



STAFF REPORT ACTION REQUIRED

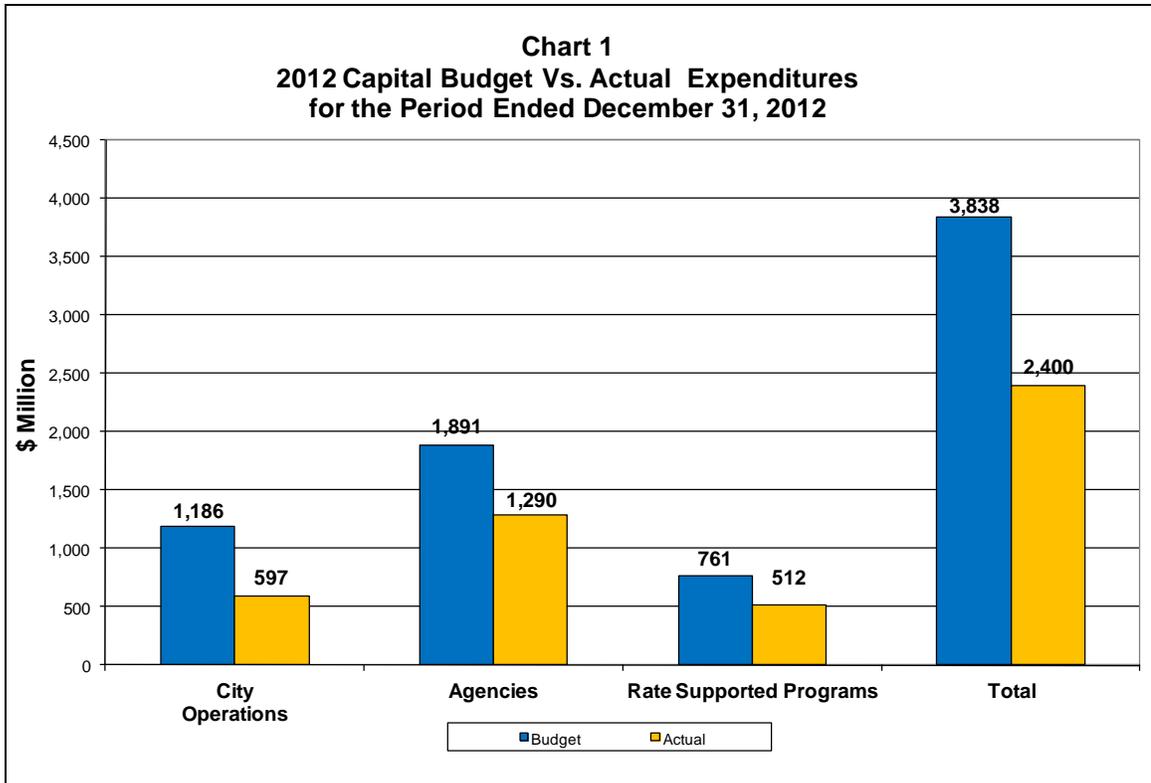
Capital Variance Report for the Year Ended December 31, 2012

Date:	May 23, 2013
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2013\Internal Services\Fp\Bc13020Fp (AFS #16763)

SUMMARY

The purpose of this report is to provide the 2012 Capital Variance Report for the year-ended December 31, 2012 and to seek Council's approval for 2012 and prior year carry forward funding with no incremental impact on debt.

Capital expenditures for the twelve months ended December 31, 2012 totalled \$2.400 billion or 62.5% of the 2012 Approved Capital Budget of \$3.838 billion (see Chart 1). This spending pattern is consistent with prior years. As detailed by City Program and Agency in Appendix 1, it is noted that 15 of 35 City Programs and Agencies spent in excess of 60% of their respective 2012 Approved Capital Budget.



RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve additional carry forward funding of \$0.767 million in unspent capital funding from 2012 and additional carry forward funding of \$3.900 million in unspent capital funding from 2011 and prior years as detailed in Appendix 2, in order to continue work on previously approved capital projects, and that the 2013 Approved Capital Budget be adjusted accordingly with no incremental impact on debt.
2. Council receive for information Appendix 3 which lists capital projects/sub-projects that have been completed and are to be closed.
3. Council authorize and direct the appropriate City Officials to take the necessary action to give effect thereto.

FINANCIAL IMPACT

The total financial impact to the 2013 Approved Capital Budget arising from the adoption of the additional carry forward funding requests in this report is increase of \$4.667 million with no incremental impact on debt.

ISSUE BACKGROUND

This report is provided pursuant to good business practices and budgetary control. As part of the City's accountability framework, a year-end capital variance report is submitted to Committees and Council in order to provide information on how the approved capital works have progressed during 2012, the actual spending incurred against the 2012 Approved Capital Budget, and on an exceptions basis, to identify issues that require direction and/or decisions from Council.

COMMENTS

At its meeting of November 27 & 28, 2011 Council approved 2012 Rate-Supported Capital Budget of \$761.005 million; and on January 17, 2012, Council approved a 2012 Tax Supported Capital Budget of \$2.782 billion for a total Tax and Rate-Supported 2012 Capital Budget of \$3.543 billion. The 2012 Rate-Supported Capital Budget consists of \$607.517 million for Toronto Water, \$50.217 million for Toronto Parking Authority and \$103.271 million for Solid Waste Management. Including additional 2011 carry forward funding and in-year budget adjustments, the combined 2012 Approved Tax and Rate Supported Capital Budget is \$3.838 billion at year-end.

	2012 Approved Budget	Actual Expenditures - January 1 to December 31, 2012	
		\$	%
Tax Supported Programs:			
Citizen Centred Services - "A"	263,525	112,621	42.7
Citizen Centred Services - "B"	355,206	201,363	56.7
Internal Services	249,334	128,748	51.6
Other City Programs	317,463	154,760	48.7
Agencies	1,891,297	1,289,981	68.2
Total - Tax Supported	3,076,824	1,887,473	61.3
Rate Supported Programs:			
Toronto Parking Authority	54,663	7,952	14.5
Solid Waste Management	138,619	78,555	56.7
Toronto Water	567,931	425,759	75.0
Total Rate Supported	761,213	512,266	67.3
Total	3,838,038	2,399,739	62.5

Notwithstanding the above spending rate, some significant projects were completed in 2012 and a number of projects were completed under-budget.

311 Toronto completed the *Phase III - 311 Mobile Application, Instant Update Confirmation, and Integration Reporting* for \$1.151 million and had a successful public launch in April 2012.

Economic Development and Culture completed work on *Berkeley St. Theatre, Todmorden Mills Museum, Spadina Museum* and *Restoration of Brick Powder Museum at Fort York* for \$1.533 million.

Emergency Medical Service (EMS) completed demolition and the complete rebuild of *Station 17 (Bathurst & York Downs)* and *Station 18 (Chaplin Crescent)*.

Parks, Forestry and Recreation (PF&R) spent \$41.461 million for projects that were completed in 2012 including the *Regent Park Aquatic Centre* project (\$17.000 million); a new stand alone aquatic facility located in Regent Park which features a lap pool, leisure pool, warm water pool, and slide and change rooms.

Toronto Employment and Social Services (TESS) completed the *Metro Hall Renovation* project at a cost of \$1.279 million. The project enabled TESS and Children's Services to deliver their services from the same location.

Fire Services completed the *Rehabilitation of Exhibition Place Station* project (\$0.927 million). The project addressed the response time lag developing in the King Street area between Bathurst Street and Dufferin Street.

Transportation Services completed work in the *Local Road Resurfacing* program (\$25.323 million) with the completion rate of 96%.

During the 2012, **Facilities Management & Real Estate (FM&RE)** was able to address a number of State of Good Repair (SOGR) backlog items at various facilities. Over 90 SOGR projects were completed on or under budget with a total saving of \$4.994 million compared to a budget of \$27.468 million, addressing health and safety, legislated and other major maintenance issues.

Fleet Service completed *Fleet Replacement* projects for Toronto Water (\$3.344 million) including delivery of 10 water service investigation trucks, 1 electric asphalt patch truck and 19 cargo vans; Solid Waste Management (\$2.762 million) including delivery of 1 front end loader truck, 7 backhoes and 15 highway tractors and Toronto Public Library (\$0.407 million) including delivery of 4 cargo vans and 4 cube vans.

Information & Technology completed *Enterprise Servers and Software* projects (\$2.670 million) to replace and consolidate 180 servers, completed the eMail study resulting in a go forward strategy adopted by Council and completed the *Disaster Recovery Plan* (\$1.870 million) to create first generation business continuity plans for I&T Division business processes.

As a part of the **Pan Am Games** program *Nathan Phillips Square as Festival Site* project was completed (\$4.146 million), including work on the concession building change room space, Skate Pavilion rink support facilities and equipment for the children's playground; as well as the remediation of the site for the Pan Am Aquatic Centre. The site was

transferred to Infrastructure Ontario on June 28, 2012. Construction of the Pan Am Aquatic Centre started in July 2012.

Sustainable Energy Plan's capital work included completion of the *Union Station Deep Lake Water Cooling* project (\$1.018 million) that provided connections to deep lake water cooling infrastructure now available for Union Station.

In 2012 *Toronto Public Health (TPH)* completed 6 projects (\$1.680 million) including the *Mobile Dental Clinic* project, *Healthy Emergency Information System* project and the *Public Health Surveillance and Management System* project.

Toronto Public Library (TPL) completed 7 projects including the *Thornccliffe Branch renovation* project and *Cedarbrae Library Renovation* project at the total cost of \$1.561 million.

Toronto Parking Authority (TPA) completed State of Good Repair projects that include sprinkler upgrades, elevator replacement, lighting upgrades and painting work at various sites (\$3.042 million).

Toronto Water (TW) spent \$54.235 million for projects that were completed in 2012, including the *Basement Flooding Relief* projects (\$24.861 million), *Environmental Assessment Studies* and *Waterfront Sanitary Servicing Master Plan Class Environmental Assessment* (\$10.702 million) and *New Service Connections* (\$18.672 million).

Under-spending of the 2012 Approved Capital Budget was primarily experienced in Parks, Forestry & Recreation, Transportation Services, Facilities Management & Real Estate, Union Station, Toronto Transit Commission, Toronto Parking Authority and Solid Waste Management. These Programs and Agencies accounted for \$2.653 billion or 69% of the total 2012 Approved Capital Budget and \$993.506 million or 69% of total under-spending for 2012.

As detailed in **Appendix 4**, the under-spending was primarily attributed to the inability to find and secure suitable sites in accordance with initially planned timeframes; delays in securing funds from cost-sharing partners; delays in obtaining necessary approvals or required permits; extensive community consultations; delays in tendering contracts; unanticipated delays in construction start-up; and resources constraints. In addition, several projects were completed under-budget. Unspent funds for incomplete projects have been carried forward to 2013 on an as needed basis, in accordance with the City's Carry Forward Policy

Additional Carry Forward Funding

The City's Carry Forward Policy permits City Programs and Agencies to adjust their prior year carry forward requirements based on updated year-end information. **Appendix**

2 details additional 2012 and 2011 and prior years carry forward funding adjustments for capital projects.

Additional one-year carry forward funding into 2013 totalling \$0.767 million is required by Toronto and Region Conservation Authority in order to complete two projects added to their Capital Budget in 2012. Progress of these projects is dependent on receiving third party Agreements and both are funded by Section 37 funds.

Additional 2011 and prior years' carry forward funding of \$3.900 million with no incremental increase on debt, is required by Pan Am Games in order to complete ongoing engineering consulting work. The carry forward funding was not identified sooner due to a longer than anticipated Ministry of Environment (MOE) approvals process, including updates to the Certificate of Property Use, draft Record of Site Conditions (RSC) review times, and the establishment of a two year monitoring period, which was not anticipated.

Closed Capital Projects

The City's Financial Control By-Law stipulates that Chief Financial Officer must "submit a report to Council on an annual basis detailing all capital projects closed during the year". **Appendix 3** details completed projects for various City Programs and Agencies that will be closed

It is noted that closing projects / subprojects facilitate efficiency by enabling staff to focus attention only on active projects, and supports better and more efficient and accurate variance reporting. A consolidated list of projects and sub-projects recommended for closure will be forwarded to the Accounting Services Division with instructions to close them in order to preclude any further processing of transactions against them.

A capital project is considered fully closed when all its subsidiary projects are completed. Capital project financing may have various funding sources. Projects are normally funded based on actual expenditures in the following order: third-party funding, reserves or reserve funds, and lastly debt. In accordance with the Finance Control By-Law, after a project is fully completed and closed, the unspent funding, if any, will be treated as follows:

- Third party funding will be returned to the source as they are generally for specific purposes and can only be used for the specific projects
- Reserve funds are drawn based on actual expenditure within the Council approved limit. Any undrawn portion will remain in the same reserve or reserve fund
- Debt is applied only lastly and for the purposes for which the debt was issued. The unspent debt portion will generally not be issued.

As detailed in Appendix 3, 178 capital projects are fully completed and recommended for closure at 2012 year-end. These fully completed projects have total approved project costs of \$ 494.823 million and actual spending of \$422.532 million, representing a total

under-spending of \$72.291 million, with \$7.802 million funded by debt, \$3.924 million funded by various reserve and reserve funds, \$16.152 million funded by federal and provincial subsidy and \$44.410 million from other funding sources.

Of these 178 capital projects, 177 are in Tax Supported Programs. Total under-spending of \$71.475 million comprised of \$7.802 million funded by debt, \$3.924 million funded by various reserves or reserve funds, \$16.152 million funded by federal and provincial subsidy and \$43.595 million from other funding sources.

One completed project is for Rate Supported Programs with total under-spending of \$0.815 million funded by debt recoverable funding source.

CONTACT

Josie La Vita
Director, Financial Planning
Phone: 416-397-4229
Fax: 416-397-4465
Email: jlavita@toronto.ca

Andy Cui
Manager, Financial Planning
Phone: 416-397-4207
Fax: 416-392-3649
Email: acui@toronto.ca

SIGNATURE

Roberto Rossini
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

- Appendix 1 - 2012 Consolidated Capital Variance Report for the Year Ended December 31, 2012
- Appendix 2 - 2012 and 2011 and Prior Years Carry Forwards Funding Adjustments
- Appendix 3 - Closed Capital Projects
- Appendix 4 - Capital Variance Explanation - Programs/Agencies