



## **DIRECTIVE**

**DATE: 2003-01-06**

**NUMBER: 03-03**

The policies and procedures in this Directive are to be implemented by housing providers funded by the Municipality under the following programs:

<input checked="" type="checkbox"/>	Public Housing Program	<input checked="" type="checkbox"/>	Aboriginal Program
<input checked="" type="checkbox"/>	Non-Profit Program	<input type="checkbox"/>	Public Housing Rent Supplement Program
<input checked="" type="checkbox"/>	Co-Op Program	<input type="checkbox"/>	Ontario Community Housing Assistance Program (OCHAP)
<input checked="" type="checkbox"/>	Federal Program	<input type="checkbox"/>	Community Sponsored Housing Program (CSHP)

\* Please note: If your program is not checked, this Directive does not apply to your project.

### **SUBJECT: Capital Expenditures**

**BACKGROUND:** While non-profit corporations and co-ops are not required to submit an annual capital budget to the Service Manager, the City of Kingston does encourage long term planning for capital expenditures. To assist with this planning, a listing is being provided to give direction to corporations when determining which expenditures should be charged to the Capital Reserve Fund and which expenditures should be treated as operating costs. This listing is not intended as a definitive or comprehensive listing but as an illustration of the treatment of various types of expenditures.

**ACTION TO BE TAKEN:** Effective January 1, 2003, Housing Providers should follow the listing below when determining whether an expenditure is of a capital or operational nature.

### **Capital or Non-Recurring Expenditures**

Capital expenditures consist of expenditures for:

- acquisition of new capital assets;
- additions to existing capital assets;
- replacement of existing capital assets;
- improvements (expenditures which increase the capacity, quality, efficiency or useful life of existing capital assets); and
- replacement of major building components.

Capital assets include land, buildings and equipment retained for use on a continuing basis.

### Appliances

Purchases of major appliances (such as refrigerators and stoves) are capital expenditures.

### Building components

The replacement or upgrades of major building components are capital expenditures. Examples of such items are:

- a complete bathroom upgrade such as the replacement of all fixtures and installation of new tile;
- major elevator upgrade;
- complete flooring and carpet replacement;
- furnace replacement;
- roof replacement due to long term deterioration;
- window replacement;

### Furniture

Purchases of furniture are capital expenditures.

### Grounds

Construction of walkways and fencing and significant site upgrades such as re-grading or constructions of retaining walls are capital expenditures.

### Office equipment

Purchases of office equipment (such as computers and photocopiers) are capital expenditures.

### Paving/asphalt

Paving of driveways and parking lot areas, or other jobs that involve upgrading, laying stone and reconstruction work are capital expenditures.

### Vehicles and other equipment

Purchases of vehicles, mowers or other large equipment are capital expenditures.

## **Operating or Recurring Expenditures**

The following are operating expenditures:

- minor expenditures under \$1,000.00 (unless by nature a capital item ie. Fridge, dryer)
- normal cyclical repairs and maintenance such as repairing damage to a wall;
- replacement of equipment parts such as replacing an intercom unit; and
- purchase of minor items such as small tools.

### Building components

Regular maintenance items, which require replacement at short-term intervals, due to normal wear and tear, are operating costs. These include but are not limited to such things as:

- caulking;
- elevator repairs;
- painting;
- rectifying deficiencies from annual inspections;
- rectifying deficiencies from move-outs;
- replacement of drapes and blinds;
- replacement of faucets.
- minor plumbing such as leaky valves, pipes etc.

### Grounds

Re-sodding parts of the grounds, planting or removing trees, shrubs or flowerbeds, repairing fences, pruning trees and other general grounds maintenance items are operating costs.

### Office equipment

A maintenance agreement would be an operating expense.

### Paving/asphalt

Repairs to asphalt to restore it to an efficient operating condition such as crack filler or sealer are operating costs.

### Vehicles and other equipment

Repairs and maintenance to vehicles are operating expenses.

If uncertain where to assign a transaction please feel free to contact Lawrence Cleary, Supervisor of Finance, Housing Division.

Greg Grange

Manager, Housing Division

C. Lance Thurston, Commissioner, Department of Community Services  
Liz Fulton/Marion VanBruinessen, Frontenac Management Board  
Supervisors, Housing Division