



## Facilities Management Budget Envelope Reallocations to May 31, 2024

Item 9b

July 17, 2024

Building Investment, Finance and Audit Committee

**Report: BIFAC:2024-63**

**To:** Building Investment, Finance and Audit Committee

**From:** Vice President, Facilities Management

**Date:** June 17, 2024

### PURPOSE:

This report seeks Building Investment, Finance and Audit Committee (“BIFAC”) and Board of Directors (“Board”) approval of a reallocation of funds between Building Capital Envelopes in an amount greater than \$5,000,000.00, in accordance with TCHC’s Financial Control Bylaw 3.

### RECOMMENDATIONS:

It is recommended that the Building Investment, Finance and Audit Committee approve and recommend that the Board approve the following reallocations of funds within the 2024 Capital Repair Budget:

#### Reallocation of funds to:

Budget Envelope	Amount
HBRP - Holistic Building Retrofit Program	\$6,000,000
RC07 - Envelope	\$7,000,000
RC24 - Parking Garages	\$5,000,000
EW10 - In-Suite LED Lighting and E Renewable Program	\$2,000,000
<b>Total</b>	<b>\$20,000,000</b>

**Reallocation of funds from:**

<b>Budget Envelope</b>	<b>Amount</b>
RC05 - Elevators	(\$1,000,000)
RC08 - Grounds	(\$2,500,000)
RC12 - Life Safety	(\$1,800,000)
RC23 - Structural	(\$2,500,000)
RCHH - Heritage Houses	(\$200,000)
COXX - Demand Capital	(\$10,000,000)
EW01 - Water Conservation & Recommissioning	(\$2,000,000)
<b>Total</b>	<b>(\$20,000,000)</b>

<b>Balance</b>	<b>\$0</b>
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**Decision History**

Pursuant to TCHC's Financial Control Bylaw 3, TCHC's President and Chief Executive Officer is required to provide the Board with a quarterly report comparing budgeted capital expenditures to actual expenditures plus commitments, as well as a forecast of the estimated Capital Plan results for the year.

Section G-3 of TCHC's Financial Control Bylaw provides that management may reallocate funds among Building Capital Envelopes in the total Building Capital Budget, subject to the following:

- a. Reallocations between \$500,000 and \$5,000,000 shall be reported to the Board on a quarterly basis; and
- b. Reallocations greater than \$5,000,000 or any reallocation or reforecasting that results in a change to the total Building Capital Budget by more than 10% shall be approved by the Board.

Currently, TCHC's 2024 Capital Budget completion is projected to be \$379.6M. This is a forecast based on the information currently available and will continue to be refined as the year progresses. To accommodate the completion of this work, \$350,000,000 will be funded from its 2024 Capital Budget and \$29.6M as advanced completion from its 2025 Capital Budget. Should the full forecast hold

true, this will reduce the amount available to support TCHC's Capital Programs in 2025, from \$340M to \$310.4M. It is important to note that TCHC's capital funding is predicated upon completing capital work and then being reimbursed for it. Given this, it is imperative to ensure that the full capital plan is delivered. To ensure this occurs, it is necessary to plan for more work to be completed.

### **Budget Envelope Reallocations Recommended**

Attachment 1: 2024 Capital Renewal Plan – Variance by Project Category provides a summary of the Budget Envelopes discussed in this report.

It is important to note that not all funds within a budget envelope are allocated. Contingency is built into the budget envelopes to allow for changes that will take place throughout the year.

### **Review of Demand Capital Spend**

In Q2, 2023, TCHC recognized that demand capital and maintenance workorders ("WO's") were increasing at a pace not previously seen. This increase is forecasted to have a negative impact on the 2023 FCI and TCHC's ability to achieve a 10% FCI by 2027. The current projection for 2027 FCI is 11.37%, subject to final verification by Ameresco during the year-end FCI process.

To address this concern, TCHC established a cross-divisional working group in late 2023 consisting of staff from Operations, Facilities Management, Information Technology, Finance, Internal Audit and Toronto Seniors Housing Corporation. The working group developed an 8-point plan consisting of:

<b>Item</b>	<b>Current Status</b>
Data review and analysis	Completed
Triage process for WO's	In progress
Review of approval limits	In progress
Capital reporting	Completed
System controls	In progress
Vendor management	In progress
Communications to tenants, staff and stakeholders	Completed
Review of demand vs capital threshold	In progress

To date, indications are that the initial measures taken in response to this concern are having the desired effect. As of May 2024, Demand Capital (COXX) totaling \$32.3M has been completed vs a May budget of \$37.5M. If this continues, Demand Capital will come in under budget for 2024 which will allow budget to be reallocated from Demand Capital to Planned Capital. Close monitoring of the Demand Capital spend will continue.

In Attachment 1, the YTD comparison calculations are currently using a straight-line calculation. This may not be the best comparison in light of historic spending. Facilities Management is working together with Finance and ITS to provide enhanced cycle reporting while addressing the process review items addressed in the Internal Audit Report of March 18, 2024.

**IMPLICATIONS AND RISKS:**

While TCHC currently can complete advanced work due to funding from the National Housing Co-Investment fund, this funding will end in 2027 and, unless additional funding can be obtained, TCHC's capital plan will dramatically decrease to \$160M per year. This means that TCHC will not have the ability to complete multi-year projects and will have significantly less capital to complete demand or planned projects. This risk increases every year. The Facilities Management Capital Planning team is keenly aware of this reality and takes it into consideration as part of the overall capital planning process. To mitigate risk, any multi-year projects that are being entered into currently, have the annual anticipated completion tracked for the appropriate year to ensure that sufficient funding is allocated in the given year. It is imperative that additional funding be obtained in the next couple of years to ensure TCHC can properly maintain its buildings.

**SIGNATURE:**

*"Allen Murray"*

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Allen Murray,  
Vice President, Facilities Management

**ATTACHMENT:**

1. 2024 Capital Renewal Plan – Variance by Project Category

**STAFF CONTACT:**

Allen Murray, Vice President, Facilities Management  
416-981-6955  
Allen.Murray@torontohousing.ca

Attachment 1 to Facilities Management Budget Reallocations to May 31, 2024 (BIFAC:2024-63)

2024 Capital Renewal Plan – Variance by Project Category to May 31

CAPITAL CATEGORIES		BUDGET					2023 Year End Results	Actual YTD (May 2024)	YTD Budget (May 2024)	YTD Variance**
Budget Category	Envelope Name	2024 Board Approved Budget	Revised Budget*	Adjustment (as of May 2024)	YE Forecast (as of May 2024)					
	2023 Advanced Spend brought into 2024		\$31,119,315		\$31,119,315	\$11,190,998	\$31,119,315	\$31,119,315		
	2025 Forecasted Advanced Spend									
	<b>Total Capital Advanced</b>		<b>\$31,119,315</b>	<b>\$0</b>	<b>\$31,119,315</b>	<b>\$11,190,998</b>	<b>\$31,119,315</b>	<b>\$31,119,315</b>		

2023									
Planned									
	CA01 - Common Area Accessibility	\$11,750,000	\$11,750,000	\$0	\$11,750,000	\$8,160,123	\$5,669,320	\$4,895,833	\$773,487
	CC01 - Commercial-Laundry Rooms	\$1,300,000	\$1,300,000	\$0	\$1,300,000	\$2,100,490	\$115,472	\$541,667	(\$426,195)
	CC09 - Commercial Retail Repairs	\$800,000	\$800,000	\$0	\$800,000	\$664,158	\$212,877	\$333,333	(\$120,456)
	HBRP - Holistic Building Retrofit Program	\$20,000,000	\$20,000,000	\$6,000,000	\$26,000,000	\$10,795,985	\$14,167,281	\$10,833,333	\$3,333,947
	RC03 - Electrical	\$4,300,000	\$5,567,000	\$0	\$5,567,000	\$4,821,486	\$2,079,086	\$2,319,583	(\$240,498)
	RC05 - Elevators	\$5,600,000	\$5,600,000	(\$1,000,000)	\$4,600,000	\$2,339,285	\$562,152	\$1,916,667	(\$1,354,514)
	RC07 - Envelope	\$20,000,000	\$20,000,000	\$7,000,000	\$27,000,000	\$13,075,229	\$15,461,982	\$11,250,000	\$4,211,982
	RC08 - Grounds	\$8,500,000	\$8,500,000	(\$2,500,000)	\$6,000,000	\$5,188,540	\$2,398,124	\$2,500,000	(\$101,876)
	RC09 - Interiors	\$8,000,000	\$11,570,000	\$0	\$11,570,000	\$5,540,926	\$3,739,270	\$4,820,833	(\$1,081,564)
	RC10 - Emergency Generators	\$358,000	\$250,000	\$0	\$250,000	\$1,339,315	\$227,405	\$104,167	\$123,239
	RC12 - Life Safety	\$8,000,000	\$8,000,000	(\$1,800,000)	\$6,200,000	\$6,762,006	\$2,214,445	\$2,583,333	(\$368,888)
	RC15 - HVAC	\$10,000,000	\$14,600,000	\$0	\$14,600,000	\$14,155,864	\$7,978,522	\$6,083,333	\$1,895,188
	RC16 - Plumbing	\$8,000,000	\$8,190,000	\$0	\$8,190,000	\$9,466,493	\$3,776,878	\$3,412,500	\$364,378
	RC18 - Roofing	\$8,000,000	\$12,000,000	\$0	\$12,000,000	\$7,349,928	\$2,846,696	\$5,000,000	(\$2,153,304)
	RC19 - Cameras and Access Control	\$8,000,000	\$8,000,000	\$0	\$8,000,000	\$10,405,872	\$1,096,519	\$3,333,333	(\$2,236,815)
	RC22 - Single Dwelling Units	\$500,000	\$0	\$0	\$0	(\$200,732)	(\$0)	\$0	(\$0)
	RC23 - Structural	\$8,000,000	\$8,000,000	(\$2,500,000)	\$5,500,000	\$7,203,021	\$2,343,904	\$2,291,667	\$52,237
	RC24 - Parking Garages	\$10,000,000	\$14,000,000	\$5,000,000	\$19,000,000	\$13,214,004	\$9,426,752	\$7,916,667	\$1,510,086
	RC39 - Common Area Hallway Repairs	\$1,000,000	\$1,967,000	\$0	\$1,967,000	\$714,542	\$124,208	\$819,583	(\$695,375)
	RC41 - Swimming Pool Envelope	\$500,000	\$500,000	\$0	\$500,000	\$564,390	\$212,324	\$208,333	\$3,991
	RCHH - Heritage Houses	\$200,000	\$200,000	(\$200,000)	\$0	(\$4,447)	(\$0)	\$0	(\$0)
	SOGI - State of Good Repair-Interior	\$6,000,000	\$6,000,000	\$0	\$6,000,000	\$2,923,223	\$4,315,760	\$2,500,000	\$1,815,760
	<b>TOTAL Planned</b>	<b>\$148,808,000</b>	<b>\$166,794,000</b>	<b>\$10,000,000</b>	<b>\$176,794,000</b>	<b>\$126,579,701</b>	<b>\$78,968,976</b>	<b>\$73,664,167</b>	<b>\$5,304,810</b>

Attachment 1 to Facilities Management Budget Reallocations to May 31, 2024 (BIFAC:2024-63)

2024 Capital Renewal Plan – Variance by Project Category to May 31

CAPITAL CATEGORIES		BUDGET					2023 Year End Results	Actual YTD (May 2024)	YTD Budget (May 2024)	YTD Variance**
Budget Category	Envelope Name	2024 Board Approved Budget	Revised Budget*	Adjustment (as of May 2024)	YE Forecast (as of May 2024)					
Demand	CA02 - Tenant Units Accessibility	\$5,000,000	\$5,000,000	\$0	\$5,000,000	\$3,911,896	\$1,347,467	\$2,083,333	(\$735,866)	
	CA03 - Common Area Demand Accessibility Upgrades	\$2,050,000	\$2,050,000	\$0	\$2,050,000	\$334,714	\$160,394	\$854,167	(\$693,773)	
	CG01 - Waste Equipment Repairs	\$1,100,000	\$1,100,000	\$0	\$1,100,000	\$599,553	\$469,477	\$458,333	\$11,143	
	CI01 - Risk Management and insurance Claims	\$6,000,000	\$6,000,000	\$0	\$6,000,000	\$9,369,429	\$4,030,597	\$2,500,000	\$1,530,597	
	COXX - Demand Capital	\$100,000,000	\$100,000,000	(\$10,000,000)	\$90,000,000	\$158,049,536	\$32,277,503	\$37,500,000	(\$5,222,497)	
	LC - Local Demand & Residential Appliances	\$4,000,000	\$4,000,000	\$0	\$4,000,000	\$4,508,835	\$1,611,979	\$1,666,667	(\$54,687)	
	LM - Local Moveouts	\$22,500,000	\$22,500,000	\$0	\$22,500,000	\$29,276,181	\$12,013,316	\$9,375,000	\$2,638,316	
	SOGM - State of Good Repair-MLS Issues	\$4,000,000	\$4,000,000	\$0	\$4,000,000	\$3,821,469	\$1,423,352	\$1,666,667	(\$243,314)	
	<b>TOTAL Demand</b>	<b>\$144,650,000</b>	<b>\$144,650,000</b>	<b>(\$10,000,000)</b>	<b>\$134,650,000</b>	<b>\$209,871,612</b>	<b>\$53,334,086</b>	<b>\$56,104,167</b>	<b>(\$2,770,081)</b>	
Capital Operations	ADM - FM Labour Costs-Project Management (5%)	\$17,500,000	\$17,500,000	\$0	\$17,500,000	\$17,500,000	\$7,795,339	\$7,291,667	\$503,672	
	RC01 - Building Condition Audits	\$1,000,000	\$1,000,000	\$0	\$1,000,000	\$197,881	\$386,637	\$416,667	(\$30,030)	
	RCXZ - Contingency	\$20,551,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	<b>TOTAL Capital Operations</b>	<b>\$39,051,000</b>	<b>\$18,500,000</b>	<b>\$0</b>	<b>\$18,500,000</b>	<b>\$17,697,881</b>	<b>\$8,181,975</b>	<b>\$7,708,333</b>	<b>\$473,642</b>	
Energy	AIP1 - Social Housing Apartment Improvement Program-10 Bldgs	\$16,000	\$700	\$0	\$700	(\$393,838)	(\$70,901)	\$292	(\$71,193)	
	EW01 - Water Conservation & Recommissioning	\$8,000,000	\$8,000,000	(\$2,000,000)	\$6,000,000	\$7,739,038	\$0	\$2,500,000	(\$2,500,000)	
	EW03 - Energy Retrofit and Recommissioning	\$275,000	\$566,000	\$0	\$566,000	\$72,380	\$240,841	\$235,833	\$5,008	
	EW08 - Metering / Monitoring	\$1,700,000	\$2,220,000	\$0	\$2,220,000	\$632,033	\$393,180	\$925,000	(\$531,820)	
	EW09 - BAS and Recommissioning	\$900,000	\$686,000	\$0	\$686,000	\$880,903	\$260,535	\$285,833	(\$25,298)	
	EW10 - In-Suite LED Lighting and E Renewable Program	\$2,600,000	\$3,100,000	\$2,000,000	\$5,100,000	\$1,275,892	\$762,785	\$2,125,000	(\$1,362,215)	
	RPEI - Regent Park Energy Initiatives	\$4,000,000	\$4,000,000	\$0	\$4,000,000	\$5,572,715	\$352,602	\$1,666,667	(\$1,314,065)	
	<b>TOTAL Energy</b>	<b>\$17,491,000</b>	<b>\$18,572,700</b>	<b>\$0</b>	<b>\$18,572,700</b>	<b>\$15,779,123</b>	<b>\$1,939,043</b>	<b>\$7,738,625</b>	<b>(\$5,799,582)</b>	

Attachment 1 to Facilities Management Budget Reallocations to May 31, 2024 (BIFAC:2024-63)  
 2024 Capital Renewal Plan – Variance by Project Category to May 31

CAPITAL CATEGORIES		BUDGET							
Budget Category	Envelope Name	2024 Board Approved Budget	Revised Budget*	Adjustment (as of May 2024)	YE Forecast (as of May 2024)	2023 Year End Results	Actual YTD (May 2024)	YTD Budget (May 2024)	YTD Variance**
	<b>Sub-total In-Year Capital Spend/Forecast</b>	\$350,000,000	\$348,516,700	\$0	\$348,516,700	\$369,928,318	\$142,424,080	\$145,215,292	(\$2,791,211)
	<b>Total In-year spend forecast &amp; 2025 advanced spend</b>	\$350,000,000	\$379,636,015	\$0	\$379,636,015	\$381,119,316	\$173,543,396	\$176,334,607	(\$2,791,211)

\*Revised budget as approved by the Board February 15, 2024 TCHC:2024-16

\*\*YTD comparison calculations are currently using a straight-line calculation. It is recognized that this is not an ideal comparison. FM has engaged Finance and IT to collectively determine a go forward approach and strategy to review the cycle reporting and develop a plan to enhance reporting while addressing the process review items addressed in the Internal Audit Report of March 18, 2024.