

CityHousing Hamilton Corporation			
CATEGORY	02	Finance	DATE APPROVED:
SECTION	04		UPDATED ON:
POLICY	08	Asset Management	INTERNAL POLICY
Investment Policy			
1.0 POLICY STATEMENT AND PURPOSE			
<p>In accordance with the <i>Housing Services Act</i>, CityHousing Hamilton (CHH) has an investment pool for capital reserve funds that are invested through the Social Housing Investment Program that minimizes risk.</p>			
2.0 SCOPE			
<p>The policy provides guidance for the management of CHH's investments funds.</p>			
3.0 POLICY			
<p>The Annual Budget provided to CHH is determined by the City of Hamilton's Service Manager, where the dollars provided for capital projects is allocated by the Manager of Asset Renewal and approved by the CHH's Board of Directors (the Board).</p> <p>A minimum of 1% of the budget for Capital Works will be provided to the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) to reinvest in the Social Housing Investment Program.</p> <p>There are three mutual funds within the Social Housing Investment Program that CHH uses to meet the needs of the organization:</p> <ol style="list-style-type: none"> 1. The Social Housing Short-Term Bond Fund; 2. The Social Housing Bond Fund; and 3. The Social Housing Canadian Equity Fund. <p>The decision of how to invest capital reserves between these three funds is the sole responsibility of CHH. However, CHH uses Phillips, Hager & North (PH&N) as its Investment Fund Manager. PH&N assists in determining which funds best meets CHH's needs and circumstances, while taking into consideration the current capital plan and/or other factors.</p> <p>Only the CEO, CFO and Board Treasurer can have access to the investment funds through PH&N, where any changes to one or all of the funds requires two signatures on the following forms:</p>			

- Resolution of Directors Form (this form is used should there be the addition or removal of investments in any of the investment funds);
- Redemption Form (this form is used should there be a withdrawal from any of the investment funds); and
- Confirmation of Deposit Account Form (this form is used should there be a deposit into any of the investment funds).

Any withdrawal(s) and deposit(s) completed to any one of the investment funds must be completed proportionally to the other remaining investment funds.

If the Service Manager increases the Annual Budget for CHH at any point during a year period, the additional capital reserves would then be invested into one or all of the three funds.

Investments under the Social Housing Investment Program may only be used for capital work items. In order for a project to qualify as a capital expenditure, the project must meet the definition of a capital item, where the unit cost is \$5000 or more, has a useful life of 10 years or greater and is non-consumable.

Capital expenses would include all costs (materials, supplies, services and sub-contractors) associated with the replacement and betterment.

The following guidelines as to what is considered a capital work item(s) are as follows:

1. Component Replacements

- Projects that primarily involves the removal of an existing asset component and substituting it with essentially the same type and performance capabilities. A partial disposal of the old component value is processed in Tangible Capital Asset (TCA) by taking the cost of the new component and deflating it back to the in-service date of the primary asset.
 - For example: If broken, the item is repairable with the cost of repair not exceeding the cost of the purchase of a similar item;
- The component replacement can also be considered as betterment to tangible assets. Betterment occurs when the useful life of a tangible asset is extended (if an expenditure has both attributes of a repair and a betterment, the portion considered to be a betterment can be considered value to the property)

2. Improvements

- Projects that primarily involves the improvement of an existing Work In Progress (WIP) or in-service asset. The improvement could be an upgrade or add-on to an existing asset. The distinguishing feature is that no asset components have been replaced. These costs are capitalized as an addition to the WIP.

- For example: Tangible assets that add significant economic value to the property or tangible assets that enhance and/or extend the physical integrity of a structure
- The improvements can also be considered as a betterment to tangible assets. Betterment occurs when the useful life of a tangible asset is extended (if an expenditure has both attributes of a repair and a betterment, the portion considered to be a betterment can be considered value to the property)

3. **Annuals**

- Represents relatively low dollar value projects established to record costs from various sites. These project costs should be pooled by year and marked deemed disposal so that the asset is manually removed from the TCA database once fully amortized. The project relates primarily to new work, improvements and / or component replacements.
 - For example: Tangible assets that have been acquired with the intention of being used on a continuing basis

4. **Maintenance**

- Project primarily relates to regular or emergency repairs that do not add to the functionality of the building or extend the useful life. It is work that does not meet the definition of a "Component Replacement" or "Improvements". These costs would not be capitalized, but instead be reported as an operating expenditure.
 - For example: A tangible asset such as an single home that had experienced a fire where it is required to purchase plywood to board up all windows.

4.0 PROCEDURE

Any capital project(s) that require approval outside of the Board approved Annual Capital Budget, must adhere to the following process:

1. Submit the capital project to the Manager of Asset Renewal for review and approval
2. If the project is approved by the Manager of Asset Renewal the capital project will be submitted to the CEO and CFO for approval
3. If the capital project is approved by the CEO and CFO, submission for approval by the Board is required through a Board report
4. Once the Board has approved the capital project, the CEO, CFO and/or Board Treasurer will withdraw proportionally from all three investment funds

5.0 LEGAL REQUIREMENTS

Housing Services Act, 2011

6.0 RESPONSIBILITY

It is the responsibility of the CEO to ensure that all appropriate staff is trained on this policy.

7.0 DEFINITIONS

Annuaals: Represents relatively low dollar value projects established to record costs from various sites. These project costs should be pooled by year and marked deemed disposal so that the asset is manually removed from the TCA database once fully amortized. The project relates primarily to new work, improvements and / or component replacements.

Betterment: A betterment is the cost incurred to enhance the service potential of a capital asset. It often involves the replacement of a major component of a capital asset with a significantly improved component. The betterment of an asset should create greater cash flows, either through more revenue (higher quality or quantity of output, more service hours per day, or a longer life) or through reduced operating costs).

Capital Work: consists of the major building and property components, services and systems, project facilities and equipment. Capital work has an expected lifespan that will vary according to quality and project conditions. Major repairs or renovations, the benefits of which extend beyond the current fiscal period may also be considered as a capital work item. Repairs that maintain the functionality of the building element but do not extend the life of the building element are not capital work. Partial replacements can be capital work, if they are substantial enough that they would be left in place when the rest of the building element is replaced sometime in the future.

Capital (Replacement) Reserve Fund: The corporation must establish and maintain a replacement reserve fund as required by its operating agreement and/or a capital reserve fund as required by the *Housing Services Act, 2011* (HSA). The cash and investments of the capital reserve fund are restricted, and can only be used for capital expenditures as defined in the operating agreement. Capital expenditures must be funded from the fund, and not from the operating budget. The cash and investments in the fund are to be accounted for separately from the corporations other cash and investments, and maintained in the financial instruments as specified in the operating agreement or in regulations under HSA, O.Reg. 369/11. The cash and investments in the fund must equal the fund balance.

Component Replacements: Projects that primarily involves the removal of an existing asset component and substituting it with essentially the same type and performance capabilities. The cost of component replacements is set up with unique asset id (new acquisition) that is linked to the primary asset. A partial disposal of the old component value is processed in TCA by taking the cost of the new component and deflating it back to the in-service date of the primary asset.

Investments: are recorded at fair value changes in fair values recorded in the statement of operations and changes in fund balances.

Improvements: Projects that primarily involves the improvement of an existing WIP or in-service asset. The improvement could be an upgrade or add-on to an existing asset. The distinguishing feature is that no asset components have been replaced. These costs are capitalized as an addition to the WIP or in-service asset id.

Maintenance: Project primarily relates to regular or emergency repairs that do not add to the functionality of the building or extend the useful life. It is work that does not meet the definition of a "Component Replacement" or "Improvements". These costs would not be capitalized, but instead be reported as an operating expenditure.

Non-consumable – is capital items (material and/or equipment) that is not incorporated into the project being delivered.

Social Housing Investment Program: Is a program administered by the Housing Services Corporation that enables CHH to effectively invest capital reserves and operating dollars where needed through proper asset allocation and realistic identification of where funds will be needed through Phillips, Hager & North.

Tangible Asset: Includes fixed assets such as machinery, buildings and land and current assets such as inventory.

Work In Progress (WIP): Consists of the cost of construction or development of an asset that is not yet in use.

8.0 RATIONAL FOR CHANGE

N/A