

2021-2022 BYHC Board Procedure: Spending Policy, Bylaw 9, Schedule E

0. Preamble

Ultimate control of spending rests with the membership who must approve the annual budget, and audit, each year. At the same time, staff, committees and the Board of Directors must have sufficient flexibility to manage the co-op between general meetings This policy outlines how spending control is to be achieved.

All expenses incurred on behalf of the co-op will be made with sufficient care to obtain the best value for the co-op's money.

1. Annual Budget

Prior to the beginning of each fiscal year, an annual budget for the year will be presented to the general meeting. The members have the right to question and, if necessary, alter the budget. The budget should provide separately for each major category of revenue and expenses (for example, landscape or maintenance expenses). These categories should be accompanied by sufficiently detailed notes to allow meaningful discussion by the members. Once approved by the general meeting, the budget authorizes staff, committees and the Board of Directors to incur expenses according to the provisions of the following sections.

2. Replacement Reserve

The Replacement Reserve Plan is a cash-flow planning document that estimates future expenditures for the purpose of determining if the Replacement Reserve is adequately funded. The Replacement Reserve Plan is presented to the members for their information at the same general meeting that considers the operating budget. The Replacement Reserve Plan may be amended at any time by the Board of Directors. These changes will be reported to the members at the next general meeting.

3. Spending Control for Operating Expenses

(a) Non-Discretionary Expenses

Non-discretionary expenses are those incurred by the co-op as a matter of course. These include such things as taxes, electricity, water, salaries (once a position and salary has been approved), insurance (if coverage has not changed), mortgage payments, and any contracted services once the contract has been signed.

If a non-discretionary expense is over budget, it must be reported to the next meeting of the Finance Committee and the Board.

(b) Discretionary Expenses

Discretionary expenses are those where the co-op has an option as to when or if to incur them.

(i) Administrative Discretionary Expenses

1) Discretionary expenses for administrative expenses will be authorized by a staff person designated by the Board up to the limit defined in the staff persons' contract [Bylaw 9 25.4]. This amount is currently \$1000. In the

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event there is a discrepancy between the amount defined here and the amount in the contract the amount defined in the contract takes precedence.

- 2) Discretionary expenses over \$1000 for administrative expenses must be authorized by a staff person designated by the Board and by the treasurer or their designate.

(ii) Committee Discretionary Expenses

- 1) Committees may only approve expenses if all of the below are true:
 - The committee terms of reference have been approved by the current board – This must be minuted by the Board.
 - The expense falls under a budget line item referenced in the committee terms of reference OR the expense is part of a proposal defined in the committee terms of reference OR the expense is part of a proposal approved and minuted as such by the current board.
 - A quorum of 3 members from at least 3 units is present at the committee meeting where the expense is approved.
 - Incurring the expense will not exceed the line item budget OR cause the cost of a proposal to exceed the pre-approved overall cost by more than 10%.
- 2) Requirements for committee spending proposals either as part of a spending plan defined in their terms of reference OR as a special project presented to the board:
 - This procedure is for non-emergency spending only – see section 6 for emergencies.
 - Approval from the board is required before any money is spent – there will be no reimbursement for costs prior to approval.
 - The proposal must be in writing and can take the form of the committee's spending plan submitted on its budget sheets provided these are sufficiently detailed and are provided to the board in advance of when it approves the budget - in this case approval of the associated budget line items constitutes approval of the plan.
 - The maximum proposed expense must be defined.
 - An itemized breakdown must be provided of what is intended and what each component is expected to cost.
- 3) Amounts up to \$1000 will be approved by the committee or by a staff person designated by the Board.
- 4) Amounts over \$1000 but less than \$2000 will be approved by the committee and a staff person designated by the Board. If it is an emergency, see section 6 of this schedule. All expenses must be reported to the next committee meeting and minuted.
- 5) Amounts over \$2000 must be approved by the committee, reviewed by the treasurer and approved by the Board of Directors. The expense must be minuted by the Board.

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4. Spending Control for Replacement Reserve Expenses

a) Approvals required

All expenses from the Replacement Reserve require the approval of the appropriate committee and the Board. These approvals must be minuted by both the committee and the Board. The only committees that would typically be involved in reserve fund spending are landscape and maintenance. In deciding which committee to consult the Board should consider which line item the expense would come from if it were not coming from the reserve fund. In the absence of a standing committee full power of approval reverts to the board.

b) Recurring expenses

For recurring expenses (for example fridges, stoves, flooring and tubs, among others) the committee and the Board will approve a contractor and an estimated amount. If the contractor changes, or if the actual expenses exceed the initial estimated amount by 25%, the committee and the Board must approve the new conditions. A recurring expense is one that occurs at least once every three years.

The co-op office will maintain a list of these approvals.

5. Expense over \$5000

Before approving an expense of more than \$5000, the co-op will normally obtain three quotes. It is recognized that it may not be possible to obtain three quotes for certain specialized work. The lowest quote need not be selected, but the criteria for going for a higher cost must be minuted. Approval of the expense must be minuted by each committee involved in the decision. Final approval rests with the Board.

6. Emergency Expenses

Emergency expenses are those that have to be incurred immediately because a delay will cost the co-op more money, risk property damage, or endanger personal safety. There is no spending limit for an emergency expense. Any two of the following people are authorized to approve an emergency expense: a designated staff person, Board member, treasurer, or maintenance chairperson. All emergency expenditures must be reported to the next meeting of the Board of Directors and the Finance Committee, both of whom will minute it.

7. Signing officers

All cheques drawn on the co-op's accounts, or monthly on-line banking payments, will be signed by any two of the designated signing officers as required by Bylaw 9:25.3. The person responsible for preparing cheques or online payments shall not also sign them. For the purposes of this section, initialing of the on-line payment transaction record is equivalent to signing.

8. Miscellaneous

- 1) No person may approve or make any purchase or payment that substantially benefits that person.

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- 2) If a member makes an approved purchase on behalf of the co-op and that member is in arrears, the reimbursement to that member will take the form of a credit against their arrears.