



## Facilities Management Budget Envelope Reallocation

Item 7F

April 22, 2024

Board of Directors

**Report:** TCHC:2024-31

**To:** Board of Directors (the “Board”)

**From:** Vice President, Facilities Management

**Date:** April 12, 2024

### PURPOSE:

This report seeks the Board’s approval of a reallocation of funds among Building Capital Envelopes in an amount greater than \$5,000,000.00 in accordance with Financial Control Bylaw 3.

### RECOMMENDATIONS:

It is recommended that the Board approve the following reallocations of funds within the 2024 Capital Repair Budget:

#### Reallocation of funds from:

Budget Envelope	Amount
RC03 - Electrical	\$1,267,000
RC09 - Interiors	\$3,570,000
RC15 - HVAC	\$4,600,000
RC16 - Plumbing	\$190,000
RC18 - Roofing	\$4,000,000
RC24 - Parking Garages	\$4,000,000
RC39 - Common Area Hallway Repairs	\$967,000
EW03 - Energy Retrofit and Recommissioning	\$291,000
EW08 - Metering / Monitoring	\$520,000
EW10 - In-Suite LED Lighting and E Renewable Program	\$500,000
<b>Total</b>	<b>\$19,905,000</b>

**Reallocation of funds to:**

<b>Budget Envelope</b>	<b>Amount</b>
RC10 - Emergency Generators	(\$108,000)
RC22 - Single Dwelling Units	(\$500,000)
RCXZ - Unallocated	(\$20,551,000)
AIP1 - Social Housing Apartment Improvement Program- 10 Buildings	(\$15,300)
EW09 - BAS and Recommissioning	(\$214,000)
<b>Total</b>	<b>(\$21,388,300)</b>

2023 Advanced Spend brought into 2024:	\$31,119,315	
2025 Forecasted Advanced Spend:	\$29,636,015	
Adjustment to Forecasted Advanced Spend		<b>\$1,483,300</b>

Revised Total		<b>(\$19,905,000)</b>
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**REASONS FOR RECOMMENDATIONS:****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. In addition:

- 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 an early forecast which will be adjusted throughout the year. To accommodate this expenditure, TCHC will rely on \$350,000,000 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 the 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 Envelope reallocations that are recommended in this report. The reallocation of \$20,551,000 from RCXZ is to allocate previously unallocated budget to the appropriate budget envelopes. It is recognized that a \$20M reallocation this early in the year is large. The 2024 Capital Budget was established in Q3 2023 and the development of the budget, at that time, resulted in monies being budgeted on an unallocated basis so that they might be subsequently reallocated, through this process, when a more accurate assessment of budgetary demands could be made. Facilities Management will work with Finance to determine a way to be able to provide updated information closer to when budget approval is received so this type of large reallocation will not be required in 2025.

The remaining reallocations are being requested after reviewing the most recent information available taking into consideration factors such as historic completion by envelope as well as current projects in the 2024 capital plan. It is important to note that not all funds within a budget envelope are allocated at this early stage. Contingency is built into the budget envelopes to allow for changes that will take place throughout the year.

Attachment 1 also provides the following additional requested information as at the end of February 2024:

1. Budget (Column A) vs actual completion (Column D) by envelope;
2. Current 2024 year-end forecast by envelope (column C);
3. 2023 year-end actuals by envelope (column E);
4. Review of actual spend on COXX – Demand Capital (\$13,013,588 – see item F) vs budget (\$100,000,000 – see item G);
5. Breakdown of actual spend by COXX – Demand Capital (\$13,013,588 see item F) vs planned (\$26,911,059 see item H);
6. Review of actual planned spend on planned (\$26,911,059 – see item H) vs budget (\$148,808,000 – see item I); and
7. Review of Regional Component Capital Budget introduced in 2024 – actual (\$698,013 – see item J) vs budget (\$16,000,000 – see item K).

## REVIEW OF DEMAND CAPITAL SPEND

In Q2, 2023, it was recognized that demand capital and maintenance workorders (“WOs”) were increasing at a pace not previously seen. This increase is forecasted to have a negative impact on the 2023 FCI and achieving a 10% FCI by 2027. The current projection for 2027 FCI is 12.4%. 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:

Item	Current Status
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

Early indications are that the initial measures taken are having the desired effect. As of February 2024, Demand Capital (COXX) totaling \$13.0M has been completed vs a February budget of \$16.6M. 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.

## IMPLICATIONS AND RISKS:

The budget reallocations contemplated in this report take place within the limits of TCHC’s existing capital repair budget (as per Bylaw 3). Approval of the reallocations will ensure budget is available in the appropriate budget envelopes for the planned projects to be executed or planned.

It is important to note that while TCHC currently has the ability to 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. 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. In order to mitigate risk, any multi-year projects that are being entered into currently, have the annual anticipated completion tracked for appropriate year to ensure that sufficient funding is allocated in the given year. This risk increases every 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



2024 Capital Renewal Plan – Variance by Project Category

CAPITAL CATEGORIES					
Budget Category	Envelope Name	Original 2024 Budget (Board Approved)	Adjustment (as of Feb)	YE Forecast Based on Feb 2024	
Demand	CA02 - Tenant Units Accessibility	\$5,000,000	\$0	\$5,000,000	
	CA03 - Common Area Demand Accessibility Upgrades	\$2,050,000	\$0	\$2,050,000	
	CG01 - Waste Equipment Repairs	\$1,100,000	\$0	\$1,100,000	
	CI01 - Risk Management and Insurance Claims	\$6,000,000	\$0	\$6,000,000	
	COXX - Demand Capital	\$100,000,000	\$0	\$100,000,000 (G)	
	COXX - Over \$5k - (\$7,746,077)				
	COXX - \$1,500-\$5k - (\$5,267,511)				
	LC - Local Demand & Residential Appliances	\$4,000,000	\$0	\$4,000,000	
	LM - Local Moveouts	\$22,500,000	\$0	\$22,500,000	
	SOGM - State of Good Repair-MLS Issues	\$4,000,000	\$0	\$4,000,000	
	<b>TOTAL Demand</b>	<b>\$144,650,000</b>	<b>\$0</b>	<b>\$144,650,000</b>	
Capital Operations	ADM - FM Labour Costs-Project Management (5%)	\$17,500,000	\$0	\$17,500,000	
	RC01 - Building Condition Audits	\$1,000,000	\$0	\$1,000,000	
	RCXZ - Unallocated	\$20,551,000	(\$20,551,000)	\$0	
	<b>TOTAL Capital Operations</b>	<b>\$39,051,000</b>	<b>(\$20,551,000)</b>	<b>\$18,500,000</b>	
Energy	AIP1 - Social Housing Apartment Improvement Program-1	\$16,000	(\$15,300)	\$700	
	EW01 - Water Conservation & Recommissioning	\$8,000,000	\$0	\$8,000,000	
	EW03 - Energy Retrofit and Recommissioning	\$275,000	\$291,000	\$566,000	
	EW08 - Metering / Monitoring	\$1,700,000	\$520,000	\$2,220,000	
	EW09 - BAS and Recommissioning	\$900,000	(\$214,000)	\$686,000	
	EW10 - In-Suite LED Lighting and E Renewable Program	\$2,600,000	\$500,000	\$3,100,000	
	RPEI - Regent Park Energy Initiatives	\$4,000,000	\$0	\$4,000,000	
	<b>TOTAL Energy</b>	<b>\$17,491,000</b>	<b>\$1,081,700</b>	<b>\$18,572,700</b>	
	<b>Sub-total In-Year Capital Spend/Forecast</b>		<b>\$350,000,000</b>	<b>(\$1,483,300)</b>	<b>\$348,516,700</b>
	<b>Total In-year spend forecast &amp; 2025 advanced spend</b>		<b>\$350,000,000</b>	<b>\$0</b>	<b>\$379,636,015</b>

Total Additional Budget Requirement  
 Total Budget Reductions including Forecast adjustment

(A) (B) (C)  
 \$19,905,000  
 (\$19,905,000)

Actual YTD February	2023 Year End Results
\$560,440	\$3,911,896
\$88,962	\$334,714
\$203,928	\$599,553
\$1,434,765	\$9,369,429
<b>\$13,013,588 (F)</b>	<b>\$158,049,536</b>
\$671,142	\$4,508,835
\$5,910,960	\$29,276,181
\$470,810	\$3,821,469
<b>\$22,354,594</b>	<b>\$209,871,612</b>
\$2,930,225	\$17,500,000
\$1,957	\$197,881
<b>\$2,932,183</b>	<b>\$17,697,881</b>
(\$216,563)	(\$393,838)
\$0	\$7,739,038
\$230,739	\$72,380
\$197,809	\$632,033
\$31,516	\$880,903
\$164,347	\$1,275,892
\$34,500	\$5,572,715
<b>\$442,348</b>	<b>\$15,779,123</b>
<b>\$52,640,184</b>	<b>\$369,928,318</b>
<b>\$83,759,500</b>	<b>\$381,119,316</b>

(D) (E)

YTD Budget (Feb 2024)	YTD Variance (YTD Budget - Actual)
\$ 833,333	\$ (1,414,817)
\$ 341,667	\$ 252,705
\$ 183,333	\$ (20,595)
\$ 1,000,000	\$ (434,765)
<b>\$ 16,666,667</b>	<b>\$ (3,654,079)</b>
\$ 666,667	\$ (4,475)
\$ 3,750,000	\$ (2,160,960)
\$ 666,667	\$ 195,857
<b>\$ 24,108,333</b>	<b>\$ 1,753,739</b>
\$ 2,916,667	\$ (13,558)
\$ 166,667	\$ 164,709
\$ 3,425,167	\$ 3,425,167
<b>\$ 6,508,500</b>	<b>\$3,576,317</b>
\$ 2,667	\$ 219,229
\$ 1,333,333	\$ 1,333,333
\$ 45,833	\$ (184,906)
\$ 283,333	\$ 85,524
\$ 150,000	\$ 118,484
\$ 433,333	\$ 268,986
\$ 666,667	\$ 632,167
\$ 2,915,167	\$ 2,472,818
<b>\$ 58,333,333</b>	<b>\$ 5,693,149</b>

<b>Regional Component Capital</b>		
<b>Region</b>	<b>2024 Budget</b>	<b>Completion as of Feb</b>
Central	\$4,000,000	\$78,230
East	\$4,000,000	\$333,400
West	\$4,000,000	\$140,053
TSHC	\$4,000,000	\$146,331
<b>Total</b>	<b>\$16,000,000 (K)</b>	<b>\$698,013 (J)</b>