

February 23, 2007

To: Executive Committee

From: Budget Committee

Subject: Preliminary Capital Variance Report for the Year Ended December 31, 2006

Recommendations:

The Budget Committee recommended to the Executive Committee that:

- 1. Council approve the Facilities and Real Estate technical budget adjustments detailed in Appendix 2 (Sec. 1.i) attached, to reallocate funds from projects completed under-budget to projects that were overspent with no incremental impact on the Council Approved 2006 Capital Budget;**
- 2. Council approve the technical budget adjustments to transfer \$1.100 million in unspent funding from Toronto Police Service 2006 approved capital project funds (Jetforms \$0.500 million and Police Integration Systems \$0.600 million) to the Transportations Services 2006 Capital Budget – Front Street Extension project to cover additional expenditures for the Police Traffic Services and Garage Facility – 9 Hanna subproject Appendix 2 (Sec. 1.ii);**
- 3. Council approve the Toronto Water technical budget adjustments detailed in Appendix 2 (Sec. 1.iii) which reallocate funds between projects with no incremental impact on the 2006 Approved Capital Budget;**
- 4. Council approve the Toronto and Region Conservation Authority technical budget adjustments detailed in Appendix 2 (Sec. 2.i) to adjust during 2006 for \$1.563 million in unspent funding carried forward from 2005 for land acquisition for source water protection; and**
- 5. Council authorize and direct the appropriate staff to take the necessary action to give effect thereto.**

Financial Impact:

As shown in Table 1 below, Tax Supported Programs spent \$1.069 billion or 69.8 percent of the 2006 approved cash flow of \$1.531 billion during the year ended December 31, 2006. By comparison, spending in 2004 approximated 68.3 percent and in 2005, 68.3 percent of the

respective Council approved cash flow. Excluding uncontrollable projects (defined as projects that are subject to conditions that are not within the control of staff, such as unforeseen natural or environmental factors, and dependency on third party performance), the 2006 Tax Supported Programs' spent 72.4 percent of the adjusted cash flow:

Table 1 Corporate Preliminary Capital Variance Summary for the Year Ended December 31, 2006 (\$000s)				
	2006 Approved Budget	January to December 2006		
		Total		% Spent of Controllable Projects
		Actuals	% Spent	
Tax Supported Programs:				
Citizen Centred Services - "A"	184,775	104,447	56.5%	61.5%
Citizen Centred Services - "B"	439,906	240,382	54.6%	55.9%
Internal Services	162,598	83,583	51.4%	52.9%
Other City Programs Agencies, Boards & Commissions	41,800	24,874	59.5%	61.9%
	702,519	616,181	87.7%	89.7%
Total - Tax Supported	1,531,597	1,069,467	69.8%	72.4%
Rate Supported Programs:				
Toronto Parking Authority	39,709	8,040	20.2%	52.9%
Toronto Water	394,468	264,770	67.1%	71.0%
Total Rate Supported	434,177	272,810	62.8%	70.2%
Total	1,965,774	1,342,277	68.3%	72.0%

Rate-Supported Programs spent \$272.810 million or 62.8 percent of the 2006 approved cash flow of \$434.177 million. Excluding uncontrollable projects, the spending rate improves to 70.2 percent.

In accordance with the City's Carry Forward Policy, the 2007 Budget Committee Recommended Capital Budget will include 2006 unspent funding carried forward to 2007. This will enable staff to complete projects for which capital work was not completed in 2006 as planned. It should be noted that the majority of the reduced spending on capital projects in the fourth quarter are committed and should be spent in early 2007.

It is noted that in compliance with good financial management practices, debt is issued only when needed to finance actual or committed capital expenditures. This strategy minimizes the incurrence

of debt service cost and the resultant impact on the Operating Budget. In accordance with the Financial Control By-law, completed projects will be closed and any unspent funds will be returned to the original funding source. A recommended list of project closures will be included in the final 2006 Year-end Capital Variance report.

Background:

The Budget Committee on February 23, 2007, considered a report (February 20, 2007) from the Deputy City Manager and Chief Financial Officer.

for City Clerk

Merle MacDonald/mh
Item BU8.1