expanded the Naturally Occurring Retirement Communities (NORC) Ambassador program.
- With tenant input, TSHC has created a new approach to encourage tenant-led activities, and the Community Activities Fund Policy, which will launch in 2024.
- Completed an Employee Engagement survey with a 79% response rate.

## Key Challenges and Risks

- TCHC and TSHC continue to implement the Strategic Financial Sustainability Report to address long-term financial precarity resulting from structural challenges, misaligned funding, inflationary pressures, cost increases and an evolving operating environment. Despite ongoing investment from the City, the limited ability to increase revenues requires ongoing subsidy support and organization-wide cost control measures.
- TCHC and TSHC have benefited from a significant 10-year co-investment from the City and the Canadian Mortgage and Housing Corporation (CMHC), however, the federally funded National Housing Co-Investment Fund (NHCF) program will expire in 2027. TCHC will explore new capital funding approaches and opportunities to maintain assets, fund the 10-year Capital Plan post 2027, and meet FCI, climate resiliency and net zero targets.
- TCHC continues to manage community safety concerns through collaboration with the City, Toronto Police Services, TSHC and various community partners. Crime prevention continues to be a key component of community mobilization, and with TSHC, TCHC will continue to work with community partners to implement community safety and well-being programs and initiatives as a priority in meeting tenant safety needs.
- TCHC and TSHC continue to address the increasing complexity in housing and support needs of tenants by advancing opportunities for continuous improvement which ensures services are delivered effectively, efficiently, compassionately, and enables tenants to maintain successful tenancies in healthy and vibrant communities.

## TCHC

- While progress has made to attract and retain non-union staff, TCHC will continue to monitor compensation levels, benefits, and learning and development opportunities to remain competitive with the comparator market.
- TCHC continues to modernize data governance, collection, and management processes to collect and ensure accuracy and integrity of data required to deliver work plans efficiently and measure performance quality. Additionally, cyber-security continues to be a priority with planned initiatives encompassing both technical and process modernization.

## TSHC

- As TSHC has recently separated portfolio management from TCHC, TSHC is still in the process of establishing an administrative structure that will effectively manage the administration of the portfolio. To mitigate, TSHC will continue to rely on support from TCHC to manage current work plans and deliver administrative reporting. TSHC will continue to develop a separate administrative framework using existing resources as they work through staffing requirements.

---

## Priority Actions

### TCHC

1. Support the rights of every tenant to have reasonable enjoyment of their homes and empower and support frontline leadership and employees in resolving issues and challenges locally in support of tenant needs.

- Continuation of the scheduled review of TCHC's customer service model, ensuring that service is delivered effectively and efficiently through skilled and compassionate staff teams who work in the communities where tenants live.
- Refinement of the vacancy management and Rapid Rehousing processes, in partnership with the City's Housing Secretariat and Toronto Shelter and Support Services to maximize the number of Torontonians who can access subsidized units.
- Streamlining of the arrears management and rent collection processes to ensure that all tenants are provided with support to remain housed and have successful tenancies.
- Management of maintenance and cleaning processes with increased oversight of work orders, and continued investment in the maintenance and cleaning needs of the previously contract managed buildings to align with the standard of other directly managed buildings.
- Execution of TCHC's Capital Plan and strive to bring its building portfolio into a state of good repair by 2026. In 2024, TCHC will focus on aligning building repairs with energy efficiency upgrades and explore the funding requirements needed to meet net-zero targets.
- Execution of TCHC's Revitalization Plan, including construction in Lawrence Heights Phase 1, Don Summerville, Regent Park Phase 3, and Alexandra Park Phase 2, as well as preliminary planning, design and development work in Lawrence Heights Phase 2, Regent Park Phase 4/5, Firgrove and Swansea Mews.
- Transform the way work is done through the implementation of effective and efficient tenant service processes, systems, and tools.
- Develop a business intelligence foundation that enables timely decision making and identifies tenant service success measures.

2. Build high performing teams that bring to life a culture of tenant service

- Attract and retain employees through competitive compensation, benefits and learning and development that aligns with the City and the broader employment market.
- Continued investment in ongoing key initiatives of the Equity Diversity and Inclusion and Confronting Anti-Black Racism strategies that will influence corporate change and enhance both tenant and staff service delivery and the customer service model.

3. Work with the City to support and enable City led initiatives

- Work with the City's Development & Growth Services to support the "Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes" initiative (2023.EX7.2), which conveys the City response to Toronto's affordable housing needs and its efforts to address the housing crisis.
- As one of the last remaining deliverables of the Tenant's First Plan, continue to support the full transition of the scattered homes portfolio, enabling TCHC to fully focus on the multi-residential portfolio.
- Continue the development and implementation of agreements with TSHC to enable the organization to deliver services to senior households to age in place.
- Support the City's ModernTO plan and continue to prepare and plan for TCHC's relocation to Metro Hall in mid-2025.

---

**TSHC**

TSHC's priority is the Interim Strategic Directions, Objectives and Enablers roadmap of actions to:

- Provide safe, clean, and well-maintained buildings and stable tenancies.
  - Enhance tenant engagement and inclusion in their communities and provide opportunities for tenants to have a voice.
  - Facilitate access to services and programs that tenants need and want.
  - Develop and promote innovation and leading practices which contribute to seniors' well-being.
  - Strive for organizational excellence to ensure effective and efficient delivery of our mandate.
  - Be an employer of choice by fostering a culture of innovation that engages, empowers, and supports staff.
  - Continue to work towards establishing and stabilizing corporate functions in Finance, People and Culture, Policy Planning and Quality Improvement, and Partnerships, Engagement and Communication.
  - Continue to implement the Integrated Service Model which is now embedded in our strategy and operations.
-

**CITY STAFF PREPARED BUDGET**

City funding for TCHC and TSHC are reflected in the City's Budget within the Housing Secretariat and Corporate Accounts and include:

- \$312.795 million in base operating subsidy reflected in 2024 Staff Prepared Operating Budget for Housing Secretariat, an increase of \$40.0 million from 2023.
- \$33.580 million in one-time funding to offset operating pressures reflected in Corporate Accounts, an increase of \$10.553 million from 2023.
- \$198.796 million towards development capital reflected in Housing Secretariat's 10-Year Capital Budget and Plan over the 10-year period from 2024 to 2033.
- \$8.605 million towards IT & corporate capital projects reflected in Housing Secretariat's 10-Year Capital Budget and Plan over the 10-year period from 2024 to 2033.
- \$1.600 billion towards building repairs (SOGR) over the 10-year period from 2024 to 2033 reflected in the 10-Year Capital Budget and Plan for Housing Secretariat.

# **2024 OPERATING BUDGET**

## 2024 OPERATING BUDGET OVERVIEW

Table 1: 2024 Operating Budget by Service

By Service	2022	2023	2023	2023 Budget	2024	Change v. 2023	
	Actual	Budget	Projection*	excl COVID	Budget	Budget excl COVID	
	\$	\$	\$	\$	\$	\$	%
<b>Revenues</b>							
<b>City Funding</b>							
City Base Subsidy	278,777	272,795	272,795	272,795	312,795	40,000	14.7%
City One-Time Funding	2,456	23,027	23,027	23,027	33,580	10,553	45.8%
City One-Time Funding from 2022			22,040				N/A
<b>Total City Funding</b>	<b>281,233</b>	<b>295,821</b>	<b>317,861</b>	<b>295,821</b>	<b>346,375</b>	<b>50,553</b>	<b>17.1%</b>
Residential Rent - RGI	264,847	265,076	269,961	265,076	272,499	7,423	2.8%
Residential Rent - Market	87,961	88,821	90,159	88,821	91,582	2,760	3.1%
Other	36,820	39,462	38,322	46,369	39,408	(6,961)	(15.0%)
<b>Total Revenues</b>	<b>670,861</b>	<b>689,180</b>	<b>716,303</b>	<b>696,087</b>	<b>749,863</b>	<b>53,776</b>	<b>7.7%</b>
<b>Expenditures</b>							
Operating Expenses	669,545	699,934	695,743	696,087	747,863	51,776	7.4%
Swansea Mews	15,099		8,104		2,000	2,000	N/A
<b>Total Gross Expenditures</b>	<b>684,644</b>	<b>699,934</b>	<b>703,847</b>	<b>696,087</b>	<b>749,863</b>	<b>53,776</b>	<b>7.7%</b>
<b>Net Expenditures/(Surplus)</b>	<b>13,783</b>	<b>10,754</b>	<b>(12,456)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Approved Positions**</b>	<b>2,504</b>	<b>2,649</b>	<b>N/A</b>	<b>2,649</b>	<b>2,653</b>	<b>4</b>	<b>0.2%</b>

\*2023 Projection based on 9 Month Variance

\*\*YoY comparison based on approved positions

### KEY DRIVERS

**Total 2024 Budget** expenditures of \$749.863 million gross reflecting an increase of \$53.776 million in spending above 2023 budget, predominantly arising from:

- An increase in non-discretionary costs of \$22.020 million driven by utility, insurance, municipal taxes, and service contract rate increases, as well as the impact of contractual salary and benefit increases primarily related to collective agreements of \$19.878 million.
- Offset through increases in Residential Rent revenue (\$10.183 million), and balancing actions, along with a \$40.000 million increase to base City subsidy and a further one-time City funding of \$33.580 million, which is an increase in one-time funding of \$10.553 million from 2023.
- Swansea Mews carrying cost of \$2.000 million for ongoing safety and security measures until demolition begins.
- Net increase of four positions which are part of the \$3.292 million ongoing project costs to support two permanent positions for the Tenant Human Rights Unit to address Ombudsman recommendations and two permanent positions for financial sustainability strategy initiatives.

### EQUITY IMPACTS OF BUDGET CHANGES

**No significant equity impacts:** The changes in the Organization's 2024 Operating Budget do not have any significant equity impacts.

**2024 OPERATING BUDGET KEY COST DRIVERS**

The 2024 Net Operating Budget for TCHC/TSHC of \$346.374 million, prior to City funding is \$50.553 million or 17% greater than the 2023 Net Budget, when reversing 2023 pandemic costs and applying a zero-base budget approach to all prior year COVID-19 related financial impacts. Table 2 below summarizes the key cost drivers for the 2024 Budget.

**Table 2: 2024 Key Cost Drivers**

(In \$000s)	2024				2025 Annualized impact (Net)
	Revenues	Gross	Net	Positions**	
<b>2023 Budget</b>	<b>393,359</b>	<b>699,934</b>	<b>306,575</b>	<b>2,649</b>	<b>N/A</b>
<b>2023 Projection*</b>	<b>694,264</b>	<b>703,847</b>	<b>9,583</b>	<b>N/A</b>	<b>N/A</b>
<b>2023 Budget (excl. COVID)</b>	<b>400,266</b>	<b>696,087</b>	<b>295,821</b>	<b>2,649</b>	<b>N/A</b>
<b>Key Cost Drivers:</b>					
<b>Prior Year Impacts</b>					
Recurring Cost Pressures Funded by Bridging Strategy in 2023		3,522	3,522		
<b>Salary &amp; Benefits</b>					
Collective Agreement, COLA, Merit Increase		19,878	19,878		
<b>Non-Salary Inflation</b>					
Service Contracts		17,243	17,243		
Insurance		3,266	3,266		
Utilities		1,169	1,169		
Municipal Taxes		342	342		
<b>Other Changes</b>					
Mortgage P&I		9,331	9,331		
Repairs & Maintenance Backlog		2,850	2,850		
TCHC Ongoing Projects		3,292	3,292	4	
<b>Subtotal - Key Cost Drivers</b>		<b>60,893</b>	<b>60,893</b>		<b>N/A</b>
<b>Affordability Measures:</b>					
Interest Savings from SOGR Funding Advance		(1,200)	(1,200)		
Energy Savings		(3,996)	(3,996)		
Line-by-Line Review Savings		(1,920)	(1,920)		
Revenue Increase	3,223		(3,223)		
<b>Subtotal - Affordability Measures</b>	<b>3,223</b>	<b>(7,116)</b>	<b>(10,339)</b>		<b>N/A</b>
<b>Total 2024 Budget w/o City Funding</b>	<b>403,489</b>	<b>749,864</b>	<b>346,374</b>	<b>4</b>	<b>N/A</b>
<b>Change from 2023 Budget (\$)</b>	<b>3,223</b>	<b>53,777</b>	<b>50,553</b>	<b>4</b>	<b>N/A</b>
<b>Change from 2023 Budget (%)</b>	<b>0.8%</b>	<b>8%</b>	<b>17%</b>		<b>N/A</b>
<b>City Funding:</b>					
2023 City Funding	295,821		(295,821)		
Reversal of One-Time 2023 Funding	(23,027)		23,027		
Base Subsidy Increase	40,000		(40,000)		
One-Time Funding	33,580		(33,580)		
<b>Total City Funding</b>	<b>346,374</b>	<b>0</b>	<b>(346,374)</b>		<b>N/A</b>
<b>Change from 2023 City Funding (\$)</b>	<b>50,553</b>	<b>0</b>	<b>(50,553)</b>		<b>N/A</b>
<b>Change from 2023 City Funding (%)</b>	<b>17%</b>	<b>0%</b>	<b>17%</b>		<b>N/A</b>
<b>Total 2024 Budget</b>	<b>749,863</b>	<b>749,864</b>	<b>0</b>	<b>2,653</b>	<b>N/A</b>
<b>Change from 2023 Budget (excl. COVID) (\$)</b>	<b>53,776</b>	<b>53,777</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>
<b>Change from 2023 Budget (excl. COVID) (%)</b>	<b>13%</b>	<b>8%</b>	<b>0%</b>	<b>N/A</b>	<b>N/A</b>

\*Based on 9 Month Variance

\*\*YoY comparison based on approved positions

**Key Base Drivers:****Prior Year Impacts:**

- Increase of \$3.522 million in recurring operating costs funded through one-time strategy of TCHC reserve withdrawals in 2023. This bridging strategy is unavailable for 2024.

- One-time City funding of \$23.027 million used in 2023 to fund utilities, mortgage payments, service contract rate increases, and municipal taxes as one-time bridging strategy. As these expenditures are recurring in nature, they contribute to part of the ongoing cost pressure in 2024.

#### Salaries & Benefits:

- Increase of \$19.878 million due to cost-of-living adjustments, collective bargaining, post-retirement obligations, merit increases, and retiree allowances.

#### Non-Salary Inflation:

- Increase of \$22.020 million mainly due to non-discretionary inflationary and rate increases in service contracts, utilities cost, and insurance premiums upon renewal.

#### Other Changes:

- Increase of \$15.473 million mainly due to mortgage principal and interest payments, deferred in-flight projects reinstated in 2024, as well as addressing the repairs and maintenance backlog for buildings that were previously contract managed.
- The mortgage payments & interests include 1) mortgages from lenders such as Infrastructure Ontario; 2) the low interest repayable loans from CMHC's National Housing Co-Investment Fund which partially funds TCHC's state of good repairs program, the committed total loan amount is \$813.0 million over the 10-year plan. As of 2023, the loan balance is \$358.0 million, with the average interest rate of 2.69%. TCHC takes on new CMHC loans on a quarterly basis when the capital repairs programs are complete each year. Since the CMHC funding are claim-based, TCHC incurs interest expenses from the Line of Credit to pay the vendors and is subsequently reimbursed by the funders.
- Four net new positions will be added to the workforce to support Tenant Human Rights work and implement financial sustainability strategy initiatives.

### Affordability Measures and City Funding:

Table 3: Offsets and Efficiencies

(In \$000s)								
Recommendation	Savings Type	2024				2025 (Incremental)		
		Revenue	Gross	Net	Positions	Gross	Net	Positions
Interest Savings from SOGR Funding Advance	Other		(1,200.0)	(1,200.0)				
Energy Savings	Other		(3,996.0)	(3,996.0)				
Line-by-Line Review Savings	Line By Line		(1,920.0)	(1,920.0)		1,920.0	1,920.0	
Revenue Increase	Revenue Increase (Inflationary)	3,223.0		(3,223.0)				
Base City Subsidy Increase	Revenue Increase (Other)	40,000.0		(40,000.0)				
One-Time Funding Increase	Revenue Increase (Other)	33,580.0		(33,580.0)		33,580.0	33,580.0	
<b>Total Affordability Measures</b>		<b>76,803.0</b>	<b>(7,116.0)</b>	<b>(83,919.0)</b>	<b>-</b>	<b>35,500.0</b>	<b>35,500.0</b>	<b>-</b>

- **Interest Savings from SOGR Funding Advance:** Interest savings from updating the funding arrangement with the City to provide a quarterly advance on City building repair capital funding, reducing the use of the operating line of credit.
- **Energy Savings:** Energy savings from energy efficiency measures.
- **Line-by-Line Review Reductions:** Align salary and benefits budget with actual experience arising from higher staff turnover and anticipated hiring plans that result in less than full year salaries and benefits.
- **Base City Subsidy Increase:** Increase in City base subsidy of \$40.000 million to offset inflationary pressures and other non-discretionary costs.

- **One-Time City Funding Increase:** One-time City funding of \$33.580 million as a bridging strategy to cover both one-time costs in 2024 and costs with future expected savings opportunities in future years, as identified from the EY financial review.
- **Revenue Increase:** Mainly from increases in RGI and market rents year over year.

## 2025 & 2026 OUTLOOKS

Table 5: 2025 and 2026 Outlooks

(\$000s)	2024 Budget	2025 Incremental Outlook*	2026 Incremental Outlook*
<b>Revenues</b>			
Revenue Changes		5,539.0	5,484.0
TCHC Reserve City Repayment		6,500.0	
One-time City Funding		(33,580.3)	
<b>Total Revenues</b>	<b>749,863.3</b>	<b>(21,541.3)</b>	<b>5,484.0</b>
<b>Gross Expenditures</b>			
Hiring Plan		1,437.0	1,472.9
Inflationary Impacts		19,187.6	15,603.4
Utilities		7,322.0	7,478.0
Mortgage P&I		1,535.8	3,177.6
Swansea Mews		(2,000.0)	
Procurement Modernization		(250.0)	
EY Financial Strategy Initiatives		(150.0)	
Asset Retirement Obligation Review		(100.0)	
Bridging Strategies		6,268.0	
Deferred Projects		8,741.8	9,322.6
<b>Total Gross Expenditures</b>	<b>749,863.3</b>	<b>41,992.2</b>	<b>37,054.5</b>
<b>Net Expenditures</b>		<b>63,533.5</b>	<b>31,570.5</b>
<b>Potential Savings (EY Internal &amp; External Efficiencies)</b>		<b>(20,345.0)</b>	<b>(2,565.0)</b>
<b>Net Expenditures after Potential Savings</b>		<b>43,188.5</b>	<b>29,005.5</b>
<b>Approved Positions</b>	<b>2,653.0</b>	<b>2,663.0</b>	<b>2,663.0</b>

\*Modern TO, Mayor's New Affordable Rental Homes Initiative, completion of the TSHC transition, and TCHC hiring plan to be determined

## Key Outlook Drivers

The 2025 Outlook with total gross expenditures, including potential savings, of \$771.510 million reflects an anticipated \$21.647 million or 2.89% increase in gross expenditures above the 2024 Operating Budget. The 2026 Outlooks expects a further increase of \$34.490 million or 4.47% above 2025 gross expenditures.

These changes arise from the following:

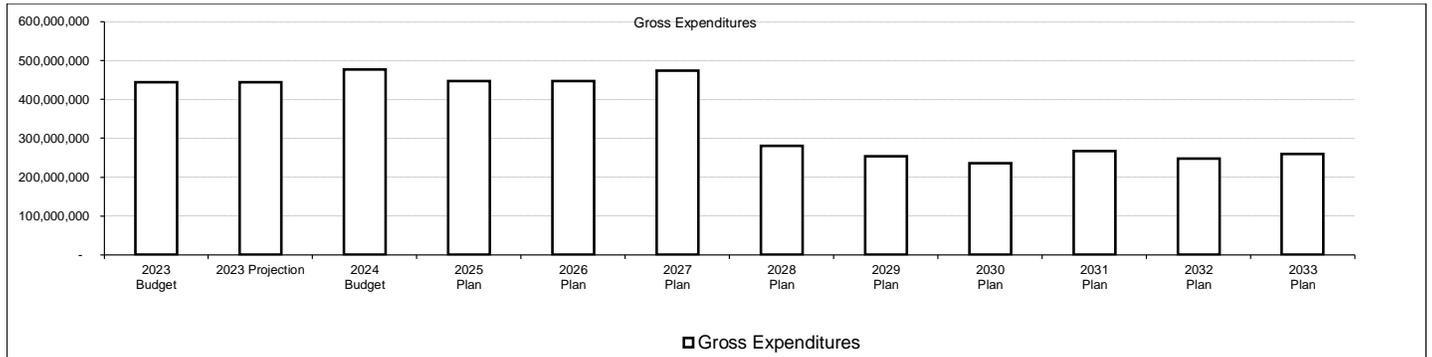
- **Hiring Plans (impacts from 2024 Decisions):** Ten TSHC corporate positions originally deferred from 2023 have further been deferred from 2024.
- **Inflationary Impacts:** Labour cost increases of 3.5% and 2.5% for TCHC and TSHC, respectively. Non-labour cost increases of 4% for service contracts for TCHC. General inflationary pressures of 2.3% in 2025 and 2.0% in 2026 for both TCHC and TSHC.
- **Utilities:** Electricity cost increases of 4.5% in 2025 and 4.3% in 2026, gas price increases of 8.0% in 2025 and 8.2% in 2026, and water price increases of 3.0% in both years. This is offset by overall usage decrease of 1.0% each year for all utilities.
- **Swansea Mews:** Demolition is expected to begin in 2025, which results in incremental savings of \$2.000 million annual carrying costs.

- 
- **Revenue Changes:** RGI and market residential rent revenue is projected to increase by 1.0% to 2.5%, along with a moderate increase in commercial rents, parking, and laundry revenue streams.
  - **Bridging Strategies:** Reinstate one-time 2024 budget savings for deferred projects and hiring plans.
  - **Deferred Projects:** Includes projects such as tenant customer experience strategy, training programs, tenant programs, tenant air conditioning programs, and professional fees deferred from 2024.
  - **Internal & External Cost Efficiencies:** Includes net cash efficiencies of \$20.345 million for 2025 and \$22.910 million for 2026 to be realized from various opportunities such as natural gas and water expense savings, data analytics and procurement transformations, improvements in arrears collections, and establishing a charitable foundation for strategic fundraising initiatives.
-

# **2024 – 2033 CAPITAL BUDGET AND PLAN**

**2024 2033 CAPITAL BUDGET & PLAN OVERVIEW**

**Chart 1: 10-Year Capital Plan Overview**



In \$000's	2023		2023 Capital Budget and 2024 - 2032 Capital Plan										Total 10 Year Plan
	Budget	Projected Actual	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
	<b>Gross Expenditures by Project Category:</b>												
Building Capital Repair	350,000	380,000	332,815	340,000	342,000	343,185	160,000	152,783	153,000	153,000	153,000	160,000	2,289,783
Development Capital	88,540	94,863	135,436	107,335	105,057	130,748	120,352	101,626	82,785	113,651	94,648	100,200	1,091,837
IT/Corporate Capital	5,190	5,190	8,605										8,605
<b>Total by Project Category</b>	<b>443,730</b>	<b>480,053</b>	<b>476,856</b>	<b>447,335</b>	<b>447,057</b>	<b>473,933</b>	<b>280,352</b>	<b>254,409</b>	<b>235,785</b>	<b>266,651</b>	<b>247,648</b>	<b>260,200</b>	<b>3,390,225</b>
<b>Financing:</b>													
<b>Building Repair Capital</b>													
City Funding*	131,783	131,783	142,815	170,000	176,000	179,402	160,000	152,783	153,000	153,000	153,000	160,000	1,600,000
Provincial Funding													
Federal Funding	173,947	173,947	166,001	166,471	165,061	146,769							644,302
TCHC/Other Funding	44,270	74,270	23,999	3,529	939	17,014							45,481
<b>Development Capital</b>													
City Funding**	15,860	13,605	46,605	43,053	37,253	89,005	92,984	88,222		82,566	26,970		198,796
City Repayment									127,538				180,324
Other City Funding (S37/Infrastructure)	2,120	6,613	12,999	5,308	7,205	4,250	3,400	800	745				34,707
Provincial Funding	2,960												
Federal Funding <sup>1</sup>				19,000	17,300	21,000							57,300
Other Revenue - Development Capital	67,600	74,645	75,832	39,974	43,298	16,493	23,967	12,604	209,578	31,085	67,678	280,524	801,035
TCHC Funding													
<b>IT &amp; Corporate Capital</b>													
City Funding***	5,190	5,190	8,605										8,605
<b>Total Financing</b>	<b>443,730</b>	<b>480,053</b>	<b>476,856</b>	<b>447,335</b>	<b>447,057</b>	<b>473,933</b>	<b>280,352</b>	<b>254,409</b>	<b>235,785</b>	<b>266,651</b>	<b>247,648</b>	<b>260,200</b>	<b>3,390,225</b>

<sup>1</sup>Development Capital federal funding in 2025 to 2027 is subject to the approval of a 2024 CMHC funding application for net new affordable units in Phases 4/5

\*Annual City funding of \$152.783 million to \$160.000 million has been included for capital each year from 2028 to 2033 as an estimate of the ongoing amount required to maintain the steady state of FCI index. Building Repair Capital funding requirements will be revisited and confirmed in future years along with ongoing Provincial and Federal funding.

\*\*Development costs reflect the \$198.796 million funding for in-flight projects from 2024-2033 including \$46.605 million in 2024. Additional funding requirements for in-flight projects are included in capital needs constraints (Appendix 8). The City Repayment line reflects the net cash inflows anticipated from completed TCHC development projects that will be used to reimburse the City's reserve for upfront cashflows provided, of which the timing and the amount of the projected City Repayment line will be assessed at each budget cycle

\*\*\*In addition, the City is providing \$8.605 million towards the capitalized IT costs related to cybersecurity from Auditor General recommendations (AU10.4 Auditor General's Cybersecurity Review), other critical IT and corporate infrastructure needs.

**Note:**

For additional information, please refer to [Appendix 5](#) for a more detailed listing of the 2024 and 2025-2033 Capital Budget & Plan by project; [Appendix 7](#) for Capacity to Spend Review; and [Appendix 8](#) for Capital Needs Constraints, [Appendix 9](#) for Capital Program Provincial/Federal Funding Streams by Projects, respectively.

**2024 – 2033 CAPITAL BUDGET AND PLAN**

**\$3.390 Billion 10-Year Gross Capital Program**

				
Planned Capital	Demand Capital	Additional Energy Programs	Capital Other	Development Capital
\$1,169.7 M 34.5% <input checked="" type="checkbox"/>	\$796.3 M 23.5%	\$54.2 M 1.6% <input checked="" type="checkbox"/>	\$278.2 M 8.2% <input checked="" type="checkbox"/>	\$1,091.8 M 32.2% <input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Envelope</li> <li>Grounds</li> <li>Emergency generators</li> <li>HVAC</li> <li>Plumbing</li> <li>Roofing</li> <li>Structural</li> <li>Large scale holistic energy retrofits</li> <li>Common area accessibility upgrades</li> </ul>	<ul style="list-style-type: none"> <li>Accessibility upgrades</li> <li>Waste equipment repairs</li> <li>Risk management</li> <li>Appliances and equipment</li> <li>Local move-outs</li> <li>MLS Issues</li> </ul>	<ul style="list-style-type: none"> <li>Energy initiatives</li> <li>Water conservation</li> <li>Energy retrofits</li> </ul>	<ul style="list-style-type: none"> <li>Project management</li> <li>Building condition audits</li> <li>Overall Capital Contingency</li> <li>IT &amp; Corporate capital projects</li> </ul>	<ul style="list-style-type: none"> <li>In-flight revitalization projects</li> </ul>

- Project supports Climate Resiliency and / or Greenhouse Gas (GHG) Reduction\*

- Project includes workforce development requirements as outlined in the City's Social Procurement Program

\*Information above includes full project / sub-project 2024-2033 Capital Budget and Plan cash flows. Does not break out the climate component costs separately.

### How the Capital Program is Funded

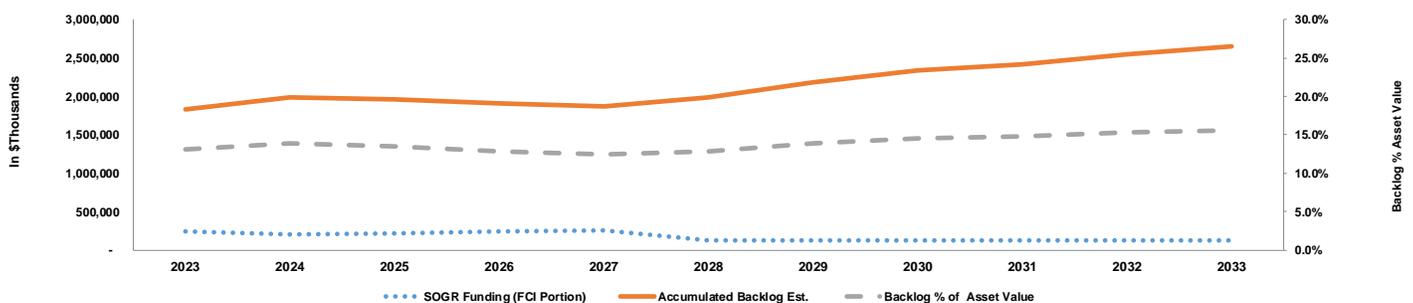
City of Toronto		Federal Funding		Other Funding	
<b>\$1,842.1 M 54.3%</b>		<b>\$701.6 M 20.7%</b>		<b>\$846.5 M 25.0%</b>	
City Funding for Building Repair Capital	\$ 1,600.0 M	National Housing Co-Investment Fund Loan (Capital Repair Stream)	\$ 414.5 M	Other Revenue from Development	\$ 801.0 M
City Funding for Development Capital	\$ 198.8 M	National Housing Co-Investment Fund Grant (Capital Repair Stream)	\$ 229.8 M	TCHC/Other Funding	\$ 45.5 M
Other City Funding for Development Capital (S37/Infrastructure)	\$ 34.7 M	National Housing Co-Investment Fund (New Construction Stream) *	\$ 57.3 M		
City Funding for IT & Corporate Capital	\$ 8.6 M				

\*Development Capital federal funding in 2025 – 2027 is subject to the approval of a 2024 CMHC funding application for net new affordable units in Regent Park Phases 4 & 5.

### STATE OF GOOD REPAIR (SOGR) FUNDING & BACKLOG

TCHC and TSHC manage and maintain 2,100 buildings, worth over \$10.0 billion. Our capital repair and community revitalization programs are focused on ensuring that these public assets are maintained in a state of good repair into the future. The chart below depicts the SOGR funding and accumulated backlog estimates over the 10-year period:

**Chart 2: Total SOGR Funding & Backlog**



\$ Thousands	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>SOGR Funding (FCI Portion)</b>	245,000	199,689	221,000	239,400	257,389	128,000	122,226	122,400	122,400	122,400	128,000
<b>Accumulated Backlog Est.</b>	1,834,155	1,984,719	1,955,090	1,904,162	1,873,747	1,986,281	2,180,099	2,334,990	2,416,268	2,550,754	2,649,713
<b>Backlog % of Asset Value</b>	13.1%	13.9%	13.5%	12.8%	12.4%	12.9%	13.9%	14.6%	14.8%	15.3%	15.6%
<b>Total Asset Value</b>	13,967,687	14,247,040	14,531,981	14,822,621	15,119,073	15,421,455	15,729,884	16,044,481	16,365,371	16,692,679	17,026,532

\*\* CMHC may advance cash flow of \$17.18M from future years to 2024 which has not been reflected in this table  
 \*\* Total Asset Value is indexed @ Statistics Canada Building Construction Price Index for long term average rate of 2%, in alignment with the City's LTFP planning assumptions

- TCHC includes approximately \$2.290 billion for its building capital repair over the 10-year planning period. Based on the current funding level of FCI portion, the accumulated backlog is anticipated to increase from \$1.834 billion

in 2023 to \$2.649 billion in 2033, representing 15.6% of the total replacement value estimated to be \$17.026 billion by 2033.

- A linear annual growth rate of 2% has been applied to the total asset base value in 2024 and the subsequent years.
- CMHC National Housing Co-Investment Fund Repair and Renewal Stream funding will end 2027, which includes forgivable loans and low-interest repayable loans. This will result in unfunded capital SOGR commencing in 2028.
- TCHC assets under Building Capital Repair are aging while the cost to maintain the steady state of FCI index is escalating significantly. Pressures affecting the accumulated backlog are attributable to the following:
  - Significant volume increases in on demand for capital spending in the areas of tenant unit interiors (e.g. kitchens and bathrooms) and building mechanical systems. Entry into tenant units was limited during the pandemic resulting in a significant increase in in-suite repairs in 2023.
  - TCHC continues to manage the repair backlog of the formerly contract managed buildings, which experience higher than average work orders and capital needs to bring the buildings/ communities in line with overall TCHC SOGR standards.
  - Price escalations from market conditions, inflationary pressures, supply chain issues, and rising capital costs mean that it is more expensive to deliver the same work. This has led to an increase in the capital expenditures required to fund repairs that did not significantly reduce FCI but continue to meaningfully enhance tenants' living conditions. This also impacted the FCI outlook from previous years where FCI projections were in line with the corporate target of 10% FCI by the end of 2027.
- The threshold at which on demand repair and maintenance work becomes part of the capital budget is \$1,500, which is significantly lower than industry standard (\$5,000 - \$10,000). Raising this threshold will reduce demand capital spend by \$30 million to \$40 million annually which will provide more available funds to be spent on reducing the SOGR backlog. This means more of the capital budget is spent on maintenance and minor repair work.
- TCHC will continue to refine estimates based on planned building condition assessments and SOGR backlog analysis, including asset values, and will work to reduce the backlog as asset management practices advance.

# APPENDICES

## Appendix 1

### 2024 Operating Budget by Category

Category (In \$000s)	2021 Actual	2022 Actual	2023 Budget	2023 Projection*	2024 Budget	2024 Change from 2023 Budget		2024 Change from 2023 Projection	
	\$	\$	\$	\$	\$	\$	%	\$	%
City Base Subsidy	246,392	281,233	272,795	272,795	312,795	40,000	14.7%	40,000	14.7%
City - One-Time Funding			23,027	23,027	33,580	10,553	45.8%	10,553	45.8%
City - One-Time Funding from 2022				22,040				(22,040)	(100.0%)
<b>Total City Funding</b>	246,392	281,233	295,822	317,862	346,375	50,553	17.1%	28,513	9.0%
Residential rent - RGI	257,617	264,847	265,076	269,961	272,499	7,423	2.8%	2,538	0.9%
Residential rent - Market	91,976	89,368	88,821	90,159	91,582	2,760	3.1%	1,423	1.6%
Other	38,645	44,574	46,369	42,857	41,466	(4,902)	(10.6%)	(1,391)	(3.2%)
COVID-19 Impact - Revenue	20,225	(9,161)	(6,907)	(4,535)	(2,059)	4,848	(70.2%)	2,476	(54.6%)
<b>Total Revenues</b>	<b>654,855</b>	<b>670,861</b>	<b>689,180</b>	<b>716,303</b>	<b>749,863</b>	<b>60,683</b>	<b>0</b>	<b>33,560</b>	<b>4.7%</b>
Utilities	146,389	152,127	152,440	146,905	149,614	(2,827)	(1.9%)	2,708	1.8%
Mortgage	132,750	136,530	140,016	142,034	148,146	8,131	5.8%	6,112	4.3%
Front Line Operations	236,437	242,699	249,660	257,222	271,216	21,556	8.6%	13,994	5.4%
Back Office Support	62,608	70,434	82,400	74,906	88,127	5,727	7.0%	13,221	17.7%
Seniors Housing	29,027	35,938	41,495	43,501	43,480	1,985	4.8%	(21)	(0.0%)
Other	27,524	23,615	43,075	41,683	47,280	4,205	9.8%	5,598	13.4%
Swansea Mews		15,099		8,104	2,000	2,000		(6,104)	(75.3%)
Contribution from Reserves			(13,000)	(13,000)		13,000	(100.0%)	13,000	(100.0%)
COVID-19 Impact - Expenditures	20,119	8,201	3,847	2,492		(3,847)	(100.0%)	(2,492)	(100.0%)
<b>Total Gross Expenditures</b>	<b>654,855</b>	<b>684,644</b>	<b>699,934</b>	<b>703,847</b>	<b>749,863</b>	<b>49,929</b>	<b>0</b>	<b>46,016</b>	<b>6.5%</b>
<b>Net Expenditures/(Surplus)</b>	<b>0</b>	<b>(13,783)</b>	<b>(10,754)</b>	<b>12,456</b>	<b>0</b>	<b>10,754</b>	<b>(0)</b>	<b>12,456</b>	<b>100.0%</b>

\* 2023 Projection based on 9 Month Variance

## **Appendix 2**

### **Summary of 2024 Service Changes**

N/A

## **Appendix 3**

### **Summary of 2024 New / Enhanced Service Priorities Included in Budget**

N/A

## **Appendix 4**

### **Summary of 2024 New / Enhanced Service Priorities Not Included in Budget**

N/A

## Appendix 5

### 2024 Capital Budget; 2025 - 2033 Capital Plan Including Carry Forward Funding

(In \$ Millions)	2024 Budget	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan	2024 - 2033 Total
<b>SOGR Capital</b> <span style="float: right;">☑</span>	332.8	340.0	342.0	343.2	160.0	152.8	153.0	153.0	153.0	160.0	2,289.8
<b>Development Capital</b> <span style="float: right;">☑*</span>	135.4	107.3	105.1	130.7	120.4	101.6	210.3	113.7	94.6	280.5	1,091.8
City Repayment							127.5			180.3	
<b>IT &amp; Corporate Capital</b>	8.6										8.6
<b>Total Expenditures (including carry forward from 2023)</b>	<b>476.9</b>	<b>447.3</b>	<b>447.1</b>	<b>473.9</b>	<b>280.4</b>	<b>254.4</b>	<b>235.8</b>	<b>266.7</b>	<b>247.6</b>	<b>260.2</b>	<b>3,390.2</b>

☑ - Project supports Climate Resiliency and / or Greenhouse Gas (GHG) Reduction

☑\* - Project includes workforce development requirements as outlined in the City's Social Procurement Program

\*Applicable to Alexandra Park Phase 2, Don Summerville, Lawrence Heights Phases 2 & 3, Firgrove, Regent Park Phase 4 & 5, Swansea projects only

\*\*Information above includes full project / sub-project 2024-2033 Budget and Plan cash flows. Does not break out the climate component costs separately.

## **Appendix 5a**

### **2024 Cash Flow and Future Year Commitments Including Carry Forward Funding**

N/A

## **Appendix 5b**

### **2025 - 2033 Capital Plan**

N/A

## **Appendix 6**

### **Reporting on Major Capital Projects: Status Update**

N/A

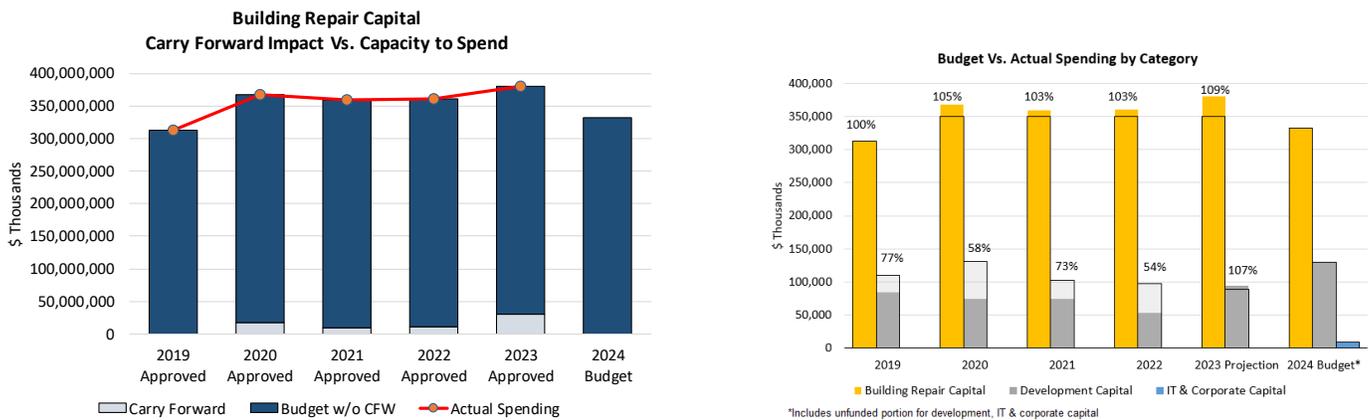
## Appendix 7

### Capacity to Spend Review

The 10-Year Capital Plan has been developed with consideration of historical demonstrated ability to spend within any given year of the 10-year capital plan. A review was undertaken to ensure budgets align with TCHC/TSHC’s ability to spend and the markets capacity to deliver.

A key component in determining an appropriate level of annual cash flows includes historical capacity to spend reviews by project categories (Chart 3 below) as well as the level of projected 2023 underspending that will be carried forward into 2024 to complete capital work.

**Chart 3 – Capacity to Spend**



### Capacity to Spend Review Impact on the 10-Year Plan

- TCHC/TSHC’s actual spending over the previous five years, from 2019 to 2023, has averaged \$356.311 million per year.
- The projected spending for 2023 is \$150.578 million or 98.5% of the 2023 Council Approved City Funding portion of the Capital Budget.
- 105% spending in 2020 reflects a Board approved acceleration of spending to use up available Provincial funding by the deadline; 103% spending in 2021 and 2022 was due to advanced spending from the following year due to guaranteed capital funding from the City.
- Development capital was underspent in 2022 due supply chain issues and labour shortages.
- IT & Corporate capital was included as part of the Operating budget prior to 2024.

## Appendix 8

### Summary of Capital Needs Constraints

Project Description	Total Project Cost	Cash Flow (In \$ Millions)									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Building Repair Capital</b>											
Net Zero (80% target)*	2,990.0	50.0	50.0	100.0	150.0	340.0	340.0	340.0	540.0	540.0	540.0
Unfunded SOGR (per EY projection)	478.2					75.0	82.2	82.0	82.0	82.0	75.0
<b>Total Building Repair Capital</b>	<b>3,468.2</b>	<b>50.0</b>	<b>50.0</b>	<b>100.0</b>	<b>150.0</b>	<b>415.0</b>	<b>422.2</b>	<b>422.0</b>	<b>622.0</b>	<b>622.0</b>	<b>615.0</b>
<b>Development Capital</b>											
Not In Flight Projects	999.3	-	8.5	36.5	260.9	114.7	58.9	50.0	162.7	223.2	83.7
<b>Total Development Capital</b>	<b>999.3</b>	<b>-</b>	<b>8.5</b>	<b>36.5</b>	<b>260.9</b>	<b>114.7</b>	<b>58.9</b>	<b>50.0</b>	<b>162.7</b>	<b>223.2</b>	<b>83.7</b>
<b>Total Needs Constraints (Not Included)</b>	<b>4,467.5</b>	<b>50.0</b>	<b>58.5</b>	<b>136.5</b>	<b>410.9</b>	<b>529.7</b>	<b>481.1</b>	<b>472.0</b>	<b>784.7</b>	<b>845.2</b>	<b>698.7</b>

\*Net Zero investments goes beyond 2033, total investment required until 2040 is \$6.1 Billion

\*\*IT & Corporate Capital of \$1.6M lower priority projects have been deferred into 2025

\*\*\*Future Budget submission of the 10 Year Capital Plan will be adjusted to changes to inflation

In addition to the prepared 10-Year Capital Plan of \$3.390 billion, staff have also identified \$4.468 billion in capital needs constraints for TCHC as reflected in the table above.

- TCHC contributes to Net Zero targets through CMHC funding which requires energy efficiency upgrades. TCHC will work with the City to develop cost estimates and funding requirements to achieve the targets set out by the Net Zero initiative in future budget processes.
- The unfunded SOGR Capital Plan (2028-2033 – NHCF funding ends in 2027) is impacted based on the EY Financial Sustainability projections, including:
  - Market conditions, inflationary pressures, supply chain issues and rising capital costs resulting in higher expenditures to deliver the same work.
- The total Development Capital Plan (2024-2033) of not in-flight projects constraints amounts to \$999.3 million.
  - \$131.7 million of City funding was added to the capital plan to address the 10-Year (2024 to 2033) in-flight development project needs. The City will continue to work with TCHC to address capital requirements for the not in-flight development projects as part of the 2025 and future year budget processes.

## Appendix 9

### Capital Program Provincial/Federal Funding Streams by Project

(In \$000s)	Intergovernmental Funding Program	Provincial Funding	Federal Funding	Total Funding
SOGR Capital			644,302	644,302
Development Capital*			57,300	57,300
<b>Total Funding</b>			<b>701,602</b>	<b>701,602</b>

\*Development Capital federal funding in 2025 to 2027 is subject to the approval of a 2024 CMHC funding application for net new affordable units in Phases 4/5

## Appendix 10

### Inflows and Outflows to/from Reserves and Reserve Funds

N/A

## Appendix 11

### Glossary

**Approved Position:** Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

**Actuals:** An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

**Capacity to Spend:** Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

**Capital Budget:** A Capital Budget is the City's plan to acquire / build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

**Capital Needs Constraints:** The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

**Complement:** Positions that support the delivery of City services and service levels as approved by Council.

**Efficiencies:** Reductions in the cost of delivering a service without a reduction in service level.

**New / Enhanced Service Priorities:** New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

**Operating Budget:** An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provided services; an example of an operating cost would be the cost to run the TTC subways.

**Operating Impact of Completed Capital Projects:** The additional expense (or savings) and positions needed to operate or maintain a new asset; an example would be the additional expense and staff needed to operate a recently completed community centre.

**Rate Supported Budget:** Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority

**State of Good Repair (SOGR):** The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes.

**Tax Supported Budget:** Budget funded by property taxes.

**User Fees:** Program generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).

**Item #9**

**Attachment 2**

**2024 TCHC-TSHC  
Consolidated  
Presentation -  
Budget Committee**

# BudgetTO

Toronto Community Housing Corporation  
Toronto Seniors Housing Corporation

2024 Operating Budget and  
2024-2033 Capital Budget & Plan  
Briefing to Budget Committee

January 17, 2024

While we aim to provide fully accessible content, there is no text alternative available for some of the content within these pages. If you require alternate formats or need assistance understanding the charts, graphs, or any other content, please contact us at (416) 981-4256 or [Lily.Chen@torontohousing.ca](mailto:Lily.Chen@torontohousing.ca) for TCHC and (647) 500-9819 or [Vince.Truong@torontoseniorshousing.ca](mailto:Vince.Truong@torontoseniorshousing.ca) for TSHC



**TCHC's** mission is to provide clean, safe, well-maintained, affordable homes for residents.

**TSHC's** vision is to provide safe, diverse, and vibrant communities where tenants have a sense of inclusion and well-being.

# TCHC/TSHC Services

## Deeply Affordable Housing



- TCHC and TSHC delivers housing stability and social supports for low income and equity deserving Torontonians.
- Provides deeply affordable housing in clean, safe and well-maintained buildings, and supports the wellbeing of people and communities.
- Around 110,000 people call TCHC and TSHC home, with 89% of households benefiting from the Rent-Geared-to-Income (RGI) program.

## Long-term Stewardship of a Critical Asset



- Together, TCHC and TSHC manage and maintain 2,100 buildings, worth over \$10.0 Billion.
- TCHC plans and delivers the capital repair and community revitalization programs, ensuring that these public assets are maintained in a state of good repair.

## Housing and Support for Seniors



- TSHC is committed to supporting seniors, allowing them to live independently and to age in their homes and communities while enjoying a better quality of life.
- TSHC manages a portfolio of 83 buildings with approximately 14,000 units, which houses approximately 15,000 low and moderate-income seniors.

## Strategic Outcomes

### Quality Homes in Vibrant Communities

Every tenant has **reasonable enjoyment of their home.**

Tenants' **homes will be well-maintained and made accessible** by TCHC.

Tenants **feel safe, secure and supported** and are **connected to the services** they need.

### Culture of Tenant Service

Frontline leadership and employees are empowered to **make tenant-focused decisions locally.**

**Services are delivered effectively and efficiently** through **skilled and compassionate staff teams** who work in the communities **where tenants live.**

**Effective and efficient tenant service processes, systems and tools** that enable timely decision making and identifies tenant service success measures.

## Corporate Outcomes

### Organizational Excellence

High performing teams that bring to life a **culture of tenant service.**

Utilize **business intelligence tools** and data systems to bring **greater insights** to the organization and **improved decision-making.**

**Modernize technology systems** that are focused on cybersecurity resiliency.

### Financial Sustainability

TCHC's **funding reflects the organizations mandate**, operational environment and evolving tenant needs.

## Strategic Outcomes

### Safe, clean and well-maintained buildings

Safe and secure buildings and communities

Timely unit and building maintenance, pest management, and high standards for cleanliness

Support for tenant accessibility

Support stable tenancies, maintain RGI eligibility, and eviction prevention

### Enhanced Tenant Engagement

Tenants engaged in their communities and opportunities for tenant voices

Increase in programs, events and activities for tenant well-being

Improve language, interpretation and translation supports

Improve tenant/staff interaction and communication

Improve tenant-facing policies

### Access to Services and Programs for Tenants

Facilitate access for tenants to priority health and community support services

Increase programs and services for tenants offered through partnerships

Support programs that foster community development

Partner and build relationships for innovation, research, emerging trends and new practices

## Corporate Outcomes

### Organizational Excellence & Employer of Choice

Meet Shareholder Direction requirements

Improve service quality & improvement projects

Be data informed

Effective use of technology

Good governance

Identify, reduce and manage risk

Develop Talent Strategy

Embrace Equity, Diversity and Inclusion

Create positive culture and engaged employees

Foster continuous learning and Improvement

Increase support for staff well being programs and health & safety

### Financial Sustainability

TSHC's funding reflects the organizations mandate, operational environment and evolving tenant needs.

Manage financial resources responsibly and operating a balanced budget

TSHC is committed to being a leader in the delivery of quality, affordable housing for seniors

# 2024 Budget Overview

Operating Budget								
\$ Thousands	2022 Actual	2023 Budget	2023 Projection*	2024 Budget	Chg from 2023 Budget		OUTLOOK***	
					\$	%	2025	2026
Rent Revenue - RGI & Market	\$352,808	\$353,897	\$360,119	\$364,081	\$10,184	2.9%	\$368,637	\$373,258
City Base Subsidy	\$278,777	\$272,795	\$272,795	\$312,795	\$40,000	14.7%	\$312,795	\$312,795
City One-Time Subsidy	\$2,456	\$23,027	\$23,027	\$33,580	\$10,553	45.8%		
City One-Time Subsidy from 2022			\$22,040			N/A		
Other Revenue	\$36,820	\$39,462	\$38,323	\$39,408	(\$54)	-0.1%	\$40,390	\$41,253
TCHC Reserve City Repayment**						N/A	\$6,500	\$6,500
<b>Total Revenues</b>	<b>\$670,861</b>	<b>\$689,180</b>	<b>\$716,304</b>	<b>\$749,863</b>	<b>\$60,683</b>	<b>8.8%</b>	<b>\$728,322</b>	<b>\$733,806</b>
<b>Gross Expenditures</b>	<b>\$684,644</b>	<b>\$699,934</b>	<b>\$703,847</b>	<b>\$749,863</b>	<b>\$49,929</b>	<b>7.1%</b>	<b>\$771,510</b>	<b>\$806,000</b>
<b>Net Expenditures</b>	<b>\$13,783</b>	<b>\$10,754</b>	<b>(\$12,457)</b>	<b>\$0</b>	<b>(\$10,754)</b>	<b>-100.0%</b>	<b>\$43,188</b>	<b>\$72,194</b>
<b>Approved Positions</b>	<b>2,504.0</b>	<b>2,649.0</b>	<b>2,535.0</b>	<b>2,653.0</b>	<b>N/A</b>	<b>N/A</b>	<b>2,663.0</b>	<b>2,663.0</b>

\*Projection based on 9 Month Variance  
 \*\*City will be repaying 50% of TCHC's \$13M reserve withdrawal each year  
 \*\*\*Modern TO, Mayor's New Affordable Rental Homes Initiative, completion of the TSHC transition, and TCHC hiring plan costs to be determined

10 Year Capital Budget & Plan				
\$ Millions	2024	2025-2033	Total	City Funding**
Building Repair Capital*	\$332.8	\$1,957.0	\$2,289.8	\$1,600.0
Development Capital*	\$135.4	\$956.4	\$1,091.8	\$198.8
IT/Corporate Capital*	\$8.6	\$0.0	\$8.6	\$8.6
<b>Total</b>	<b>\$476.9</b>	<b>\$2,913.4</b>	<b>\$3,390.2</b>	<b>\$1,807.4</b>

\*Amounts only include committed funding portion. Any unfunded requests are presented under Capital Needs Constraints slide

\*\*Excludes Other City Funding for Development Capital (S37/Infrastructure) of \$34.7M



## Financial Sustainability

- Implement the efficiency opportunities identified in the Strategic Financial Sustainability Plan (Ernst & Young report) and address long-term financial precarity resulting from structural challenges, misaligned funding, inflationary pressures, cost increases and an evolving operating environment.
- Despite ongoing investment from the City, the limited ability to increase revenues requires ongoing city subsidy support and organization-wide cost optimization measures.
- Expiration of the federal National Housing Co-Investment Fund program in 2027 will impact the future state of good repair needs.



## Tenant Supports and Needs

- Continue to address the increasing complexity in housing and support needs of tenants by advancing opportunities which ensure services are delivered effectively, efficiently, compassionately, and enable tenants to maintain successful tenancies in healthy and vibrant communities.
- Ensure the delivery of a community-based safety and security infrastructure, including the Special Constable staffing model to manage community safety concerns.
- Collaborate with the City, Toronto Police Services, TSHC and various community partners to enhance community safety and well-being programs and initiatives as a priority in meeting tenant safety needs.
- Improve the tenant human rights complaints process by implementing the Ombudsman recommendations, including hiring two new dedicated staff to receive, investigate and resolve tenant human rights complaints.



## Corporate Capacity

- **TCHC:** Maintain compensation levels, benefits, and learning and development opportunities to remain competitive with the City of Toronto and the comparator market.
- **TCHC:** Align business intelligence resources and modernize data governance, collection, management processes to collect and ensure accuracy and integrity of data required to deliver work plans efficiently and measure performance quality.
- **TCHC:** Continue to invest significantly in cybersecurity, including software, system and process improvements as well as ongoing staff training.
- **TSHC:** Continue to develop and establish an administrative structure that will effectively manage the administration of the seniors housing portfolio.



## Support the rights of every tenant to have reasonable enjoyment of their homes

*and empower and support frontline leadership and employees in resolving issues and challenges locally in support of tenant needs.*

- Continue the tenant-centric customer service model review, ensuring service is delivered effectively and efficiently in the communities where tenants live.
- Continue to execute the Revitalization Capital plan and build mixed income, mixed-use and inclusive communities
- Continue to execute the Building Repair Capital Plan and strive to bring the aging housing stock into a state of good repair by 2027.
- Transform tenant service processes, systems, and tools.
- Develop a business intelligence foundation that enables timely decision making and identifies tenant service success measures.



## Build high performing teams that bring to life a culture of tenant service

- Attract and retain talents through competitive compensation, benefits and learning and development that aligns with the City and the broader employment market.
- Continue investment in ongoing key initiatives of the Equity Diversity and Inclusion and Confronting Anti-Black Racism strategies.



## Work with the City to support and enable City led initiatives

- Work with the City's Development & Growth Services to support the “Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes” initiative (2023.EX7.2).
- Continue to support the full transition of the scattered homes portfolio, as part of the Tenant's First Plan.
- Continue the transition plan with TSHC.
- Support the City's ModernTO plan and continue TCHC's relocation planning to Metro Hall in mid-2025.

## TSHC's priority is the Interim Strategic Directions, Objectives and Enablers roadmap of actions



### An excellent housing provider

To provide safe, clean and well-maintained buildings and to support stable tenancies



### Tenant engagement

To enhance tenant engagement and inclusion in their communities and provide opportunities for tenants to have a voice.



### Partnerships

To facilitate access to services and programs that tenants need and want.



### Innovation

To develop and promote innovation and leading practices which contribute to seniors' well-being.



### Organizational excellence

To strive for organizational excellence to ensure effective and efficient delivery of our mandate.



### Employer of choice

To be an employer of choice by fostering a culture of innovation that engages, empowers, and supports staff.

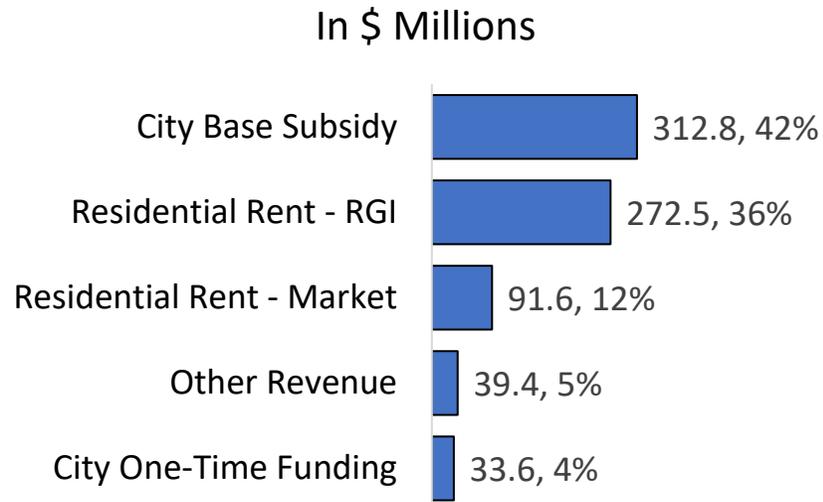
- TSHC will continue to work towards establishing and stabilizing corporate functions in Finance, People and Culture, Policy Planning and Quality Improvement, and Partnerships, Engagement and Communication.
- TSHC's service model continues to include the Integrated Service Model (ISM) which is now embedded in our strategy and operations.

# 2024 Operating Budget Submission

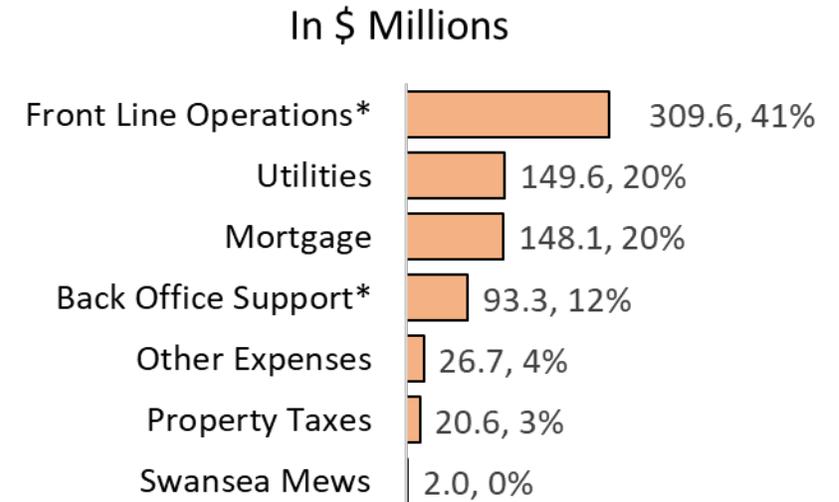
TCHC/TSHC

# How the 2024 Operating Budget is Funded & Where the Money Goes

## Where the Money Comes From (\$750M)



## Where the Money Goes (\$750M)



\*Includes TSHC cost of \$38.3M for Front Line Operations and \$5.1M for Back Office Support

# 2024 Net Operating Budget

(In \$000s)	2023 Budget	2023 Projection*	2023 Budget excl COVID	2024 Budget	Change v. 2023 Budget excl COVID	
					\$	%
<b>By Service</b>	\$	\$	\$	\$	\$	%
<b>Revenues</b>						
<b>City Funding</b>						
City Base Subsidy	272,795	272,795	272,795	312,795	40,000	14.7%
City One-Time Funding	23,027	23,027	23,027	33,580	10,553	45.8%
City One-Time Funding from 2022		22,040				N/A
<b>Total City Funding</b>	295,821	317,861	295,821	346,375	50,553	17.1%
Residential Rent - RGI	265,076	269,961	265,076	272,499	7,423	2.8%
Residential Rent - Market	88,821	90,159	88,821	91,582	2,760	3.1%
Other	39,462	38,322	46,369	39,408	(6,961)	(15.0%)
<b>Total Revenues</b>	<b>689,180</b>	<b>716,303</b>	<b>696,087</b>	<b>749,863</b>	<b>53,776</b>	<b>7.7%</b>
<b>Expenditures</b>						
Operating Expenses	699,934	695,743	696,087	747,863	51,776	7.4%
Swansea Mews		8,104		2,000	2,000	N/A
<b>Total Gross Expenditures</b>	<b>699,934</b>	<b>703,847</b>	<b>696,087</b>	<b>749,863</b>	<b>53,776</b>	<b>7.7%</b>
<b>Net Expenditures/(Surplus)</b>	<b>10,754</b>	<b>(12,456)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>

\*2023 Projection based on 9 Month Variance

## Key Points

- Base City Subsidy Increase of \$40.0M to offset inflationary pressures and other non-discretionary costs
- One-Time City funding of \$33.6M as a bridging strategy to cover both one-time costs in 2024 and on-going cost pressures with future expected savings opportunities
- Increase in non-discretionary costs of \$22.0M driven by utility, insurance, municipal taxes, and service contract rate increases and \$19.8M due to impact of contractual salary and benefit increases primarily related to collective agreements

# 2024 – 2033 Capital Budget & Plan Submission

TCHC/TSHC

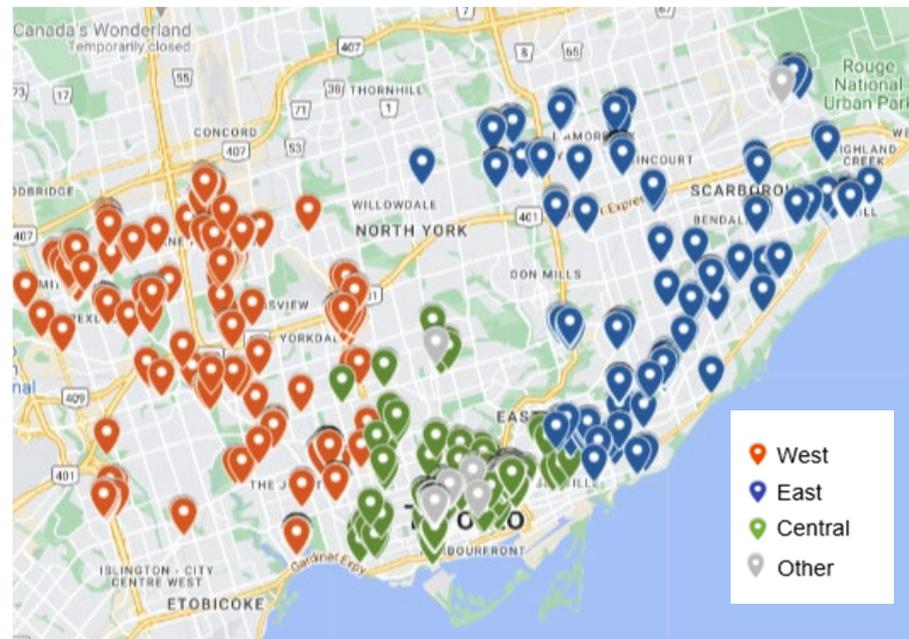
# Capital Assets to Deliver Services

## Budget 2024

Asset Value – \$14.2 B

- 58,500 public housing units

## Map of TCHC assets



*Note: The map below shows an overview of TCHC's buildings that contain more than five individual units.*

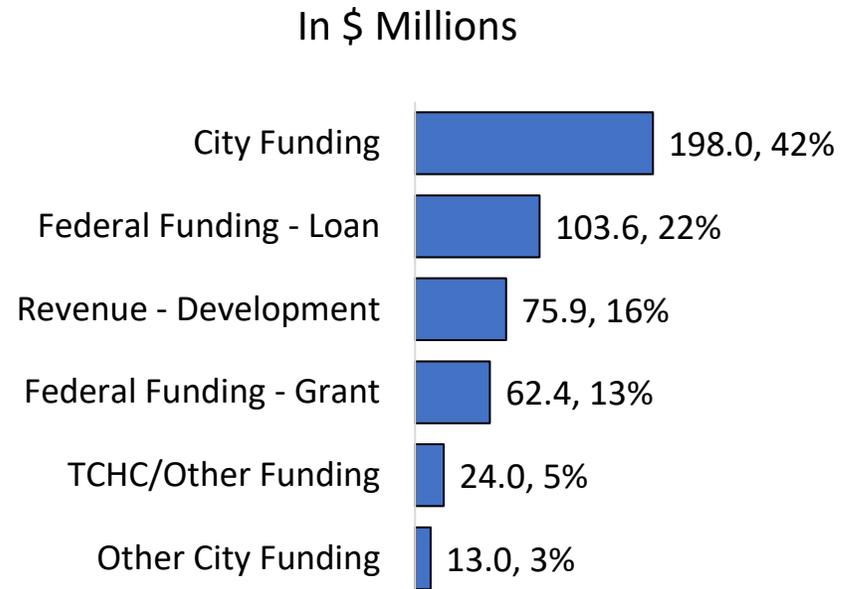
## Map of TSHC assets



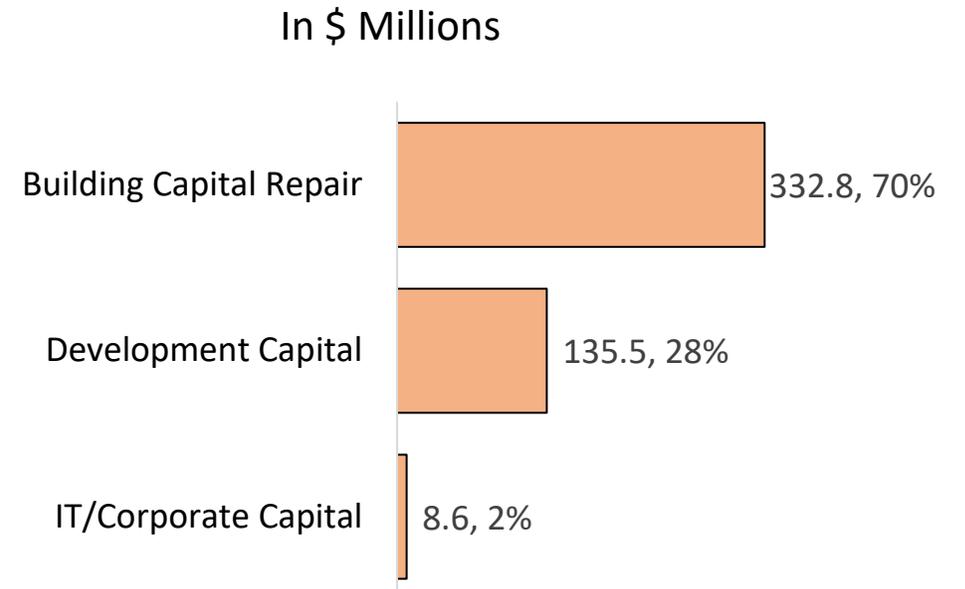
*Note: TCHC continues to own and manage the capital services for all TSHC operated buildings*

# 2024 Capital Budget Breakdown

## Where the Money Comes From (\$476.9M)



## Where the Money Goes (\$476.9M)



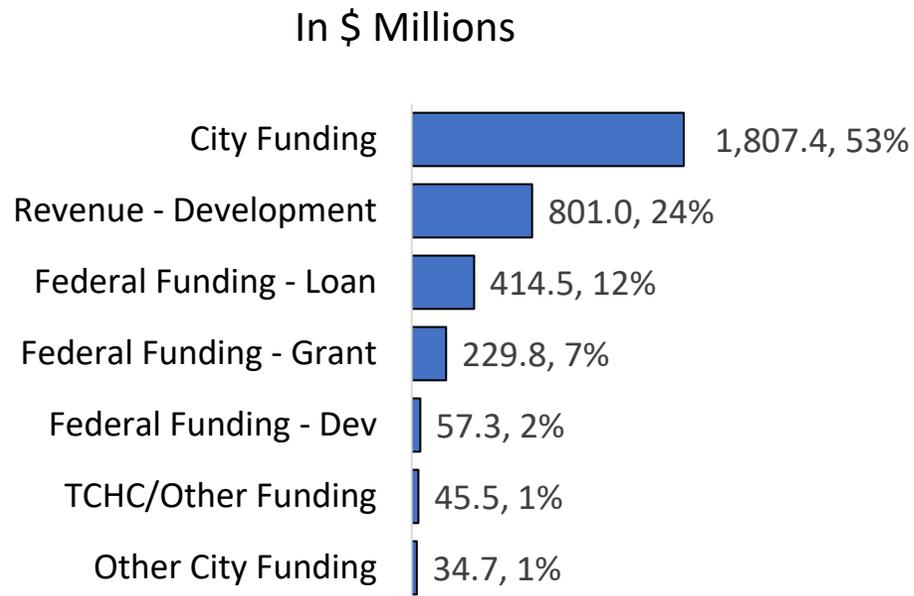
# \$3.4 Billion 10-Year Gross Capital Program

				
Planned Capital	Demand Capital	Additional Energy Programs	Capital Other	Development Capital
\$1,169.7 M 34.5% 	\$796.3 M 23.5%	\$54.2 M 1.6% 	\$278.2 M 8.2% 	\$1,091.8 M 32.2% 
<ul style="list-style-type: none"> <li>Envelope</li> <li>Grounds</li> <li>Emergency generators</li> <li>HVAC</li> <li>Plumbing</li> <li>Roofing</li> <li>Structural</li> <li>Large scale holistic energy retrofits</li> <li>Common area accessibility upgrades</li> </ul>	<ul style="list-style-type: none"> <li>Accessibility upgrades</li> <li>Waste equipment repairs</li> <li>Risk management</li> <li>Appliances and equipment</li> <li>Local move-outs</li> <li>MLS Issues</li> </ul>	<ul style="list-style-type: none"> <li>Energy initiatives</li> <li>Water conservation</li> <li>Energy retrofits</li> </ul>	<ul style="list-style-type: none"> <li>Project management</li> <li>Building condition audits</li> <li>Overall Capital Contingency</li> <li>IT &amp; Corporate capital projects</li> </ul>	<ul style="list-style-type: none"> <li>In-flight revitalization projects</li> </ul>

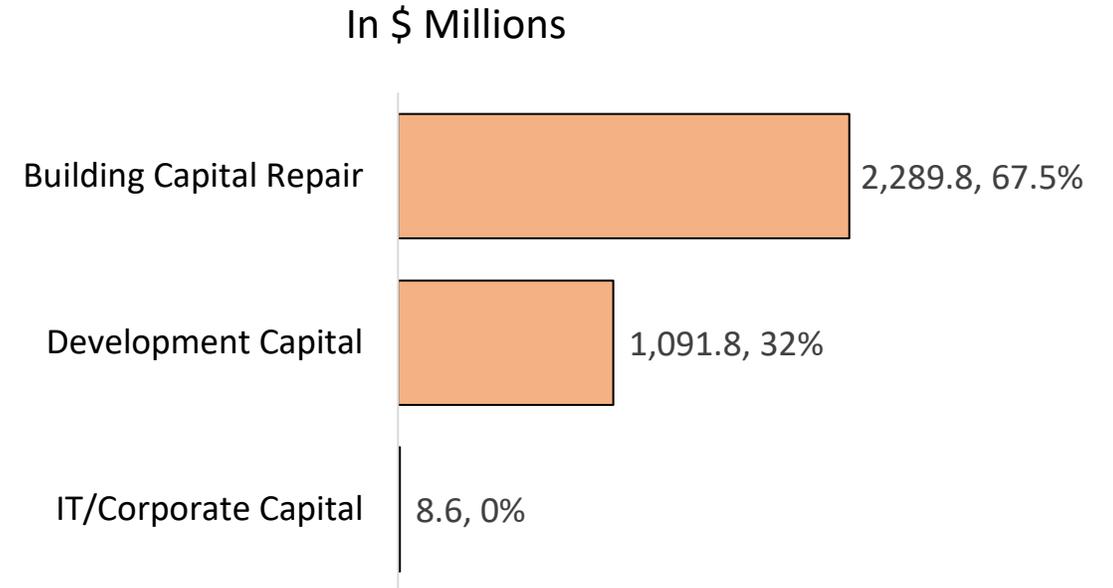
 - Project supports Climate Resiliency and / or Greenhouse Gas (GHG) Reduction

# 2024 – 2033 Capital Program Breakdown

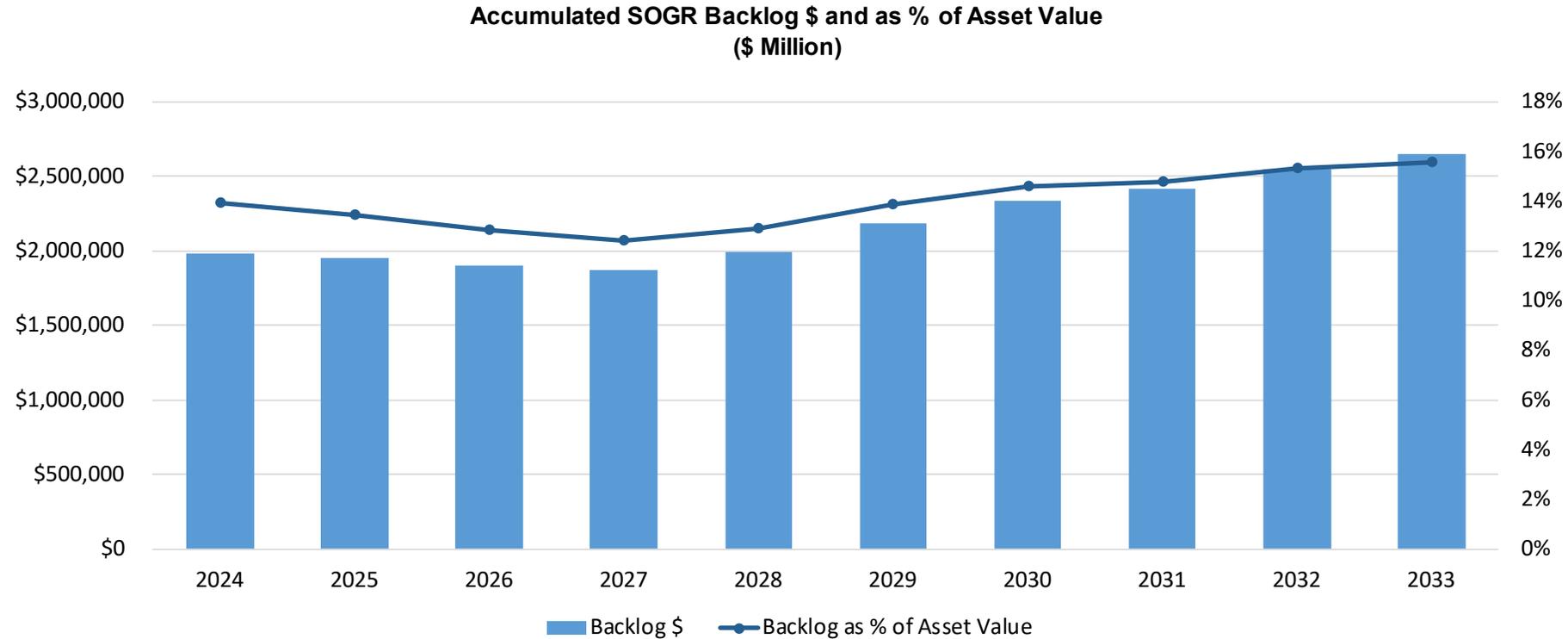
## Where the Money Comes From (\$3.4B)



## Where the Money Goes (\$3.4B)



# State of Good Repair (SOGR) Backlog



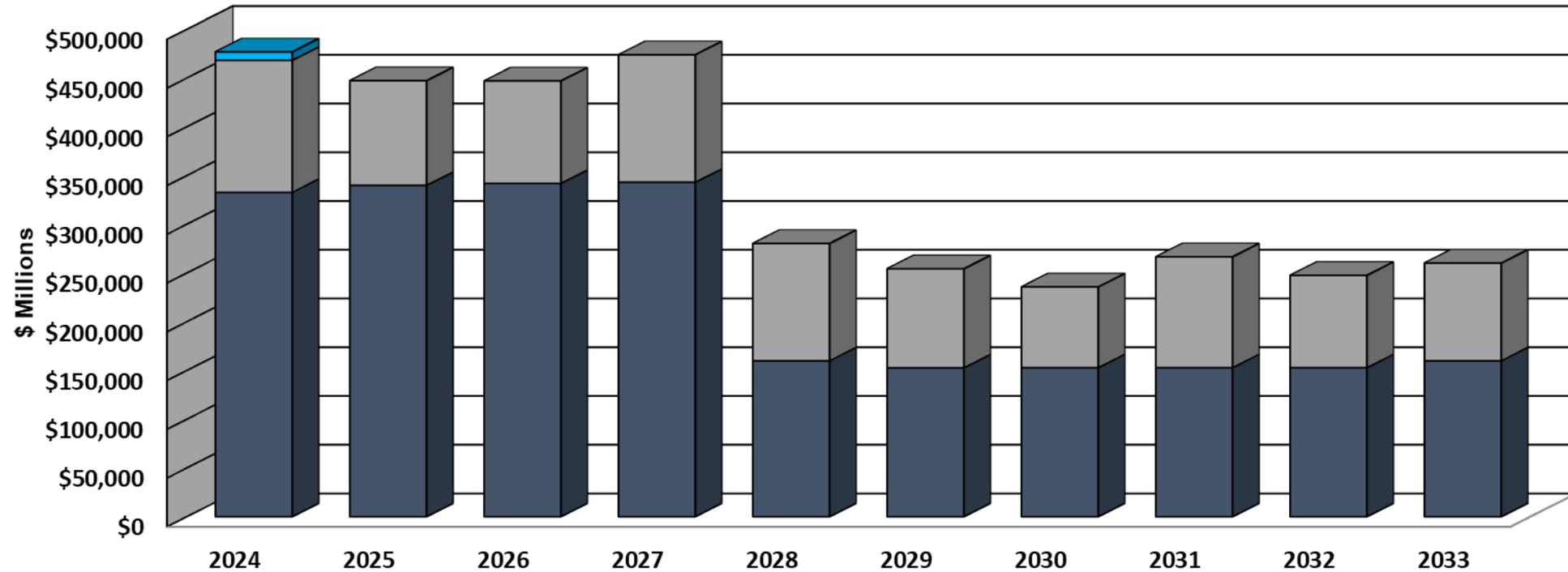
\$Millions	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Backlog \$	\$1,985	\$1,955	\$1,904	\$1,874	\$1,986	\$2,180	\$2,335	\$2,416	\$2,551	\$2,650
Backlog as % of Asset Value	13.9%	13.5%	12.8%	12.4%	12.9%	13.9%	14.6%	14.8%	15.3%	15.6%

# Thank you

[toronto.ca/budget](https://toronto.ca/budget)

# Appendices

# 2024 – 2033 Capital Budget & Plan by Project Category



2024 - 2033 Tabled Capital Budget and Plan by Category											
\$ Millions	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
SOGR	332.8	340.0	342.0	343.2	160.0	152.8	153.0	153.0	153.0	160.0	2,289.8
Development*	135.4	107.3	105.1	130.7	120.4	101.6	82.8	113.7	94.6	100.2	1,091.8
IT & Corporate	8.6										8.6
<b>Total</b>	<b>476.9</b>	<b>447.3</b>	<b>447.1</b>	<b>473.9</b>	<b>280.4</b>	<b>254.4</b>	<b>235.8</b>	<b>266.7</b>	<b>247.6</b>	<b>260.2</b>	<b>3,390.2</b>

\*Funding for Development Capital includes City Repayments of \$127.5M in 2030 and \$180.3M in 2033. The timing and City Repayment amounts will be assessed at each budget cycle.

# Capital Needs Constraint - \$4.5 Billion

Project Description	Total Project Cost	Cash Flow (In \$ Millions)									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Building Repair Capital</b>											
Net Zero (80% target)*	2,990.0	50.0	50.0	100.0	150.0	340.0	340.0	340.0	540.0	540.0	540.0
Unfunded SOGR (per EY projection)	478.2					75.0	82.2	82.0	82.0	82.0	75.0
<b>Total Building Repair Capital</b>	<b>3,468.2</b>	<b>50.0</b>	<b>50.0</b>	<b>100.0</b>	<b>150.0</b>	<b>415.0</b>	<b>422.2</b>	<b>422.0</b>	<b>622.0</b>	<b>622.0</b>	<b>615.0</b>
<b>Development Capital</b>											
Not In Flight Projects	999.3	-	8.5	36.5	260.9	114.7	58.9	50.0	162.7	223.2	83.7
<b>Total Development Capital</b>	<b>999.3</b>	<b>-</b>	<b>8.5</b>	<b>36.5</b>	<b>260.9</b>	<b>114.7</b>	<b>58.9</b>	<b>50.0</b>	<b>162.7</b>	<b>223.2</b>	<b>83.7</b>
<b>Total Needs Constraints (Not Included)</b>	<b>4,467.5</b>	<b>50.0</b>	<b>58.5</b>	<b>136.5</b>	<b>410.9</b>	<b>529.7</b>	<b>481.1</b>	<b>472.0</b>	<b>784.7</b>	<b>845.2</b>	<b>698.7</b>

\*Net Zero investments goes beyond 2033, total investment required until 2040 is \$6.1 Billion

\*\*IT & Corporate Capital of \$1.6M lower priority projects have been deferred into 2025

\*\*\*Future Budget submission of the 10 Year Capital Plan will be adjusted to changes to inflation

**Item #9**

**Attachment 3**

**2024 TCHC-TSHC  
Consolidated  
Operating Budget**

**TCHC/TSHC Consolidated 2024 Operating Budget**

(Amounts in \$000's)

	2024 BUDGET			2023 FORECAST (Sept)			2023 BUDGET			TCHC and TSHC COMBINED (BASE)			
	Consolidated	COVID Expenses	Total	Consolidated	COVID Expenses	Total	Consolidated	COVID Expenses	Total	2024B vs 2023F		2024B vs 2023B	
										\$	%	\$	%
<b>CASH INFLOWS</b>													
Residential rent - Rent Geared to Income (RGI)	272,499		272,499	269,961	-	269,961	265,076	-	265,076	2,538	1%	7,423	3%
Residential rent - Market	91,582		91,582	90,159	-	90,159	88,821	-	88,821	1,423	2%	2,760	3%
City of Toronto Revenue for TSHC (One-Time)	-		-	3,119		3,119	-	-	-	(3,119)	-100%	-	0%
Bad Debt Expense	(7,282)	(383)	(7,664)	(3,491)	(2,372)	(5,863)	(3,669)	(5,662)	(9,331)	(1,801)	31%	1,667	-18%
Subsidies - City	312,795		312,795	272,795		272,795	272,795	-	272,795	40,000	15%	40,000	15%
Subsidies - Regent Park	-		-	-		-	2,446	-	2,446	-	0%	(2,446)	-100%
Subsidies - City (one-time)	33,580		33,580	23,027		23,027	23,027	-	23,027	10,553	46%	10,553	46%
Safe Restart Funding	-		-	-	18,921	18,921	-	-	-	(18,921)	-100%	-	0%
Parking, laundry and cable fees	19,315	(1,676)	17,639	18,936	(2,163)	16,772	19,605	(1,245)	18,361	867	5%	(721)	-4%
Commercial rent	19,127		19,127	18,669	-	18,669	18,318	-	18,318	457	2%	808	4%
Other revenue	1,930		1,930	2,236	-	2,236	1,786	-	1,786	(306)	-14%	144	8%
RPEI revenue	8,375		8,375	6,508	-	6,508	7,882	-	7,882	1,867	29%	493	6%
	<b>751,922</b>	<b>(2,059)</b>	<b>749,863</b>	<b>701,918</b>	<b>14,386</b>	<b>716,303</b>	<b>696,087</b>	<b>(6,907)</b>	<b>689,180</b>	<b>33,560</b>	<b>5%</b>	<b>60,683</b>	<b>9%</b>
<b>CASH OUTFLOWS</b>													
Utilities	149,614	-	149,614	145,462	1,443	146,905	152,440	1,443	153,884	(2,708)	-2%	4,270	3%
Municipal taxes	20,645	-	20,645	18,831	-	18,831	20,303	-	20,303	(1,814)	-10%	(342)	-2%
Mortgage Interest & Principal	148,146	-	148,146	142,034	-	142,034	140,016	-	140,016	(6,112)	-4%	(8,131)	-6%
<b>Operations</b>	<b>214,172</b>	<b>-</b>	<b>214,172</b>	<b>205,051</b>	<b>435</b>	<b>205,487</b>	<b>195,285</b>	<b>427</b>	<b>195,712</b>	<b>(8,685)</b>	<b>-4%</b>	<b>(18,460)</b>	<b>-9%</b>
<b>Facilities Management</b>	<b>57,044</b>	<b>-</b>	<b>57,044</b>	<b>51,745</b>	<b>(11)</b>	<b>51,734</b>	<b>53,759</b>	<b>41</b>	<b>53,800</b>	<b>(5,310)</b>	<b>-10%</b>	<b>(3,244)</b>	<b>-6%</b>
<b>Corporate</b>	<b>88,127</b>	<b>-</b>	<b>88,127</b>	<b>73,031</b>	<b>502</b>	<b>73,533</b>	<b>75,677</b>	<b>650</b>	<b>76,327</b>	<b>(14,594)</b>	<b>-20%</b>	<b>(11,800)</b>	<b>-15%</b>
Housing Equity Commissioner	1,468	-	1,468	1,372	-	1,372	1,451	-	1,451	(96)	-7%	(17)	-1%
<b>Toronto Seniors Housing</b>	<b>43,480</b>	<b>-</b>	<b>43,480</b>	43,380	121	43,501	41,645	1,286	42,931	21	0%	(549)	-1%
Development	(0)		(0)	(3)	-	(3)	-	-	-	(3)	-100%	0	0%
Swansea Mews	2,000		2,000	8,104	-	8,104	-	-	-	6,104	75%	(2,000)	0%
Other	25,166	-	25,166	20,268	-	20,268	22,555	-	22,555	(4,898)	-24%	(2,612)	-12%
<b>IT/Corporate Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	5,077		5,077	5,955	-	5,955	5,077	100%	5,955	100%
	<b>749,863</b>	<b>-</b>	<b>749,863</b>	<b>701,353</b>	<b>2,492</b>	<b>703,845</b>	<b>696,087</b>	<b>3,847</b>	<b>699,934</b>	<b>(46,018)</b>	<b>-7%</b>	<b>(49,929)</b>	<b>-7%</b>
<b>Total Cash Surplus (shortfall)</b>	<b>2,059</b>	<b>(2,059)</b>	<b>-</b>	<b>564</b>	<b>11,894</b>	<b>12,458</b>	<b>-</b>	<b>(10,754)</b>	<b>(10,754)</b>	<b>(12,458)</b>	<b>-2%</b>	<b>10,754</b>	<b>2%</b>

# **Toronto Seniors Housing Corporation**

## **Toronto Seniors Housing Corporation Audit, Finance and Risk Committee Meeting**

Topic: Finance Update

Item #10

Date: January 31, 2024

**Report: AFR: Jan. 31, 2024, item #10**

**To:** Audit, Finance and Risk Committee

**From:** Vince Truong, Finance Lead (I)

**Date:** January 31, 2024

### **Purpose:**

The purpose of this report is to provide an update on financial matters.

### **Recommendation:**

It is recommended that the AFRC receive this report for information.

### **2024 Cashflow Forecast**

Toronto Seniors Housing Corp. (TSHC) has forecast the 2024 Budget cash inflow and outflow for the year to plan the expected cash required to run the organization. It is expected there will be a cash shortfall or more cash outflow than incoming cash inflow for the year.

To address this, TSHC has been in talks with Toronto Community Housing Corporation (TCHC) in late 2023 after the true-up reconciliation between the two organizations on the 2023 Budget. The outcome of the reconciliation resulted in TSHC in a deficit position, and received an advance of \$3,000,000. It is expected that by the end of the year, there will be a surplus, and the advance would be repaid.

# **Toronto Seniors Housing Corporation**

The issue above is due to the budgeting process and the TCHC/TSHC allocation of revenue and expenses to TSHC, which provided a low cash inflow through the monthly cash advance calculation of rent geared to income (RGI) revenue and City subsidy revenue less utilities, mortgages, interests and other operating costs. This cost allocation needs further review and will be proposed for discussion through the TCHC/TSHC Joint Steering Committee. At the end of the year, when the cost is true-up and finalized, the cost typically comes in lower than budgeted, thus, creating an imbalance and miss-match of cash throughout the months.

TSHC had identified in the 2023 Budget, anomalies and differences at the early stages of the budgeting process, however, those issues were not resolved. By the end of the 3<sup>rd</sup> quarter (September 30) of 2023 reconciliation with TCHC, there was a surplus. This surplus is expected to go lower when utilities, mortgages, interests and other operating expenses are expected to be finalized.

The 2024 Cashflow Forecast anticipates a monthly cash shortfall, and in late 2023, TSHC had asked for an upfront 6-month cash advance to allow for flexibility with TCHC, which remains under consideration. We are continuing discussions with TCHC and looking at options of delaying monthly Service Delivery Agreement (SDA) payments for the first 3 months (and beyond, if needed) for the year, and repaying at the end of the year to allow flexibility. TCHC is also looking into a line of credit for TSHC in the event payroll or unexpected higher than normal cash usage is needed. TSHC will continue to work with TCHC to ensure an effective arrangement to ensure sufficient cash flow remains available.

## **Letter of Guarantee – City of Toronto**

TSHC approached the City of Toronto in late 2022 for a Letter of Guarantee. The premise of the request began on September 20, 2022 AFRC as the organization started operation and identified in the cashflow forecast as potential cash shortfall position. It was also best practice to get a line of credit for protection of any unexpected major cash outlay and allows for payroll to clear. It is a last resort option and typically would not use unless all other options have been exhausted. City advised in early 2023 that this was not necessary, and to work with TCHC for any shortfall.

# **Toronto Seniors Housing Corporation**

TCHC has expressed in late 2023, that TSHC should work with the City to relook at options to have sufficient buffer and protection in place. TCHC suggested to revive the conversation on establishing a Letter of Guarantee early in 2024, to allow flexibility.

TSHC will discuss with the City for a Letter of Guarantee arrangement, thereby allowing a Line of Credit with the bank as a last resort protection due to any unforeseen or unexpected circumstances. A Letter of Guarantee would require the City Financial Planning Department to agreed to the request, and then be forwarded to City Council for approval.

Name: Vince Truong

Title: Finance Lead (I)

## **List of Attachments:**

None

# **Toronto Seniors Housing Corporation**

## **Toronto Seniors Housing Corporation Audit, Finance and Risk Committee Meeting**

Topic: Finance Policies for Approval

Item #: 11

Date: January 31, 2024

**Report:        AFR: Jan 31, 2024, item #11**

**To:** Audit, Finance and Risk Committee

**From:** Vince Truong, Finance Lead (I)

**Date:** January 31, 2024

### **Purpose:**

The purpose of this report is to provide a recommendation regarding the approval of 3 finance policies.

### **Recommendation:**

It is recommended that AFRC approve and recommend to the Board of Directors to adopt the following resolution:

Approve the following finance policies:

- a) Delegation of Authority Policy (Attachment 1);
- b) Procurement Delegation of Authority Policy (Attachment 2);
- c) Capital Expense Policy (Attachment 3).

# **Toronto Seniors Housing Corporation**

## **Reason for Recommendation:**

### **Delegation of Authority Policy (revised)**

With the recent changes in the organization structure, positions, roles and responsibilities, an update to the general Delegation of Authority Policy is needed to align with the changes.

Outside of the changes in organization structure roles and responsibilities, threshold limit for Director – Corporate positions were lower to \$100,000 to keep consistency across the organization, updating position titles and eliminating positions that currently doesn't exist within the organization.

The highlighted items within each of the attachments are changes from the previous approved Delegation of Authority.

### **Procurement Delegation of Authority Policy (revised)**

The update to the Procurement Delegation of Authority is needed to keep consistent with the changes in the updated general Delegation of Authority Policy. The original Procurement Delegation of Authority Policy was approved by the Board in April 2022.

Other changes in the policy included adding a minimum threshold for Board required approval in the Direct Award category to \$20,000, and updating and eliminating of roles and positions that does not currently exist based on the current structure.

The changes are highlighted in yellow in attachment 2 for Direct Award, Open Invitation, and Open Competitive procurement process.

### **Capital Expense Policy**

The Capital Expense Policy is a new policy brought forward to the committee for approval. The amount of transaction since inception of TSHC in June 2022 has

# **Toronto Seniors Housing Corporation**

been minimal, however, the policy will outline and prepare for future transactions, add clarity to existing processes, and assist in the audit process.

The policy outlines the amortization schedule, minimum threshold to qualify for as capital in nature, qualification for tangible and intangible assets, determining useful life, treatment of capital leases and capitalized labour are some of the items covered in the new policy.

The policy has been adopted with minor changes from the Toronto Community Housing Corporation (TCHC), which owns the 83 buildings TSHC is operating currently.

Name: Vince Truong

Title: Finance Lead (I)

## **List of Attachments:**

**Delegation of Authority Policy (Attachment 1)**

**Procurement Delegation of Authority Policy (Attachment 2)**

**Capital Expense Policy (Attachment 3)**

**Item #11**

**Attachment 1**

**Delegation of  
Authority Policy**

## **Toronto Seniors Housing Corporation (TSHC) Delegation of Authority**

**Policy Sponsor:** Finance

**Approver:** Board of Directors

**Initial Approval Date:** February 23, 2022

**Date of Last Revision, if applicable:** February 23, 2023

**Effective Date:** June 1, 2022

### **Policy Statement**

The purpose of the Delegation of Authority (DOA) policy is to establish the delegations of financial and signing authority that may be exercised by management and staff members within Toronto Seniors Housing Corporation (TSHC). It ensures there is accountability, transparency and appropriate controls are in place for entering into financial transactions on behalf of the Corporation including the approval and signing of contracts.

### **Policy Objective**

TSHC will be interacting with TCHC's enterprise management system (Yardi) for many of its operational requirements. A key aspect that is built into Yardi is the delegation of authority- both by role (e.g., CEO, CFO, Director, etc.) and by dollar value that are linked to defined operational processes. The determination of delegated authority is a key foundational system prerequisite that requires immediate confirmation as part of the systems implementation.

### **Scope**

This DOA applies to all management and staff members and other persons holding the positions identified in the attachments to this DOA who conduct financial transactions on behalf of TSHC. No person is authorized to enter into a financial transaction, including signing and/or approving a contract, unless the authority to do so has been delegated to him or her, according to this DOA. The authority of this DOA is independent from and does not limit or replace the powers and duties of the various committees of the Board of Directors.

Integral to the success of this policy is accountability and collaboration. All departments must be accountable for ensuring the signing levels and approval limits outlined in the tables attached to this policy are upheld.

### **Standards**

- All commitments require one over one approval. This means that any individual with delegated authority must request approval from the appropriate Designated Authority before making any financial

commitments.

- Spending authority limits for requisitions, contracts, commitments and other financial transactions is specified in Attachments 1- 5.
- An individual with delegated authority from the CEO may sub-delegate his or her authority to another person but only if the other person holds a position within the TSHC that is at the same level, a higher level, or one level below the delegate or if the delegate’s department head approves the sub-delegation to the other person. The person sub-delegating and their sub-delegate are equally accountable for each transaction approved by a sub-delegate.

## **Definitions**

“**ETFs**” means Electronic Fund Transfers.

“**Journal Entries**” means electronic accounting entries completed through an accounting system such as Yardi (see below).

“**Threshold**” means the levels established for each limit pursuant to the DOA Appendix.

“**Yardi**” means Finance Accounting and ERP system.

## **Roles and Responsibilities**

The Finance Department shall have administrative responsibility for this DOA, including conducting periodic reviews and making recommendations for changes to the CEO.

## **Amendments (Revision History):**

Initial policy approved by the Board of Directors on February 23, 2022.

Policy reviewed on January 26, 2023 through the AFRC with the following revisions, approved by the Board of Directors on February 23, 2023.

## **Next Scheduled Review Date: 2026**

This policy will be reviewed once every two (2) years.

## **Policy Contact**

Finance

## **Appendices**

Each of the appendices show the DOA levels where Board of Directors approval is required.

Appendix 1 – Yardi System Roles and Responsibility Matrix

The Yardi System Roles and Responsibility Matrix maps TCHC positions to TSHC positions.

Appendix 2 – Delegation of Authority for TSHC Operations

This attachment reflects the current DOA for TSHC Operations.

Appendix 3 – Delegation of Authority for TSHC Corporate

This attachment reflects the current DOA for TSHC Corporate.

Appendix 4 – Revenue Contracts

The Revenue Contracts attachment outlines the DOA for the approval of Revenue Contracts.

Appendix 5 - Disposition of Assets, Accounts Receivable Write-off, Cash Write -off (per instance)

This attachment shows the DOA for the write off of certain types of assets.

Appendix 6 – Cheque Signing and Electronic Funds Transfer (EFT)

Cheque signing, through the Yardi system, will be via electronic signature and will require two signatures regardless of the dollar value.

EFT's, regardless of dollar value, will require two signatures in order to release approved expenditures from the bank.

Appendix 7 - Approval of Recurring Payment and Journal Entries

This attachment shows the approval authority limits for recurring and routine, budgeted expenditures.

Toronto Seniors Housing Corporation  
 Yardi System Roles and Responsibility Matrix

**Appendix 1**

TSHC Role	TCHC Role
CEO	CEO
Finance Lead	CFO
Director, Operations	Director, Seniors Housing
Manager - Operations	Manager
Supervisor	Supervisor
Superintendent	Superintendent
Senior Services Coordinator	Tenant Services Coordinator
Director - Corporate	VP
Controller	Corporate Controller
Senior Manager - Corporate	Senior Manager
Manager - Corporate	Manager
Legal Advisor	General Counsel

## Appendix 2

### TSHC Operations - Spending authority limits for requisitions, contracts, commitments and other financial transactions for the Toronto Seniors Housing Operations Team

Item	Board or Board Committee as appropriate	CEO, Finance Lead, and Director, Strategy & Business Mgmt	Director, Operations	Manager	Supervisor	Superintendent
<b>BUDGETED</b> - Authority to approve requisition and/or sign contract (Single signature on a contract)	Over \$500K	Up to \$500K	Up to \$100K	Up to \$25K	Up to \$10K	Up to \$500
<b>UNBUDGETED</b> - Authority to approve requisition and/or sign contract (Single signature on a contract)	Over \$250K	Up to \$250K	Up to \$50K	Up to \$12.5K	Up to \$5K	Up to \$250
<b>CHANGE ORDERS</b> - Authority to approve change orders and/or extend the term of a contract	Cumulative CO value that <b>exceeds</b> the greater of \$250K or 20% of original commitment value	Cumulative CO value that <b>does not exceed</b> the greater of \$250K or 20% of original commitment value	Cumulative CO value up to \$50K	Cumulative CO value up to \$12.5K	Cumulative CO value up to \$5K	None
<b>PAYMENT OF INVOICE</b> - Authority to approve payment of invoice(s) that have received appropriate approvals	NA	Up to the full value of the previously approved contract, PO, or CO (or up to the person's delegated authority if blanket PO)				None
<b>LEGAL SETTLEMENT</b> - Authority to approve legal settlement (Value of the payment)	Over \$500K only Board	Up to \$500K	Up to \$100K	Up to \$25K	Up to \$10K	None
<b>TENANT REPAYMENT PLANS [and TENANT REFUNDS]</b> - Authority to approve tenant repayment plans and tenant refunds	NA	NA	Over \$10K	Up to \$10K for Manager-Tenancy Management and Manager-Complex Tenancies only	Up to \$5K for Supervisor-Tenancy Management only	None

### Appendix 3

#### TSHC Corporate - Spending authority limits for requisitions, contracts, commitments and other financial transactions for the Toronto Seniors Housing Corporate Team

Item	Board or Board Committee as appropriate	CEO, Finance Lead, and Director, Strategy & Business Mgmt	Directors ,Corporate	Manager
<b>BUDGETED</b> - Authority to approve requisition and/or sign contract	Over \$500K	Up to \$500K	Up to \$100K	Up to \$50K
<b>UNBUDGETED</b> - Authority to approve requisition and/or sign contract	Over \$250K	Up to \$250K	Up to \$50K	Up to \$25K
<b>CHANGE ORDERS</b> - Authority to approve change orders and/or extend the term of a contract	Cumulative CO value that <i>exceeds</i> the greater of \$250K or 20% of original commitment value	Cumulative CO value that <u><i>does not exceed</i></u> the greater of \$250K or 20% of original commitment value	Cumulative CO value up to \$50K	Cumulative CO value up to \$25K
<b>PAYMENT OF INVOICE</b> - Authority to approve payment of invoice(s) that have received appropriate approvals	NA	Up to the full value of the previously approved contract, PO, or CO (or up to the person's delegated authority if blanket)		
<b>LEGAL SETTLEMENT</b> - Authority to approve legal settlement (Value of the payment)	Over \$500K only Board	Up to \$500K	Up to \$100K	Up to \$50K

#### Appendix 4

**Revenue Contracts** - This table identifies the approval authority required to enter into revenue contracts. All approvals are based on total revenue over the entire contract term (including any renewal period).

- If the contract revenue cannot be determined, the best estimate based on prior experience, if any, in prior years and projected future revenue including all contractual renewal terms should be used.
- All revenue contracts over \$500K will be reported to the Board on a quarterly basis.
- Only one signatory is required on the Revenue Commitment/Contract.

Item	Approval Authority
Residential leases and applications	Senior Services Coordinator
Commercial leases and applications with revenue <b>up to \$100K</b> over entire term of lease including renewal period	Finance Lead, and Director, Strategy & Business Mgmt
All Revenue Commitments with revenue <b>up to \$500K</b> over entire term of lease including renewal period	Finance Lead, and Director, Strategy & Business Mgmt
All Revenue Commitments with revenue <b>up to \$1.5M</b> over entire term of lease including renewal period	Finance Lead, and Director, Strategy & Business Mgmt
All Revenue Commitments with revenue <b>up to \$3M</b> over entire term of lease including renewal period	CEO
All Revenue Commitments with revenue <b>up to \$5M</b> over entire term of lease including renewal period	CEO
All Revenue Commitments with revenue <b>over \$5M</b> over entire term of lease including renewal period	Board Approval

**Appendix 5 - Disposition of Assets, Accounts Receivable Write-off, Petty Cash Write-off (per instance) - disposition of capital assets value is based on the net book value of assets.**

*This table outlines the delegated authority of management and staff members to write-off outstanding amounts owing to TSHC as uncollectible, based on the outstanding amount.*

*Amounts written off, in relation to a particular balance, in amounts exceeding \$250K, cumulatively, must be reported to the Board.*

Item	Approval Authority
Real Estate	NA
Disposal of Capital Assets over \$500K	Board approval
Disposal of Capital Assets up to \$500K	CEO
Disposal of Capital Assets up to \$100K	Finance Lead, and Director, Strategy & Business Mgmt
AR write-off over \$250K	Board approval
AR write-off up to \$250K	Finance Lead, and Director, Strategy & Business Mgmt and CEO
AR write-off up to \$100K	Finance Lead, and Director, Strategy & Business Mgmt
Intercompany write-off	Finance Lead, and Director, Strategy & Business Mgmt
Petty cash and shortage write-off over \$100	Finance Lead
Petty cash and shortage write-off up to \$100	Director, Operations

## Appendix 6 - Cheque Signing and Electronic Funds Transfers

- This table outlines the delegated authority of management and staff members to sign cheques and authorize electronic funds transfers (“EFTs”)

- Cheque signing authority is the authority to sign a cheque or to approve the electronic transfer of funds drawn from TSHC’s bank account.

- The authority to sign a cheque or to approve the electronic transfer of funds drawn from TSHC’s bank account only exists when the Commitment has been approved in accordance with the Financial Controls

Item	Cheque	EFTs	Wire Transfer
For amounts up to \$500,000 Two of the following: - CEO - Finance Lead	System generated signatures, regardless of \$ value	Up to \$500,000 - any 2 of the noted positions are required to log into the on line banking system to approve and release funds	Up to \$500,000 - any 2 of the noted positions are required to log into the on line banking system to approve and release funds
For amounts over \$500,000 Chair or Board of Directors and one of the following: - CEO - Finance Lead	System generated signatures, regardless of \$ value	Over \$500,000 - any 2 of the noted positions are required to log into the on line banking system to approve and release funds	Over \$500,000 - any 2 of the noted positions are required to log into the on line banking system to approve and release funds

**Appendix 7 - Recurring Payment and Journal Entries**

This table outlines the approval authority limits for recurring and routine, budgeted expenditures.

Specific property management costs for utilities, taxes of any kind, waste levies or any other levies imposed by a government agency, false fire alarm charges, mortgage principal and interest

payments, as well as other operations related are managed by TCHC and excluded from this table.

Journal entries are all entered in Yardi and require (1) sign-off from journal entry preparer; (2) sign-off from preparer's manager; (3) posting of the entry by TCHC corporate accounting group

Item	Approval Authority	Limit
Rent, hydro, water and taxes	Managed by TCHC	No Limit
Insurance, payroll / benefit remittances	Finance Lead	No Limit
Lease payment against an approved lease	Managed by TCHC	No Limit
Limit for recurring journal entries	Finance Lead	No Limit
Limit for miscellaneous journal entries	Finance Lead	Up to 2 million
	Finance Lead and Director, Strategy and Business Mgmt and CEO	Over 2 million

**Item #11**

**Attachment 2**

**Procurement  
Delegation of  
Authority Policy**

# **Toronto Seniors Housing Corporation (TSHC) Procurement Method and Delegation of Authority**

**Policy Sponsor:** Finance

**Approver:** Board of Directors

**Initial Approval Date:** April 18, 2022

**Date of Last Revision, if applicable:** None

**Effective Date:** June 1, 2022

## **Policy Statement**

The Purpose of the Delegation of Authority (DOA) policy is to establish the thresholds and delegations of procurement method (Direct Award, Invitational and Open Competitive) and signing authority that may be exercised by management and staff members within Toronto Seniors Housing Corporation (TSHC). It ensures there is accountability, transparency and appropriate controls are in place for authority to approve procurement spend, contracting and change orders on behalf of the Corporation.

## **Policy Objective**

The policy guides employees with respect to approval of budgeted and unbudgeted spend for procuring goods, services and construction, contracting with qualified vendors and authorizing change orders and/or extending the term of contracts.

## **Scope**

This DOA applies to all management and staff members and other persons holding the positions identified in the attachments to this DOA who authorize procurement and contracts on behalf of TSHC. No person is authorized to enter into a contractual obligation, including signing and/or approving a contract, unless the authority to do so has been delegated to him or her, according to this DOA. The authority of this DOA is independent from and does not limit or replace the powers and duties of the various committees of the Board of Directors

## **Definitions**

**“Procurement Method”** means Direct Award, Invitational, and Open Competitive processes used to procure goods, services and construction.

**“Direct Award”** means a contract award outside of a competitive process.

**“Invitational”** means an invitation issued to at least three vendors to submit Bids.

**“Open Competitive”** means a publicly posted Solicitation.

“**Threshold**” means the procurement levels established for each procurement method pursuant to the Procurement Method and DOA Table.

### **Roles and Responsibilities**

The Procurement Manager is responsible for maintaining compliance of the Procurement Method DOA by management and staff members and other persons holding the positions identified in the Attachments to the DOA.

### **Related Legislation, Regulations, and TSHC Policies:**

The following policy provides input to the Procurement Method DOA Policy:

Toronto Seniors Housing Corporation (TSHC) Procurement Policy (May 18, 2022)

### **Amendments (Revision History):**

Initial policy approved by the Board of Directors on April 18, 2022.

### **Next Scheduled Review Date: 2026**

This policy will be reviewed once every two (2) years.

### **Policy Contact**

Finance

### **Appendices**

Appendix 1: Direct Award

Appendix 2: Invitational Competition

Appendix 3: Open Competitive

Toronto Seniors Housing Corporation

DIRECT AWARD - Values exclude taxes

Item	Method	Threshold Levels	Vendor	Board or Board Committee as appropriate	CEO, Finance Lead, and Director, Strategy and Business Management	Director	Manager	Operations			
								Director, Operations	Manager	Supervisor	Superintendent
<b>BUDGETED</b> - Authority to approve requisition and/or sign contact (Single signature on contract)	Direct Award	\$200.00 to \$9,999.99	Minimum 1 quote whether vendor is on or not on the roster (3 quotes preferred)	Over \$500,000	\$200.00 to \$9,999.99	\$200.00 to \$9,999.99	\$200.00 to \$9,999.99	\$200.00 to \$9,999.99	\$200.00 to \$9,999.99	\$200.00 to \$9,999.99	\$200.00 to \$500.00
		\$10,000 and greater			\$10,000 to \$499,999.99	\$10,000 to \$99,999.99	\$10,000 to \$49,999.99	\$10,000 to \$99,999.99	\$10,000 to \$24,999.99		
<b>UNBUDGETED</b> - Authority to approve requisition and/or sign contact (Single signature on contract)	Direct Award	\$200.00 to \$9,999.99	Minimum 1 quote whether vendor is on or not on the roster (3 quotes preferred)	Over \$250,000	\$100.00 to \$4,999.99	\$100.00 to \$4,999.99	\$100.00 to \$4,999.99	\$100.00 to \$4,999.99	\$100.00 to \$4,999.99	\$100.00 to \$4,999.99	\$100.00 to \$250.00
		\$10,000 and greater			\$5,000 to \$249,999.99	\$5,000 to \$49,999.99	\$5,000 to \$24,999.99	\$5,000 to \$49,999.99	\$5,000 to \$12,499.99		
<b>CHANGE ORDERS</b> - Authority to approve change orders and/or extend the term of the contract	Direct Award	\$200.00 to \$9,999.99	Minimum 1 quote whether vendor is on or not on the roster (3 quotes preferred)	Cumulative CO value that <b>exceeds</b> the greater of \$20K of original commitment value	Cumulative CO value that <b>does not exceed</b> the greater of 20K of original commitment value						
		\$10,000 and greater		Cumulative CO value that <b>exceeds</b> the greater of \$20K of original commitment value	Cumulative CO value that <b>does not exceed</b> the greater of \$20K of original commitment value						

Note : Above Delegation of Authority applies to all Standard and Non-Standard Contracts .

All contracts require only one signature.

All Non-Standard Contracts require legal review and approval prior to signature.

Director Level positions: Director, Strategy and Business Management, Director, People and Culture, Director, Engagement, Partnerships and Communications are included for Planning purposes only.

Toronto Seniors Housing Corporation

INVITATIONAL COMPETITION - Values exclude taxes

Item	Method	Threshold Levels	Vendor	Board or Board Committee as appropriate	CEO, Finance Lead, and Director, Strategy and Business Management	Director	Manager	Operations			
								Director, Operations	Manager	Supervisor	Superintendent
<b>BUDGETED</b> - Authority to approve requisition and/or sign contact (Single signature on contract)	Invitational Competition	\$10,000 to \$99,999.99	Minimum 3 quotes by rotation if vendor on roster. Minimum 3 quotes from qualified vendor not on the roster whether vendor is on or not on the roster.	Over \$500,000	\$10,000 to \$99,999.99	\$10,000 to \$99,999.99	\$10,000 to \$49,999.99	\$10,000 to \$99,999.99	\$10,000 to \$24,999.99		
		\$100,000 to \$750,000	Invitation to all vendors on the roster		\$100,000 to \$499,999.99						
<b>UNBUDGETED</b> - Authority to approve requisition and/or sign contact (Single signature on contract)	Invitational Competition	\$10,000 to \$99,999.99	Minimum 3 quotes by rotation if vendor on roster. Minimum 3 quotes from qualified vendor not on the roster whether vendor is on or not on the roster.	Over \$250,000	\$5,000 to \$49,999.99	\$5,000 to \$49,999.99	\$5,000 to \$24,999.99	\$5,000 to \$49,999.99	\$5,000 to \$12,499.99		
		\$100,000 to \$750,000	Invitation to all vendors on the roster		\$50,000 to \$249,999.99						
<b>CHANGE ORDERS</b> - Authority to approve change orders and/or extend the term of the contract	Invitational Competition	\$10,000 to \$99,999.99	Minimum 3 quotes by rotation if vendor on roster. Minimum 3 quotes from qualified vendor not on the roster whether vendor is on or not on the roster.	Cumulative CO value that <b>exceeds</b> the greater of \$250K or 20% of original commitment value	Cumulative CO value that <b>does not exceed</b> the greater of \$250K or 20% of original commitment value	Cumulative CO value up to \$50,000	Cumulative CO value up to \$25,000	Cumulative CO value up to \$50,000	Cumulative CO value up to \$12,500	Cumulative CO value up to \$5,000	
		\$100,000 to \$750,000	Invitation to all vendors on the roster		Cumulative CO value that <b>does not exceed</b> the greater of \$250K or 20% of original commitment value						

Note : Above Delegation of Authority applies to all Standard and Non-Standard Contracts .

All contracts require only one signature.

All Non-Standard Contracts require legal review and approval prior to signature.

Director Level positions: Director, Strategy and Business Management, Director, People and Culture, Director, Engagement, Partnerships and Communications are included for Planning purposes only.

Toronto Seniors Housing Corporation

OPEN COMPETITIVE - Values exclude taxes

Item	Method	Threshold Levels	Vendor	Board or Board Committee as appropriate	CEO, Finance Lead, and Director, Strategy and Business Management	Director	Manager	Operations			
								Director, Operations	Manager	Supervisor	Superintendent
<b>BUDGETED</b> - Authority to approve requisition and/or sign contact (Single signature on contract)	Open Competitive	\$100,000 to \$750,000	Public RFP or RFQ if no vendor on roster	Over \$500,000	\$100,000 to \$499,999.99						
		Greater than \$750,000	Public RFP or RFQ regardless of whether vendor is on roster	Over \$500,000							
<b>UNBUDGETED</b> - Authority to approve requisition and/or sign contact (Single signature on contract)	Open Competitive	\$100,000 to \$750,000	Public RFP or RFQ if no vendor on roster	Over \$250,000	\$50,000 to \$249,999.99						
		Greater than \$750,000	Public RFP or RFQ regardless of whether vendor is on roster	Over \$250,000							
<b>CHANGE ORDERS</b> - Authority to approve change orders and/or extend the term of the contract	Open Competitive	\$100,000 to \$750,000	Public RFP or RFQ if no vendor on roster	Cumulative CO value that <b>exceeds</b> the greater of \$250K or 20% of original commitment value	Cumulative CO value that <b>does not exceed</b> the greater of \$250K or 20% of original commitment value						
		Greater than \$750,000	Public RFP or RFQ regardless of whether vendor is on roster	Cumulative CO value that <b>exceeds</b> the greater of \$250K or 20% of original commitment value							

Note : Above Delegation of Authority applies to all Standard and Non-Standard Contracts .

All contracts require only one signature.

All Non-Standard Contracts require legal review and approval prior to signature.

Director Level positions: Director, Strategy and Business Management, Director, People and Culture, Director, Engagement, Partnerships Communications are included for Planning purposes only.

**Item #11**

**Attachment 3**

**Capital  
Expense Policy**

# **Toronto Seniors Housing Corporation (TSHC) Capital Expense Policy**

**Policy Sponsor:** Finance

**Approver:** Board of Directors

**Initial Approval Date:** None

**Effective Date:** January 1, 2023

## **Policy Statement**

The purpose of the Capital Expense Policy is to outline the criteria for distinguishing an operating expense from a capital expense. The prescribed method will ensure consistent accounting throughout Toronto Seniors Housing Corporation (TSHC) and follows generally accepted accounting principles.

The TSHC Capital Expense Policy aligns with the Toronto Community Housing Corporation (TCHC) Capital Expense Policy dated March 1, 2017.

## **Scope**

This policy applies to all TSHC business units/departments as well as any TSHC affiliates and contracted vendors that incur expenses on TSHC's behalf.

## **Definitions**

**Amortization:** the rational and systematic method of spreading out the cost of a tangible capital asset over its useful life.

**Asset:** a resource with economic value that an individual, or corporation, owns or controls with the expectation that it will provide future economic benefit.

**Betterment:** the costs incurred in improving an existing asset to enhance the service potential (useful life or capacity) of the asset. In general, a betterment is an expense that improves an asset's performance or increases its value. General repair or maintenance to sustain an asset's current value is not considered a

betterment.

**Bargain purchase option:** an option within a lease agreement that allows TSHC (the lessee) to purchase the leased property for a price significantly lower than the expected fair value of the property at the end of the lease.

**Cost:** the gross amount given up to acquire, construct, develop, or better a capital asset. This includes all costs directly attributable to the acquisition, construction, development, or betterment of the asset including installation costs and any other costs needed to bring the asset to its intended use.

**De Minimis Rule:** the minimum amount to capitalize an expense. The expense can be a single transaction or part of a larger capital project. At TSHC, this amount is \$1,500.

**Economic benefit:** the cash generated from the use of an asset.

**Intangible capital asset:** a capital asset that is not physical in nature. TSHC must be able to identify it, control it, and access its future economic benefits. Examples include copyright, patents, and software.

**Impairment:** the permanent reduction in the value of an asset.

**Residual value:** the estimate of how much an asset will be worth to the organization at the end of its useful life.

**Salvage value:** the estimated resale value of an asset at the end of its useful life. Salvage value is normally negligible.

**Substantial completion:** when the construction or substantial renovation of a property (or group of properties) is at least 90% completed so that individuals can reasonably occupy at least 90% of the housing units on the premises. Minor repairs, adjustments or upgrades that are still outstanding do not reasonably impair the use and enjoyment of the housing unit as a place of residence.

**Tangible capital assets:** non-financial assets that are physical in nature and that:

- are held for use in the production or supply of goods and services, for rental to others, for administrative purposes, or for the development, construction, maintenance, or repair of other tangible capital assets;
- have useful economic lives extending beyond an accounting period;
- are to be used on a continuing basis; and,
- are not for sale in the ordinary course of operations.

**Useful life:** the estimate of either the period over which a capital asset is expected to be used or the number of production units that can be obtained from the capital asset.

The life of a capital asset, other than land, is finite and is normally the shortest of the physical, technological, commercial and legal life.

## **Policy Content**

### **What should be capitalized?**

The following criteria must all be met in order to capitalize an expense:

1. The expense must follow the De Minimis Rule;
2. The acquired, constructed, bettered, improved, or developed asset has a useful life of at least two (2) years;
3. The costs incurred in improving an existing asset are considered a betterment, meaning it enhances the service potential (useful life or capacity) or performance of the asset;
4. The future economic benefits associated with the expense will flow to TSHC; and
5. The cost of the expense can be reliably measured.

When an expense is capitalized it must also be amortized over its useful life.

Move-outs are the exception to the capitalization rules noted above, including the De Minimis Rule. All reasonable costs associated with the move-out process should be capitalized, subject to approval and interpretation from TSHC Finance.

Should there be any uncertainty as to the application of this policy, the interpretation by TSHC Finance will be the overriding method of accounting.

### **What should be expensed as repairs and maintenance?**

Any cost incurred to bring an existing asset back to an earlier condition or to keep the asset operating at its present condition, as opposed to improving the asset.

### **De Minimis Rule**

For an expense to be considered capital, the cost must equal or exceed a minimum dollar amount of \$1,500. There may be exceptions to this rule (for example the purchase of a single laptop) where the De Minimis Rule is not satisfied, but all other capitalization criteria are satisfied, and the asset is capitalized.

The cost of a single item may not meet this threshold, however, if the single item is part of a bulk purchase or a larger project and the total cost of the project exceeds the \$1,500 threshold, the single item's cost may be capitalized if the other criteria are met.

### **Expenses to acquire, construct or develop tangible capital assets**

Generally, amounts paid to acquire an asset can be capitalized. The following criteria must all be met in order to capitalize an expense:

1. The cost must follow the De Minimis Rule;
2. The new asset has a useful life of at least two (2) years;
3. The future economic benefits associated with the expense will flow to TSHC;  
and
4. The cost of the expense can be measured reliably.

An asset shall be recorded at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an asset includes:

- The purchase price;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended (for example installation and assembly costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight and delivery charges, transportation insurance costs, and duties); and
- An estimate of the costs to dismantle and remove the asset and restore the site on which it is located.

If the cost of an asset is insignificant, but is part of a larger project, it should be grouped together with the project and should be capitalized if it meets all the criteria.

## **Capitalized labour**

The cost of an asset that is constructed or developed over time includes direct construction or development costs (materials and labour), and overhead costs directly attributable to the construction or development activity. The carrying costs that are directly attributable to the acquisition, construction or development activity are included in the cost of the asset.

Capitalization of carrying costs stops when the asset is substantially complete and ready for use. Net revenue or expense from an asset before substantial completion is included in the cost.

## **Expenses to improve assets**

Costs incurred to improve a pre-existing asset may be deemed capital in nature and capitalized.

An asset is improved if the expenses result in:

1. Bettering the asset;
2. Restoring the asset; or
3. Adapting the asset to a new or different use.

## **Betterments**

An expense will be considered a betterment if it:

1. Enhances the service potential or performance of the asset by increasing the previously assessed physical output or service capacity, lowering the associated operating costs, extending the useful life or improving the quality of the output;
2. Improves a material condition or defect that existed before acquiring the asset or one that arose during the use of the asset;
3. Is for a material addition, including a physical enlargement, expansion, extension, or addition of a major component to the asset, or a material increase in the capacity, including additional cubic or linear space of the asset;  
or
4. Is reasonably expected to materially increase the productivity, efficiency, strength, quality or output of the asset.

## **New or different use**

Costs incurred to make changes in the use of a unit of property to a new or different use should be capitalized.

For this purpose, the amount paid to adapt a unit of property to a new or different use should be capitalized if the adaptation is not consistent with the original use of the unit of property at the time it was originally placed in service.

## **Intangible assets**

To qualify as an intangible asset, all of the following criteria must be met:

1. An asset must be separable (for example, capable of being separated or divided from the entity and sold; or transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability) or must arise from contractual or other legal rights, regardless of whether these rights are transferable or separable from the entity or from other rights and obligations; and

2. TSHC controls the asset and has the power to obtain further economic benefits flowing from underlying resources and to restrict the access of others to those benefits; and
3. The future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, or other benefits resulting from the use of the asset by the organization.

### **Internally developed intangible assets**

The internal development of assets consists of two phases: the research phase and the development phase.

Research activities are aimed at obtaining new knowledge, searching for alternatives, formulating the design and evaluating the intangible asset. During this phase, it is unlikely that TSHC will be able to demonstrate that an intangible asset exists that will generate probable future economic benefit. Therefore, expenses during the research phase shall be recognized as operational expenses as they are incurred.

The development phase consists of the application of research findings or other knowledge to plan or design the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

An intangible asset arising from development is capitalized only if an entity can demonstrate the three (3) criteria for ***intangible assets*** above, plus all of the following:

1. It is technically feasible to complete the intangible asset so that it will be available for use or sale;
2. There is an intention to complete the intangible asset and use or sell it;
3. There is an ability to use or sell the intangible asset;
4. Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset;
5. The expenses attributable to the intangible asset during its development can

be reliably measured; and

6. The intangible asset will generate probable future economic benefit.

If the intangible asset meets the above criteria, the expenses can be capitalized in accordance with criteria set forth in the **Expenses to acquire, construct or develop tangible capital assets** section above.

### **Repair and maintenance expenses**

The costs of performing certain routine maintenance activities for property that do not prolong an asset's economic life (for example, only maintain service potential) or improve its efficiency, are not betterments and are not capitalized. Activities are considered to be routine if, at the time the unit of property was placed in service, there is reasonable expectation to perform the activities more than once during the property's useful life.

Examples of maintenance include:

- Repairs to restore an asset to its original condition;
- Replacement of an asset with a similar component; or
- Expenses necessary to realize the benefits originally projected.

### **Amortization**

Amortization of an asset shall be recorded in a rational and systematic manner appropriate to the nature of the asset as outlined below:

- Improvements to land and buildings (4 to 25 years);
- Furniture and equipment (4 to 15 years);
- Leasehold improvements (over the term of the lease).

The amount of the asset to be amortized over its useful life should be the greater of:

- The cost of the asset less its salvage value;
- The cost of the asset less its residual value.

Any systematic and reasonable method of amortization to be determined by TSHC Finance (for example, a straight line, declining balance) is acceptable, so long as it is appropriate to the nature of the asset.

The amortization method and estimates of an asset's useful life shall be reviewed by TSHC Finance and assessed for reasonableness annually. If a significant event arises, the amortization method and/or estimates of the useful life shall be reviewed and assessed for reasonableness. Such events may be:

- A change in the use of the asset;
- Removal of the asset from service for an extended time period;
- Physical damage to the asset;
- Significant technological developments.

A change in the demand for the services provided through use of the capital asset; and a change in the law, environment, etc. that will affect the asset's use or the period over which it can be used.

## **Useful life**

Determining the useful life of an asset is paramount and will affect the amortization of the asset and therefore its value. The useful life of a capital asset depends on its expected use. The factors to be considered in estimating the useful life of a capital asset include:

- Expected future usage;
- Effects of technological obsolescence;
- Expected wear and tear from use or the passage of time;
- The maintenance program;
- Studies of comparable items retired; and
- The condition of existing comparable items.

## **Capital leases**

A leased capital asset is a non-financial asset that has physical substance and a

useful life extending beyond one (1) year, and it is held by TSHC for use on a continuing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all of the benefits and risk incident to ownership are transferred to TSHC without necessarily transferring legal ownership.

For substantially all of the benefits and risks of owners to be transferred to TSHC (the lessee), one (1) or more of the following conditions must be met:

- There is reasonable assurance that TSHC will obtain ownership of the leased property by the end of the lease term or when a bargain purchase option exists;
- During the term of the lease, TSHC will substantially receive all of the economic benefits expected from the use of the leased property during its useful life. This condition is considered to be met if the lease is for a term equal to or greater than 75% of the useful life of the leased capital asset; or
- The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition is considered to be met if the present value of the lease payments is greater than or equal to 90% of the fair value of the leased capital asset.

## **Write-downs**

When conditions indicate that a capital asset no longer contributes to TSHC's ability to provide goods and services or that the value of future economic benefits associated with the capital asset is less than its net book value, the cost of the capital asset should be reduced to reflect the decline in the asset's value. A write-down should not be reversed.

TSHC would write down the cost of a capital asset when it can demonstrate that the reduction in future economic benefits is expected to be permanent. Conditions that may indicate that the future economic benefits associated with a capital asset have been reduced and a write-down is appropriate include:

- A change in the extent to which the capital asset is used;
- A change in how the capital asset is used;
- Significant technological developments;
- Physical damage;
- Removal of the capital asset from service;
- A decline in, or end of, the need for the services provided by the capital asset;
- A decision to stop construction of the capital asset before it is complete or in usable or saleable condition; and
- A change in the law or environment affecting the extent to which the capital asset can be used.

## **Compliance and monitoring**

Compliance with this policy is required from all staff. Compliance will be monitored by TSHC Finance.

## **Related Legislation, Regulations, and TSHC Policies:**

- Toronto Community Housing Corporation's Capital Expense Policy

## **Next Scheduled Review Date: 2026**

This policy will be reviewed once every two (2) years

## **Policy Contact**

Finance

## **Appendices**

Appendix I - Guidelines Distinguishing Capital and Operating Expenses

## APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES

### Building components in this guideline

Electrical  
Elevator  
General Landscaping  
Interiors  
Mechanical  
Parking Garage  
Roofing  
Structural  
Miscellaneous  
Environmental  
Envelope  
Equipment and Computer Software

**APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES**

<b>Building Components</b>	<b>Capital Guidelines</b>	<b>Operating Guidelines</b>
<p><b>General</b></p>	<p>To qualify as capital, expenses must be for at least two (2) of the following:</p> <ul style="list-style-type: none"> <li>▪ a new asset that has a useful life of at least two (2) years;</li> <li>▪ a replacement or upgrade to a major building system (e.g., structural, envelope, HVAC system, electrical system); and</li> <li>▪ an upgrade to a major component of a unit or common area (e.g., kitchen, bathroom, floor, lobby), that extends the useful life of the asset beyond the original life expectancy, and significantly improves the quality and service potential provided by the asset.</li> </ul> <p>And, must equal or exceed the threshold of \$1,500, which may be met by:</p> <ul style="list-style-type: none"> <li>▪ aggregating bulk purchase items; or</li> <li>▪ combining all jobs in a unit refurbishment on a move-out.</li> </ul> <p>Capital expenses as a result of neglect or failure to comply with the regular repair and maintenance</p>	<ul style="list-style-type: none"> <li>▪ Cost of normal maintenance or repairs to keep a building and property in good operating conditions and to preserve the expected useful life of capital items.</li> <li>▪ These activities are routine and considered preventive maintenance and repairs.</li> <li>▪ Maintenance and repairs cannot be neglected or combined to become capital.</li> </ul>

**APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES**

	<p>schedule is considered an operating expense and is not capitalized. Proper documentation must be kept to support the compliance with the repair and maintenance plan for capital assets.</p>	
<p><b>Electrical, as:</b></p> <ul style="list-style-type: none"> <li>▪ Electrical panel</li> <li>▪ Electrical switchgear</li> <li>▪ Emergency lighting</li> <li>▪ Entry access</li> <li>▪ Fire alarm</li> <li>▪ Generators</li> <li>▪ Light/heat systems</li> <li>▪ surveillance equipment</li> <li>▪ Voice comm.</li> </ul>	<p>Costs related to planned betterment, upgrade or replacement of fully functional electrical systems and/or equipment, which include but are not limited to:</p> <ul style="list-style-type: none"> <li>▪ distribution panel</li> <li>▪ transformer</li> <li>▪ door magnets</li> <li>▪ exterior lighting system</li> <li>▪ security door system</li> <li>▪ security surveillance</li> <li>▪ voice communication</li> <li>▪ fire alarm system</li> <li>▪ emergency lighting</li> <li>▪ generators</li> <li>▪ electric heating</li> </ul>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ isolated replacement of electrical devices, heating, equipment or circuitry; or</li> <li>▪ isolated replacement or repairs to electrical components such as meters, motors, panels, smoke/CO detectors, switches, outlets, cameras/equipment, lights, speakers, horns, batteries, heating circuitry, etc.</li> </ul>

**APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES**

<p><b>Elevator, as:</b></p> <ul style="list-style-type: none"> <li>▪ Cabs</li> <li>▪ Cable systems</li> <li>▪ Hoists</li> <li>▪ Hydraulics</li> <li>▪ Software</li> <li>▪ Ventilation</li> </ul>	<p>Costs related to planned betterment, upgrade or replacement of elevator systems, which include but are not limited to:</p> <ul style="list-style-type: none"> <li>▪ elevator conveying equipment</li> <li>▪ electrical systems</li> <li>▪ operational software</li> <li>▪ cabs</li> <li>▪ pits</li> <li>▪ drainage</li> <li>▪ ventilation systems</li> </ul>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ isolated repairs to system component such as motors, electrical devices, operational buttons and doors;</li> <li>▪ cleaning and repairs to floors, ventilation system, pits, and leveling; or</li> <li>▪ inspections and licenses.</li> </ul>
<p><b>General landscaping, as:</b></p> <ul style="list-style-type: none"> <li>▪ Arboriculture and tree services</li> <li>▪ Curbs</li> <li>▪ Drainage</li> <li>▪ Fences</li> <li>▪ Garbage facilities</li> <li>▪ Landscape</li> <li>▪ Pavements</li> <li>▪ Patios</li> <li>▪ Playgrounds</li> <li>▪ Plantings</li> </ul>	<p>Costs related to planned betterment, upgrade or replacement of general landscaping, even if the work is done in phases, such as hard and soft surfaces, subsurface and underground drainage, concrete and asphalt pavements, garbage and playground facilities and such like.</p>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ isolated repairs, minor partial landscape or facility elements upgrade;</li> <li>▪ cleaning and repairs to rails, steps, timbering, retainment, swim pool, garbage and play facilities;</li> <li>▪ asphalt patching ;</li> <li>▪ traffic and parking line painting;</li> <li>▪ incidental resurfacing;</li> <li>▪ opening and closing of swimming pools ; or</li> <li>▪ sodding, lawn mowing, snow shoveling and tree pruning, etc.</li> </ul>

## APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES

<p><b>Interiors, as:</b></p> <ul style="list-style-type: none"> <li>▪ Apartments</li> <li>▪ Amenities area</li> <li>▪ Bathrooms</li> <li>▪ Corridors</li> <li>▪ Closet doors</li> <li>▪ Ceilings and floors</li> <li>▪ Walls</li> <li>▪ Doors</li> <li>▪ Equipment rooms</li> <li>▪ Garbage disposals</li> <li>▪ Hardware</li> <li>▪ Lobbies</li> <li>▪ Kitchens</li> </ul>	<p>Costs related to planned betterment, upgrade or replacement of building interiors and components, facilities and amenities even if done in stages, including but not limited to:</p> <ul style="list-style-type: none"> <li>▪ entire or partial improvements to apartments;</li> <li>▪ apartment retrofits to accommodate for physical challenges;</li> <li>▪ entire or phased kitchen ;</li> <li>▪ closet door and bathroom upgrades;</li> <li>▪ painting, floor replacement for common areas; and</li> <li>▪ garbage disposal.</li> </ul>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ isolated upgrades to unit move-outs, minor accessibility modifications such as installation of grab bars, accessible mirrors, door closers, levers;</li> <li>▪ partial component replacements at kitchen, bathroom, floors, ceiling, closet doors, laundry rooms, ramps, stairs; rails; or</li> <li>▪ general repairs, partial painting, refinishing, sealing, weather stripping, glazing and tiling.</li> </ul>
---	--	---

**APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES**

<p><b>Mechanical as:</b></p> <ul style="list-style-type: none"> <li>▪ Boilers and furnaces</li> <li>▪ Chillers</li> <li>▪ Controls</li> <li>▪ Compressors</li> <li>▪ Compactors</li> <li>▪ Exhausts and flues</li> <li>▪ Incremental units</li> <li>▪ Hot water tanks</li> <li>▪ Hydrants</li> <li>▪ Make-air units</li> <li>▪ Pumps and valves</li> <li>▪ Pipe/systems</li> <li>▪ Radiators</li> <li>▪ Sprinklers</li> <li>▪ Swim pool equip.</li> </ul>	<p>Costs related to planned betterment, upgrade or replacement of fully functional mechanical systems and or equipment, includes but is not limited to:</p> <ul style="list-style-type: none"> <li>▪ Heating—hot water boiler system;</li> <li>▪ ventilation—make-up air and ventilation system;</li> <li>▪ plumbing—hot and cold water riser system;</li> <li>▪ wet and dry sprinkler system;</li> <li>▪ potable water, soil and sanitary systems; and</li> <li>▪ hydraulic compactors.</li> </ul>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ planned repair and maintenance as part of equipment maintenance schedule;</li> <li>▪ isolated replacement of heating, ventilation plumbing and mechanical components;</li> <li>▪ repairs to components such as boilers, furnaces, pumps, valves, hydrants, fans/belts, drain/grates;</li> <li>▪ repairs to sections of plumbing, radiators, controls, tanks, flues, sprinklers; or</li> <li>▪ repairs to swim pool, equipment, garbage chutes, compactors, etc.</li> </ul>
---	---	---

**APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES**

<p><b>Parking Garage, as:</b></p> <ul style="list-style-type: none"> <li>▪ Doors</li> <li>▪ Columns</li> <li>▪ Coatings</li> <li>▪ Enclosures</li> <li>▪ Slabs-on-grade</li> <li>▪ Suspended slabs</li> <li>▪ Walls and joints</li> <li>▪ Ramps and stairs</li> </ul>	<p>Costs related to planned repairs, reconstruction or rehabilitation of structural elements, sections of entire parking garages in whole or phased upgrades, traffic-engineered (TE) decking and coating systems, etc.</p>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ minor repairs, incidental minor upgrades at walls, floors, ceiling, supports, ramps, stairs;</li> <li>▪ cleaning and repairs to floors, deck coatings, washing and sweeping;</li> <li>▪ minor crack injection and loose concrete removal, partial painting; or</li> <li>▪ garage drain, pipe, sump pump flushing after major garage restoration.</li> </ul>
<p><b>Roofing, as:</b></p> <ul style="list-style-type: none"> <li>▪ Flat roofs</li> <li>▪ Hipped and pitched</li> <li>▪ Low/steep slopes</li> <li>▪ Mansards</li> <li>▪ Roof anchors</li> </ul>	<p>Costs related to planned betterment, refit or replacement of major sections or entire roof (conventional and inverted, built-up, shingled, slate, tile and sheet metal) covering, dormers, chimneys, soffits, mansards and related rain goods replacement, etc.</p>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ isolated upgrades and minor replacements;</li> <li>▪ sectional and general replacements and repairs such as soffits, rain goods, stacks, chimneys, flashings, snow brakes; or</li> <li>▪ maintenance such as patching, inspections, etc.</li> </ul>

## APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES

<p><b>Structural, as:</b></p> <ul style="list-style-type: none"> <li>▪ Balcony slabs</li> <li>▪ Canopies</li> <li>▪ Steel/fireproof structures</li> <li>▪ Rails and panels</li> <li>▪ Retaining walls</li> <li>▪ Ramps and stairs</li> <li>▪ Shear walls</li> </ul>	<p>Costs related to planned repairs, reconstruction or rehabilitation of components, sections or entire structural elements in whole or phased upgrades, etc.</p>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ minor repairs and incidental minor upgrades at elements as balcony rails, panels, stairs, ramps, slab coatings, fire proofing;</li> <li>▪ incidental loose concrete removal and partial painting, etc.;</li> <li>▪ minor repairs and incidental minor upgrades to elements such as balcony rails, panels, stairs, slab coatings, fireproofing;</li> <li>▪ incidental loose concrete removal and partial painting if as a result of related structural work; or</li> <li>▪ roof anchor inspection, testing and repairs.</li> </ul>
---	---	--

**APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES**

<p><b>Miscellaneous, as:</b></p> <ul style="list-style-type: none"> <li>▪ Appliances</li> <li>▪ Fuel supply and storage</li> <li>▪ Janitorial equip.</li> <li>▪ Tractors</li> <li>▪ Vehicles</li> </ul>	<p>Costs related to planned replacement of equipment subject to threshold and life cycle requirements.</p>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ repairs and maintenance</li> <li>▪ incidental replacement</li> </ul>
<p><b>Environmental, as:</b></p> <ul style="list-style-type: none"> <li>▪ Designated substances</li> <li>▪ Mold</li> <li>▪ PCBs</li> </ul>	<p>Costs related to planned portfolio abatement of designated substance <i>en bloc</i> (as a whole) or part of a capital improvement project, as heating system upgrade or interior building renovation, and such like.</p>	<p>Include, for example, costs for:</p> <ul style="list-style-type: none"> <li>▪ isolated minor abatement in whole or part of operational repairs;</li> <li>▪ substance management; or</li> <li>▪ inspection and testing.</li> </ul>
<p><b>Envelope, as</b></p> <ul style="list-style-type: none"> <li>▪ Cladding/stucco/brick</li> <li>▪ Foundation repairs</li> </ul>	<p>Costs related to planned building envelope related work such as removal and replacement of existing facades, window replacements, water penetration at building facades, and water penetration at basement foundation walls not part of the underground parking garages.</p>	<p>Include, for example, costs for</p> <ul style="list-style-type: none"> <li>▪ inspection and testing on basement and envelope water penetration;</li> <li>▪ envelope water penetration repairs.</li> </ul>

**APPENDIX I - GUIDELINES DISTINGUISHING CAPITAL AND OPERATING EXPENSES**

<p><b>Equipment and Computer Software</b></p> <ul style="list-style-type: none"> <li>▪ Office Furniture</li> <li>▪ Office Equipment</li> <li>▪ Property Equipment</li> <li>▪ Computer software</li> </ul>	<p>Costs related to purchase of long-term use of office or property furniture and equipment, computer hardware and software.</p>	<p>Cost of day-to-day office supplies office or property equipment</p>
---	--	--

*For any expenses that require additional clarification, please contact the Manager, Financial Reporting and Compliance.*