Cardiff Housing Co–operative Inc.

BY- LAW NO. 38

SPENDING AND INVESTMENT BY-LAW

Passed by the Board of Directors on .

Confirmed by the Members on .

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À l'heure actuelle, ce règlement n'est disponible qu'en anglais. Les membres de la FHCC devraient communiquer avec la Région de l'Ontario de la FHCC pour demander une traduction.

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ARTICLE 1: PURPOSE OF THIS BY-LAW

This Spending By-law sets out the rules for how the co-op's money is spent and who must give permission for each type of spending. The Spending By-law takes priority over all decisions of the board and of the members regarding spending.

ARTICLE 2: OPERATING EXPENSES

2.1 The Occupancy By-law says that each year the members will approve an operating budget for the next fiscal year. The board has the authority to spend the operating funds of the co-op in each fiscal year up to the amount of the complete operating budget.

2.2 Unless the members decide otherwise at the time of budget approval, the board can use a surplus in one category of expense to offset a deficit in another category within the budget.

2.3 Individual members and committees of the co-op may not authorize expenditures or otherwise make financial commitments on behalf of the co-op unless the board has given them explicit authority to do so.

2.4 The board may delegate to the staff of the co-op authority to spend funds within the limits it sets. The board may also delegate spending authority to committees for a specific expense or type of expense within the limits it sets.

2.5 No person may initiate or approve any expense or purchase where that person has any conflict of interest in the matter.

2.6 If the board feels that there should be a change in the total operating expenses and/or housing charges during a fiscal year, it must call a special meeting of the members to consider the change in accordance with the Occupancy By-law.

ARTICLE 3: BUDGET CONTROL

3.1 The board will receive a monthly budget control report prepared by the co-op's manager. The report will

- compare budgeted income and expenses to actual income and expenses

- show the projected income and expenses for each category in the budget for the rest of the year

- provide a written explanation of any projected actual surplus or deficit.

Normally the Finance Committee will review budget reports and provide its' comments to the board.

ARTICLE 4: CAPITAL EXPENSES

4.1 The board must adopt a capital budget if it is planning capital expenditures and present it to a meeting of the members for approval.

4.2 The capital budget and notes must show:

- the proposed capital expenditure(s)

- the proposed source of funds, and

- the impact of the proposed expenses on the co-op's current and future operating budgets.

The procedures for budget approval are set out in the Occupancy By-law.

4.3 Members' approval of the capital budget will authorize the board to spend the co-op's funds for capital expenditures for the purposes and from the source specified, to a maximum of the total expenditures in the budget subject to any required approvals by Canada Mortgage and Housing Corporation (CMHC)to spend the funds.

Subject to any approvals required by CMHC, the board is authorized to spend up to $5,000 per budget year from the capital reserves for capital expenses without the specific prior approval of the members.

4.4 The board must directly approve contracts and other documents that commit the co-op to spend significant amounts of capital funds as set out below. The board can delegate authority to the staff to spend lesser amounts. When the board delegates authority, it must set limits on the amounts staff may spend and give any specific directions relating to the expenses that it considers appropriate.

4.5 No person may initiate or approve any capital expense or purchase where that person has any conflict of interest in the matter.

ARTICLE 5: EMERGENCY EXPENSES

5.1 Emergency expenses are those expenses the co-op must make immediately because a delay will

- risk property damage, or
- endanger the safety of persons or property, or
- disrupt essential services to members (for example, light and power, heat, hot water, refrigeration, cooking).

5.2 The board can authorize any unbudgeted emergency expenses on the co-op's behalf without further authority from the members. The board may delegate authority for emergency expenditures to co-op staff or to any other persons.

5.3 All unbudgeted emergency expenses must be reported to the board by the co-op's manager. Significant unbudgeted emergency expenses must be reported by the board to the members.

ARTICLE 6: FAIR, OPEN AND OBJECTIVE BUSINESS PRACTICES

6.1 The co-op will follow fair, open and objective business practices and act in accordance with the co-op's conflict of interest rules in all its spending.

6.2 The following rules apply to all spending except for routine or non-discretionary expenses such as property taxes, mortgage payments, utilities and existing salaries (once a staff position and salary have been approved).

(a) Expenses under $3,000

The board is not required to get written quotations for expenses under $3,000, but must take a prudent approach to all spending.

(b) Expenses between $3,000 and $14,999

The board will get three written quotations before approving a discretionary expense between $3,000 and $14,999. The board may waive this requirement in cases where

- the co-op has used a particular supplier or contractor regularly, or
- participates in a bulk-buying program, and has found that their prices are competitive.
- The co-op must review the prices of regular suppliers and contractors at least every second year to see if their prices remain competitive. Where the co-op has a contract, the co-op must review prices at the end of the contract. There will be no automatic renewal of any contract or agreement.

(c) Contracts of $15,000 or more

The board must get written quotes for contracts and agreements of $15,000 or more. Contracts or agreements costing $15,000 or more must contain a clause allowing the co-op to terminate the contract or agreement without penalty where there has been a breach of the co-op's conflict of interest rules.

There will be no automatic renewal of any contract or agreement.

6.3 When choosing a contractor following a competitive bid the board must:

- consider the quality of goods and services to be provided, and
- base its decision on written documents outlining resources, timing, cost and fees.

The board does not have to choose the contractor who made the lowest bid. It may choose another contractor from among those who bid for reasons such as quality, experience and timing. If it does not choose the lowest bid, it must document the reasons for its choice in the minutes of the board meeting.

Article 7: Investment of Co-op Fund

The purpose of this article is to establish the principles and guidelines for the investment of the Co-op's capital reserves and other funds.

Cardiff Housing Co-operative Inc. (the "Co-op") has funds other than the monies it needs for current operations. These funds include the capital reserve fund, member deposits and retained earnings. The Co-op wants to invest these funds for the purpose of

- maintaining and preserving its homes and other property
- providing for future financial contingencies.

The Co-op is a non-profit corporation and none of the investment income on the funds is subject to tax of any kind. The Co-op may adopt from time to time other policies and procedures that work with this by-law.

7.1 Special meanings

Certain words have special meanings when used in this by-law.

(a) "Capital plan" is a plan for the replacement of the capital items, such as appliances, flooring, roofs and windows, that includes

- a study of the condition of the buildings with a schedule of when the replacements will be needed (a building condition assessment)
- a forecast of the annual funding requirements for the capital reserve (reserve fund forecast).

(b) "Capital reserve fund" is the money that a co-op puts in a separate fund to replace or make major repairs to capital items such as roofs, furnaces, stoves, refrigerators, carpets and plumbing. The money in the capital reserve fund comes from the annual or monthly transfer from the Co-op's operating budget and any additional lump sum contributions that a co-op may make.

(c) "Investment allocation" means the proportion of funds invested in different types of investments.

(d) "Investment risk" means the risk that some of the value of the principal could be lost through changes in the value of the investment.

(e) "Member deposits" means the amount of money the Co-op holds for each member household while that household lives in the Co-op.

(f) "Principal" means a sum of money placed in an investment to earn investment income.

(g) "Retained earnings" means the accumulation of annual surpluses less annual losses over the life of the Co-op.

(h) "Rate of return" means the annual amount of income from an investment, expressed as a percentage of the principal.

7.2 Administration

The Co-op's board of directors will

(a) invest and deposit funds according to this by-law

(b) review the Co-op's investments when the by-law is adopted and make any changes necessary to follow it

(c) monitor investment results

(d) report to the members about the investments at the Co-op's annual meeting.

7.3 Investment objectives

Capital reserve fund

The primary objectives for investing the capital reserve fund are

(a) to achieve the best possible rate of return while keeping investment risk to an acceptable level

(b) to ensure that the Co-op has sufficient money to maintain its property.

Other funds

The primary objective for investing other funds which include member deposits and retained earnings is to achieve the best possible rate of return while keeping investment risk to an acceptable level.

7.4 Types of investment that are allowed

(a) The board may only invest capital reserve funds in

- credit union
- chartered bank
- trust company, or

- Province of Ontario Savings Office or securities of mutual investment

The board must not invest co-op funds in any investment or security other than those mentioned above without the approval of the members. The co-op must comply with any limitations in the co-op's agreement with funding authorities.

(b) To help promote co-operative principles, the board should consider investing co-op funds in a credit union.

(c) The co-op must allocate funds to the reserve fund and the contribution is to be made annually. Money earned on reserve funds or special funds will be put back into these funds.

(d) The board will review quarterly Investment Statements of Account and the board will make all decisions regarding transfers or withdrawals of funds from the reserve.

7.5 External investment manager

The Co-op's board of directors may hire a professionally accredited investment manager to manage the co-op's investments. The board must consult with an investment manager before making any investments.

The Co-op's board of directors will make sure that any investment manager, or other agent or advisor providing investment services to the Co-op, is aware of and follows this by-law.

Every year the Co-op's board of directors will review the performance of any investment manager, agent or advisor it is using.

7.6 Capital planning and investment allocation

Capital planning
The Co-op's board of directors will have a capital plan prepared and updated from time to time to help guide its decisions about when cash from its capital reserve funds will be needed for capital replacements and repairs.

Investment allocation
The board will decide how to allocate capital reserve and other funds among the investment alternatives based on

(a) the Co-op's requirements for cash over the short and long term

(b) the need to diversify (choose a mix of) investments to balance investment risk against rate of return

(c) the advice of any external investment manager hired by the Co-op.

SPENDING AND INVESTMENT BY-LAW

CERTIFIED to be a true copy of By-law No. 38 of Cardiff Housing Co-operative Inc., passed by the Board of Directors at a meeting held on _____________ and confirmed by a two-thirds vote at a meeting of members held on ___________ .

_____________________________________ c/s
Secretary