



**STAFF REPORT
ACTION REQUIRED**

Facilities Management and Real Estate 2015 Capital Budget and 2016 – 2024 Capital Plan Adjustments and Accelerations / Deferrals (Q2)

Date:	May 26, 2015
To:	Budget Committee
From:	Chief Corporate Officer
Wards:	Various
Reference Number:	P:\2015\Internal Services\FAC\Bc15009fac (AFS 21276)

SUMMARY

This report requests authority to amend the Facilities Management and Real Estate's (FM&RE) 2015 Approved Capital Budget and 2016-2024 Capital Plan. This includes moving funding across approved projects, the creation of new projects, and adjusting future year cash flows and commitments on projects all in an effort to meet program requirements. This also includes an adjustment to 2014 and future year cash flows to align spending with project delivery. The adjustment of funds will reduce cash flows in 2015 by \$1.697 million and in 2016 by \$1.314 million to account for over-spending in 2014 and will better align 2015 and future cash flows with FM&RE program requirements.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council authorize the reallocation of funds in FM&RE's 2015 Approved Capital Budget in the amount of \$4.358 million, and the creation of 5 new projects, as illustrated in Schedule A (attached), with zero gross and net impact.

2. City Council authorize the deferral and acceleration of funds in FM&RE's approved 2015 Capital Budget and 2016 – 2024 Capital Plan in the amount of \$1.076 million, the reallocation of funds approved within FM&RE's 2014 capital budget in the amount of \$0.728 million, with zero gross and net impact, and a gross and net reduction of 2015 and 2016 cash flows totalling \$3.011 million, as illustrated in Schedule B (attached).
3. City Council approve future year commitments in the amount of \$4.5 million currently in the FM&RE 2016 – 2024 Capital Plan, for the Sani and Storm Drainage Piping Replacement project at NYCC, with a zero gross and net impact.

Financial Impact

There are no additional costs to the City as a result of approval of this report.

The approval of this report will result in the following:

- Reallocation of 2015 approved cash flows in the amount of \$4.358 million as detailed in Schedule A attached.
- Deferral and acceleration of funds in FM&RE's 2015 Capital Budget and 2016 – 2024 Capital Plan in the amount of \$1.076 with no incremental impact on debt funding, as detailed in Schedule B attached.
- A reduction of cash flows in 2015 and 2016 of \$1.697 million and \$1.314 million respectively, to offset for over-spending in 2014, and an adjustment to 2014 cash flows in sub-projects in the Union Station Revitalization project, as detailed in Schedule B attached.
- The ability to commit \$4.5 million in funding planned from 2016 to 2018 for the Sani and Storm Drainage Piping Replacement project at NYCC to allow staff to award construction of the project, ahead of schedule.

The Deputy City Manager and Chief Financial Officer have reviewed this report and agree with the financial impact information.

DECISION HISTORY

City Council, at its meeting on March 10, 2015, approved Facilities Management and Real Estate's 2015 Capital Budget and 2016 – 2024 Capital Plans, which included 2015 cash flows of \$110.115 million and 2014 carry-forward funding of \$138.182 million.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX3.4>

Subsequently, City Council at its meeting on May 5, 2015 approved a report that contained adjustments to carry-forward amounts due to 2014 year-end results, resulting in a revised 2014 carry-forwards of \$148.000 million.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX5.16>

ISSUE BACKGROUND

The amendments will ensure proper funding is in place to tender and award contracts, as existing funding levels for a number of projects have been deemed insufficient based on bids received and estimated project cost amounts that have been further refined through the initial design stages of projects. Furthermore, cash flows on a number of projects require adjustment to better align and ensure cash flows reflect actual project spending and project schedules.

COMMENTS

2015 Budget Adjustments

A number of projects in the Facilities Management & Real Estate capital plan are progressing through design stages and are preparing for tendering of contracts for implementation. Further information is gathered through these design stages that call for a refinement of scope, or provide pre-tender estimates that indicate initial budgeted funding for implementation will be insufficient. In some cases, projects have been tendered and bids received exceed available budgeted amounts. In these cases amendments are required to increase funding for these projects where additional funds will be needed beyond what was originally planned.

Furthermore, as part of Facilities Management's capital delivery plan, a review was conducted to accelerate future work within the overall State of Good Repair program. This work consists of projects with 5 key categories, including Paving, Roofing, Structural works, Building Envelope and Interior Elements. The creation of 5 new projects within these categories, as outlined in Schedule A, will allow Facilities Management to complete initial design and implementation work at a number of locations and to optimize use of allocated funding. A number of the needs that will be addressed through these 5 new projects would have been completed in future years and by taking this approach Facilities Management is more efficiency addressing SOGR and backlog needs across its portfolio.

To offset these funding needs there are various projects where work is either progressing and is forecasted to be, or has been, completed under budget, and where bids have recently been received that are less than planned amounts. This represents 9 projects totalling \$0.819 million of the \$4.358 million to be reallocated. The remaining amount is being offset by projects that have been cancelled or deferred indefinitely. See Schedule "A" for detailed listing.

Budget Deferrals and Accelerations

A number of projects either proceeding ahead of schedule or where forecasted spending in 2015 is expected to exceed 2015 planned amounts require an acceleration of cash flows from 2016. In each of these cases the overall project costs remains within approved budgeted amounts. To offset this acceleration there are various projects where work has been delayed and adjustments to cash flows are needed to better align budget

with forecasted spending in 2015. Cash flows in these projects can be deferred to 2016 to offset the acceleration of funds for projects that are proceeding ahead of schedule, or where cash flows adjustments are needed to ensure 2015 plan amounts are sufficient to match spending. See schedule "B" for a detailed listing.

Other Adjustments

Other adjustments are needed in the Facilities Management & Real Estate capital plan to ensure cash flows planned are aligned with project schedules. These adjustments are administrative in nature and have no impact on overall project budgets. See schedule "B" for details. Lastly, initial investigation and due diligence has been completed on the Sani and Storm Drainage Piping Replacement project at NYCC. It has been determined that future year planned cash flows are sufficient to complete the project. Tendering and awarding of the construction contract can be accelerated into 2015. Therefore, staff are requesting authority to commit funds and to proceed with project implementation.

Council approval is being requested to amend the FM&RE's 2015 Capital Budget and 2016-2024 Capital Plan, as outlined in the attached Schedule "A" and "B" to better align cash flows with project and program requirements, in accordance with Section 71-9 B to E of the Financial Control By-Law.

CONTACT

Sunil Sharma
General Manager
Facilities Management
Phone: 416-397-5270
Fax: 416-392-4828
E-mail: Ssharma5@toronto.ca

SIGNATURE

Josie Scioli
Chief Corporate Officer

ATTACHMENTS

Schedule A – 2015 Budget Adjustments
Schedule B – Deferrals / Accelerations & Other Adjustments