



Q2 2022 Facilities Management Quarterly Capital Budget Update

Item 7E

September 29, 2022

Board of Directors

Report: TCHC:2022-61

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee (“BIFAC”)

Date: September 8, 2022

PURPOSE:

In accordance with Financial Control Bylaw 3, the Board shall be provided 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 as a whole.

RECOMMENDATIONS:

It is recommended that the Board approve reallocations of funds in accordance with Financial Control Bylaw 3, which states:

- 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.

It is recommended that the Board:

1. approve the following reallocation of funds to the following budget envelopes within TCHC's capital repair budget:
 - a. \$7,000,000.00 to the Local Moveout budget envelope; and
 - b. \$4,126,174.00 to the AIP1 - Social Housing Apartment Improvement Program budget envelope; and
 - c. \$8,626,935.00 to the COXX - Demand Capital budget envelope;by redirecting funds previously allocated to the following budget envelopes in the following amounts:
 - d. \$6,349,493.00 from the HBRP – Holistic Building Retrofit Program budget envelope; and
 - e. \$13,404,616 from the RCXZ – Contingency budget envelope; and
2. authorize the appropriate staff to take the necessary actions to give effect to the above recommendation.

BIFAC:

This report was approved by the BIFAC on September 8, 2022, subject to a request to identify the budget envelopes from which funding to support the above noted reallocations would originate. That information is now provided.

REASONS FOR THE RECOMMENDATIONS:

Fulfilling the Capital Plan

In 2021, Facilities Management delivered its full \$350M capital repair budget. This was comprised of over 1,600 projects and 25,000 work orders carried out across the TCHC portfolio.

From 2016 through to 2021, TCHC has consistently delivered its entire annual capital budget and met funding submission milestones. This has enabled TCHC to stay on track to lower the portfolio's Facility Condition Index (FCI) to 10% by the end of 2026 while meeting other funding commitments including accessibility and energy saving benchmarks.

The complete fulfillment of the annual capital renewal plan is critical in order to meet TCHC's commitments to its two primary funding sources:

1. City of Toronto
Permanent capital funding of \$160M per year.
2. Federal National Housing Co-Investment Funding (NHCIF)
\$1.34B from 2019 through 2027.

Both of these funding streams are drawn upon quarterly through the submission of project invoices and require close adherence to an annual cash flow schedule.

Variance by Project Category

Q2 2022 continues to have challenges in the delivery of capital repair work. Although the portfolio has experienced an increase in the delivery of component and "demand" based investments, larger planned projects have faced more difficulties.

The most notable reductions across planned capital categories include the Holistic Building Retrofit Program which has been particularly slowed by supply chain delays with window manufacturers and poor existing masonry conditions revealed during demolition.

This is similar to 2021, when in-flight projects experienced significant obstacles due to pronounced market swings and long lead times. Investments during 2021 were also increased towards demand capital work.

Demand capital work includes component and program based repair work that contributes substantially to improving the portfolio's overall Facility Condition Index (FCI) and extending the life of existing building systems (Ameresco, FCI Report 2020). These types of repairs are often work-order based and include a large variety of categories (plumbing, HVAC, Tenant Service Hubs, Grounds, Energy Initiatives, Envelope, Interiors, etc.).

Revisions and Reforecasting

Overall capital budget remains consistent at \$350M however the following are proposed revisions to the budget envelopes for Q2:

1. \$7M reallocated to Local Moveout due to an increase in demand and an increase in unit pricing;
2. \$4.1M reallocated to AIP1 - Social Housing Apartment Improvement Program due projects pushing into 2022 from Q4 2021 after the Capital Budget was approved; and
3. \$8.6M reallocated COXX - Demand Capital as there is an increase in amount of demand work being completed due to the increased difficulty with the delivery planned projects.

Future Reporting

Facilities Management, working with Finance, will continue to provide quarterly reporting to the Board in order to update on the progress of the capital renewal plan and to identify variances and reallocations in budgeted spending.

RISKS AND IMPLICATIONS:

The budget reallocations contemplated in this Report take place within the limits of the TCHC's existing capital repair budget and do not result in additional financial impact to TCHC. Approval of the reallocations will assist TCHC to continue to deliver its capital repair program in accordance with its obligations to its funding partners.

SIGNATURE:

"Allen Murray"

Allen Murray,
Vice President, Facilities Management

ATTACHMENT:

1. Table 3 2022 Capital Renewal Plan - Variance by Project Category Q2, 2022

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