OPERATIONAL SURPLUS MANAGEMENT POLICY

Purpose: To ensure that the accumulated operational surplus is managed in a consistent, transparent and risk averse manner that is also within obligations of existing housing operating agreements.

Definitions
AHP: Aboriginal Housing Providers
ISHMA: Indigenous Social Housing Management Agreement
CEO: Chief Executive Officer
CFO: Chief Financial Officer
DAS: Director of Asset Strategies
MHO: Manager of Housing Operation
DPA: Director of Public Affairs
PM: Portfolio Manager
ELT: Executive Leadership Team

Authority
- AHMA vision and mandate.
- Indigenous Social Housing Management Agreement

Scope
This policy applies to the CEO, MHO, CFO, DAS, and DPA.

Responsible Parties
- CEO is responsible for reviewing, updating and enforcing this policy and related procedures as needed to ensure it remains relevant, accurate and serves its purpose.
- MHO, CFO and DAS are responsible for administering this policy to make sure any related initiatives adhere to its purpose and guiding principle.

Policy Statement
To fulfill AHMA’s mandate to serve our AHPs and its contractual responsibility with BCH, this policy will outline the guiding principles regarding the distribution of the accumulated overall surplus from operational financial reviews. The guiding principles apply to the accumulated surplus from Operational
Reviews that exists as of the day this policy enters effect and to any accumulated surplus moving forward.

The overall surplus will be allocated into three categories:

a) **Business Contingency Fund** with a total value of not less than one (1) month value of subsidy to be always preserved at this level. Managed by the CFO, this fund is allocated for unforeseen business disruption and risk mitigation as part of AHMAs business continuity management plan.

b) **Operational Extra Ordinary Expense Fund** with an annual fiscal year starting total value of no more than $1,500,000.00 Managed by MHO, this fund is to be distributed to address periodic, unanticipated, and one-time funding requests from AHPs related to operational administration costs. These funding requests cannot be covered by the regular operational funding streams.

c) **Capital Support Fund** with an annual fiscal year total that is calculated based on the remaining portion of the overall surplus; after appropriate funds are allocated to the Business Contingency Fund and Operational Extra Ordinary Expense Fund. Managed by the DAS, this fund is to be fully allocated annually for conducting building condition audits and minor capital improvement projects not already funded by existing BC Housing capital renewal funding streams.

Utilization and distribution of all surplus funds will adhere to all the following principles:

- **Funds will provide a direct benefit to the AHPs and the people they serve;**
- **All AHPs are made aware of available funds; and**
- **All AHPs have equal opportunities to access this fund.**

**Procedure**

1.0 **Identification of Overall Surplus**: The total Overall Surplus accumulated during the fiscal year will be identified and included within AHMA’s Audited Financial Statements, presented to the membership by the CFO at AHMA’s Annual General Meeting.

2.0 **Allocating Overall Surplus to individual surplus accounts**: No later than 10 days after the approval of the audited financial statements during the AGM, the CFO will present to the ELT a Surplus Fund Statement. This statement will be a summary of the complete allocation of the Overall Surplus to individual surplus accounts and will ensure that:

   a) the total amount of Accounts Receivables at the Fiscal Year End is excluded from the Overall Surplus Total. As Accounts Receivables are included in the total amount of the Operational Surplus Fund and to mitigate a non-recovery risk;
b) the Business Contingency Fund and the Operational Extra Ordinary Expense Fund is appropriately funded as per the policy statement and will illustrate calculation used to establish the funding level;

c) the remaining balance is then allocated to the Capital Support Fund.

3.0 Distribution Protocols: Once ELT approves the Surplus Fund Statement, distribution protocols will be submitted by the CFO, MHO and DAS for their respective surplus accounts for approval by ELT.

Protocols are to be in accordance with the policy statement of this policy and will describe the process, criteria and all related details on how the surplus funds will be communicated to AHPs and subsequently distributed.

For each of the funds (Business Contingency Fund, the Operational Extra Ordinary Expense Fund, and the Capital Support Fund) distribution protocols should include a selection matrix based on a pre-determined criteria to ensure transparency and equity for AHPs.

4.0 Allocation of Funds:

**Operational Extra Ordinary Expense Fund:**

a) Funds are to be allocated periodically throughout the year as needed by means of an Extra Ordinary Expense submission provided by AHPs.

b) Submissions are to be reviewed by PMs utilizing the distribution protocols and evaluation matrix.

c) If deemed a priority, MHO and CFO will approve the Extra Ordinary Expense submission at their discretion.

d) Once approved, PM will notify successful AHPs and provide support services where deemed necessary.

e) All funds are to be committed and/or transferred prior to the Fiscal Year End.

**Capital Support Fund:**

a) No later than three (3) months following the approval of the Surplus Fund Statement, the DAS will bring forward an ELT submission that includes a detailed plan for allocation of all funds based on the results of the prioritization scoring matrix.

b) Once approved, DAS will notify successful AHPs and provide Project Management support services where deemed necessary.

c) All funds are to be committed in contracts prior to the Fiscal Year End. Any residual funds will be applied towards next year Surplus.

d) Any unused committed funds will be decommitted and returned to the Surplus fund.
5.0 Reporting of Allocations:

- DAS will monitor the progress of the projects until completion.
- DAS will monitor the expenditures against commitment.
- Reporting of allocation, distribution, and spending of all surplus funds to be provided as part of departmental quarterly reports to the CEO.