



THE DISTRICT OF THUNDER BAY  
SOCIAL SERVICES ADMINISTRATION BOARD

**ADMINISTRATIVE SUMMARY**

THE DISTRICT OF THUNDER BAY  
SOCIAL SERVICES ADMINISTRATION BOARD

**Administrative Summary No. ADM2009-01**

**MEETING DATE: APRIL 9, 2009**

TBDSSAB FILE NO.: 1500.02 / 1500.05

**SUBJECT: TBDSSAB / TBDHC - POLICY FOR BUDGETING, APPROVALS  
AND MANAGEMENT OF CAPITAL FUNDING**

The Thunder Bay District Social Services Administration Board (TBDSSAB) requires the development of a policy or process to deal with the budgeting, approvals, and management of capital funding by the Thunder Bay District Housing Corporation (TBDHC).

The purpose of establishing a new policy process to handle TBDHC capital expenditures is to:

- Increase administrative efficiency and reduce staff time and costs of both the TBDSSAB and TBDHC with respect to any approved jobs that are over budget;
- Provide TBDHC with flexibility to manage capital expenditures; and
- Enable TBDSSAB to maintain overall control of capital expenditures.

**Background**

The amalgamation of the local housing corporation created under the *Social Housing Reform Act 2000* (SHRA) and the Thunder Bay Municipal Non-Profit Housing Corporation resulted in a new stand alone legal entity, TBDHC, with TBDSSAB as its sole shareholder. This resulted in TBDHC having a very large reserve fund in excess of \$10 million.

To ensure overall accountability and control of capital expenditures, TBDSSAB directed the TBDHC to seek approval on all capital expenditures. This direction is contained in the Management Agreement between the two parties. Clause 24 deals with Operating and Capital Reserve Funds for projects that are subject to part V1 of the SHRA and those that are governed by operating agreements. In particular, clause 24(3) notes..." The TBDHC shall not incur, contract for, or become liable for expenditures requiring payment from any surplus and/or reserve account, such as, but not limited to, the capital reserve fund, general reserve fund, operating reserve, or accumulated surplus, for those programs identified in Schedule "A", without the TBDSSAB's prior written approval." Schedule "A" refers to those projects that are subject to part V1 of the SHRA.

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**Proposed Policy**

The following process is proposed to:

1. Clarify the resolution passed by TBDSSAB directing TBDHC to seek approval from TBDSSAB on all capital expenditures; and,
2. Facilitate the budgeting, approvals and management of TBDHC's capital funding.

The following five components are related to this process, and are detailed below.

1. Capital Plan
2. Capital Replacement Reserve
3. Budget/Approval (Capital)
4. Management of Capital Budget
  - a. In-Year Management of Capital Budget
  - b. On-Going Management of Budget
5. Capital Quarterly Report

**1. Capital Plan**

TBDHC shall prepare and maintain a five (5) year Capital Plan as required in the Management Agreement.

- The Capital Plan shall detail, by project, the planned work, estimates and priority of work.
- The priority for work is:
  - 1 Urgent. This is in relation to life safety and new building or fire code requirements.
  - 2 In need. Building elements and systems that are approaching end of life cycle.
  - 3 Desired. These items relate to enhancements.
- TBDHC to provide the Capital Plan to TBDSSAB for review and planning purposes.

**2. Capital Replacement Reserve**

TBDHC shall establish and maintain a Capital Replacement Reserve fund as required by its Management Agreement and/or Part VI of the SHRA.

- The cash and investments of the Capital Replacement Reserve fund are restricted and can only be used for capital expenditures.
- Capital expenditures must be funded from the Capital Replacement Reserve fund and not the annual operating budget.

- The amount to be contributed to the fund shall be in accordance with the regulations under Part VI of the *SHRA*, with additional contributions to be made as directed by the TBDSSAB from time to time.

### 3. Annual Budget/Approval (Capital)

TBDHC to provide TBDSSAB with an annual budget submission that includes the planned capital work and requirements.

- The budget submission for planned capital work to include:
  - Listing by project of:
    - a. Funding requirements of work in the Capital Plan
    - b. Work priority
    - c. Identification of any additional work requirements and provision of details if not included in the Capital Plan
  - Summary of planned capital work and impact on the Capital Replacement Reserve fund.
- TBDHC's submission is the basis of TBDSSAB's review and approval for capital expenditures from the Capital Replacement Reserve fund by TBDHC.
  - Capital funding requested is consolidated and approved as block approval and not at a project level.
  - TBDHC will manage planned capital work within approved levels that includes:
    - a. Funding for approved capital work in budget submission
    - b. Contingency funding of 5% above approved amount, if available in the Capital Replacement Reserve fund

### 4. Management of Capital Budget

TBDHC to manage the capital work within the overall approved budget (which now includes a 5% contingency) by reallocating savings from other jobs or jobs which may have been cancelled, postponed or delayed, or by delaying/postponing lower priority work.

- TBDHC capital funding is for approved work included and approved in the Capital Plan and/or budget submission.
- Emergency capital requirements managed within approved levels, or through cancellation/delay of planned work that is of a lower priority.
- TBDHC to provide a report to TBDSSAB for approval of unanticipated non-emergency capital work not in the approved budget submission.
- TBDHC ensures all procurement and tendered work is competitive.

Emergency work that can be accommodated within the approved capital budget requires delegated approval from the CEO of the TBDHC.

In extenuating circumstances where emergency work cannot be managed within the approved capital budget, delegated approval to CAO TBDSSAB/designate is required. As per the Management Agreement BUDGET PREPARATION AND APPROVAL section 22 (6), in exceptional circumstances where the health and safety of tenants are at risk and where it is not practical or feasible to request approval in advance, then, written approval shall be requested as soon as is practicable.

**a. In-year Management of Capital Budget**

TBDHC manages capital work by assessing ongoing impact of project cost surpluses/deficits on the block approvals and maintains the total capital expenditures within approved block approved levels or by delaying/canceling lower priority work.

**b. Ongoing TBDHC Budget Management**

TBDHC maintains an ongoing capital budget analysis by comparing the approved levels to the costs all the capital work completed/planned.

- Listing work completed, forecast budget and actual expenditures.
- Listing work commenced, forecast budget, projected actual expenditures.
- Listing remaining work anticipated and forecast budget.
  - TBDHC reviews anticipated work and forecasts for efficiencies to effectively manage in-year approved capital levels.
- Listing emergency work, not in budget submission, and the forecast/actual requirement to be managed within approved funding.
  - TBDHC provides TBDSSAB with notification of project, work and forecast.
- Listing and forecast of work for approved reports of unanticipated non-emergency capital work not in the Capital Plan.

TBDHC provides a capital Quarterly Report on the status of capital work and funding.

**5. Capital Quarterly Report**

The Capital Quarterly Report is to include:

- Listing of work completed, forecast budget and actual expenditures.
- Summary of work commenced, the forecast budget, projected actual expenditures.
- Listing of work not in budget submission (emergency) and forecast.
- Listing of forecast work for approved business cases of unanticipated non-emergency capital work not in the Capital Plan.

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- ❑ Summary of remaining work anticipated and forecast budget (including updated forecasts).
  - ❑ Variance analysis of all capital funding available to the projected in-year expenditures.

**RECOMMENDATION**

THAT with respect to Administrative Summary No. ADM2009-01 (CAO's Office), we recommend that the policy for Budgeting, approvals and Management of Capital Funding between The Thunder Bay District Social Services Administration Board and the Thunder Bay District Housing Corporation be approved as contained in Administrative Summary No. ADM2009-01.

**REFERENCE MATERIAL ATTACHED**

None.

<b>PREPARED BY:</b>	Mary Lucas, Chief Administrative Officer The District of Thunder Bay Social Services Administration Board
<b>SUBMITTED BY:</b>	Mary Lucas, Chief Administrative Officer The District of Thunder Bay Social Services Administration Board