

## **Capital Variance Report for the Six Month Period Ended June 30, 2013**

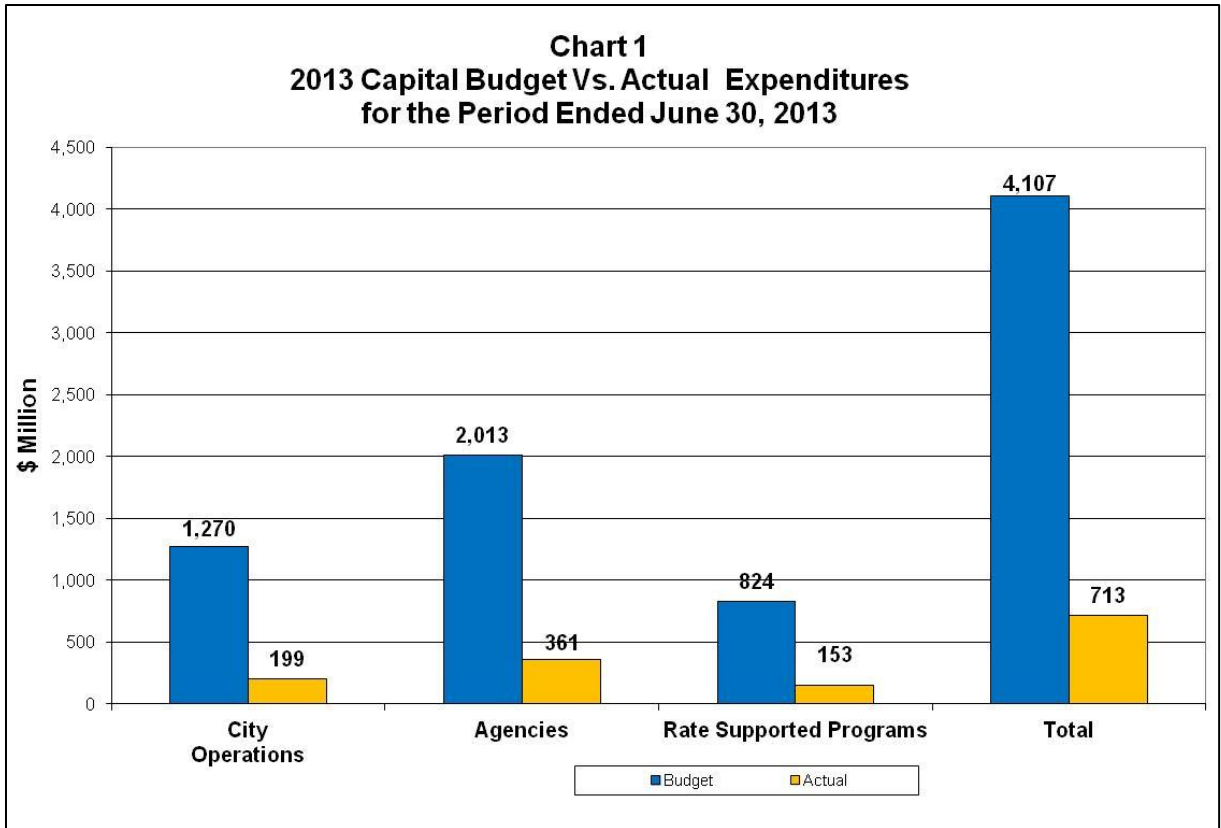
<b>Date:</b>	August 19, 2013
<b>To:</b>	Budget Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2013\Internal Services\Fp\Bc13023Fp (AFS #16759)

### **SUMMARY**

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The purpose of this report is to provide Council with the 2013 Capital Variance Report for the six month period ended June 30, 2013 as well as projected actual expenditures to December 31, 2013. Furthermore, the report seeks Council's approval for 2013 in-year budget adjustments.

Capital expenditures for the six months ended June 30, 2013 totalled \$713.484 million or 17.4% of the 2013 Approved Capital Budget of \$4.107 billion (see Chart 1). This spending pattern is consistent with prior years as City's capital activities tend to accelerate in the second part of the year. As detailed by City Program and Agency in Appendix 1, actual expenditures to year-end are expected to reach \$2.988 billion or 72.7% of the total 2013 Approved Capital Budget; 22 of 32 City Programs and Agencies are projecting spending in excess of 70% of their respective 2013 Approved Capital Budget by December 31, 2013: Tax Supported Programs project a spending rate of 73.1% to year-end; while Rate Supported Programs project year-end spending of 71.2%.



## RECOMMENDATIONS

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The Deputy City Manager and Chief Financial Officer recommend that:

1. Council approve in-year budget adjustments to the 2013 Approved Capital Budget detailed in Appendix 2 and that the 2013 Approved Capital Budget be adjusted accordingly.
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

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The total financial impact to the 2013 – 2022 Approved Capital Budget and Plan arising from the adoption of the recommended in-year budget adjustments requests in this report results in an overall decrease to the City's 2013 Approved Capital Budget of \$1.791 million and increase in 2014 and 2015 Approved Capital Plan of \$1.590 million and

\$3.956 million respectively. 2013 Approved Capital Budget will be reduced by \$1 million in debt recoverable funding and \$1.556 million in debt funding, offset by increase of \$0.765 million in reserve funds funding. 2014 cash flow funding will be increased by \$1 million in debt recoverable funding and \$0.590 million in reserve funds funding, while proceeds from the sale of fire station #135 to Metrolinx will fund 2015 cash flow funding increase of \$3.956 million.

## **ISSUE BACKGROUND**

This report is provided pursuant to good business practices and budgetary control. As part of the City's accountability framework, capital variance reports are submitted to Committees and Council on a periodic basis in order to provide information on how the implementation of approved capital programs is progressing, and on an exceptions basis, to identify issues that require direction and/or decisions from Council.

## **COMMENTS**

At its meeting of November 27 -28, 2012, Council approved a 2013 Rate-Supported Capital Budget of \$791.297 million; and at its meeting of January 15-16, 2013, Council approved a 2013 Tax Supported Capital Budget of \$2.838 billion for a total Tax and Rate-Supported 2013 Capital Budget of \$3.630 billion. The 2013 Rate-Supported Capital Budget consists of \$657.266 million for Toronto Water, \$40.102 million for Toronto Parking Authority and \$93.929 million for Solid Waste Management. Including additional 2012 carry forward funding and 2013 in-year budget adjustments for all City Tax and Rate Programs and Agencies, the 2013 Adjusted Capital Budget is \$4.107 billion.

Spending for the first six months ended June 30, 2013 totalled \$713.484 million or 17.4% of the 2013 Approved Capital Budget of \$4.107 billion. Tax Supported Programs incurred capital expenditures of \$560.008 million, representing 17.1% of their collective 2013 Approved Capital budget of \$3.282 billion, while Rate Supported Programs incurred capital expenditures of \$153.476 million, representing 18.6% of their collective 2013 Approved Capital Budget of \$823.927 million. The City's capital work tends to accelerate in the second part of the year. This is evident in the increased spending projections to 2013 year-end, which indicate total spending of \$2.988 billion or 72.7% of 2013 Approved Capital Budget. It is noted that the majority of City Programs and Agencies forecast spending of over 70% of their respective Capital Budgets by year-end (see Table 1 below).

<b>Table 1 Corporate Capital Variance Summary for the Period Ended June 30, 2013 (\$000s)</b>					
	2013 Approved Budget	Actual Expenditures - January 1 to June 30, 2013		Projected Actual Expenditure at Year-End	
		\$000s	%	\$000s	% of Plan
<b>Tax Supported Programs:</b>					
Citizen Centred Services - "A"	269,581	36,979	13.7	186,557	69.2
Citizen Centred Services - "B"	439,753	49,358	11.2	305,160	69.4
Internal Services	476,175	91,873	19.3	327,005	68.7
Other City Programs	84,637	20,630	24.4	70,677	83.5
Agencies	2,012,696	361,169	17.9	1,510,974	75.1
<b>Total - Tax Supported</b>	<b>3,282,843</b>	<b>560,008</b>	<b>17.1</b>	<b>2,400,373</b>	<b>73.1</b>
<b>Rate Supported Programs:</b>					
Toronto Parking Authority	50,562	3,783	7.5	23,481	46.4
Solid Waste Management	101,821	12,706	12.5	49,949	49.1
Toronto Water	671,545	136,987	20.4	513,560	76.5
<b>Total Rate Supported</b>	<b>823,928</b>	<b>153,476</b>	<b>18.6</b>	<b>586,990</b>	<b>71.2</b>
<b>Total</b>	<b>4,106,771</b>	<b>713,484</b>	<b>17.4</b>	<b>2,987,363</b>	<b>72.7</b>

## **In-Year Budget Adjustments**

In -year budget and technical adjustments to the 2013 - 2022 Approved Capital Budget and Plan require approval by Council. As detailed in Appendix 2, technical and in-year budget adjustments are requested by following Programs and Agencies:

Park, Forestry & Recreation requested in-year budget adjustments to address critical repair locations that have been identified in the last couple of months and to replace donation funding that was not received by Section 42 funds and Section 37 funds.

Fire Services requested 2013 -2022 Approved Capital Budget and Plan adjustments to defer 2013 approved cash flow funding of \$1.556 million and accommodate increased project cost funded from the proceeds of fire station #135 sale to Metrolinx in 2015.

City Clerks' Office requested in-year budget adjustments to increase project cost in order to award a contract to a successful bidder to meet election delivery timelines.

Solid Waste Management Services requested deferral of the 2013 approved cash flow funding to 2014 for the Award of the Tender Call. No 160-2013 for *Scarborough Transfer Station Suspended Slab Rehabilitation* project.

Toronto Parking Authority requested in-year budget adjustment to reallocate funding between the projects in order to acquire property that became available for acquisition.

## **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 the closure of projects / subprojects enable 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 which will 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, at the end of the second quarter, 11 capital projects are fully completed and will be closed. These fully completed projects have total approved project costs of \$7.965 million and actual spending of \$5.758 million, representing a total under-spending of \$2.208 million, with \$1.349 million funded by debt, \$0.236 million funded by various reserve and reserve funds and \$0.623 million from other funding sources.

## **CONTACT**

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## **SIGNATURE**

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Roberto Rossini  
Deputy City Manager and Chief Financial Officer

## ATTACHMENTS

- Appendix 1 - 2013 Consolidated Capital Variance Report for the Six Months Ended June 30, 2013
- Appendix 2 - In-Year Adjustments for the Six Months Ended June 30, 2013
- Appendix 3 - Closed Capital Projects
- Appendix 4 - Capital Variance Explanation - Programs/Agencies