

Capital Variance Report for the Twelve Months Ended December 31, 2020

Date: June 10, 2021
To: Budget Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

The purpose of this report is to provide City Council with the City of Toronto capital spending for the twelve month period ended December 31, 2020.

As illustrated in Table 1 below, City's 2020 actual capital expenditure was \$3.666 billion or 73.2% of the 2020 capital budget of \$5.006 billion for the period ended December 31, 2020.

- Tax Supported Programs and Agencies reported capital expenditures of \$2.503 billion representing 68.8% of their collective 2020 approved Capital Budget of \$3.638 billion.
- Rate Supported Programs reported capital expenditures of \$1.164 billion, representing 85.1% of their collective 2020 approved Capital Budget of \$1.368 billion.

Table 1: Capital Variance Summary

Table 1 Corporate Capital Variance Summary for the Period Ended December 31, 2020			
	2020 Approved Budget*	2020 Actual Expenditures	
	\$M	\$M	%
City Operations	2,278	1,483	65.1%
Agencies	1,360	1,020	75.0%
Tax Supported	3,638	2,503	68.8%
Rate Supported Programs:	1,368	1,164	85.1%
TOTAL	5,006	3,666	73.2%

* Note: Includes 2019 carry forward funding and 2020 in-year adjustments

While further efforts to improve capital spending continue, divisional and agency improvements in capital planning along with refinements in capital budgeting have resulted in improved capital spend rates in 2020.

- 2020 spending rates on Tax supported (68.8%) and Rate supported (85.1%) are both greater than the 5 year historical average spend rates of 60.2% and 77.5% respectively.
- These improvements were achieved in 2020 despite the impact that COVID-19 had on capital delivery. At the onset of COVID-19, due to the uncertainty of pandemic related financial impacts and the amount of financial assistance to be provided from other levels of government, delivery was slowed for capital projects funded by Capital from Current (CFC) to enable potential funding offsets to experienced COVID-19 financial impacts.

Moving forward, the City will continue to plan annual capital projects in line with both affordability and achievability, based on the historical actual capacity. The strategy is expected to improve capital spend rate in future years; enabling funding capacity otherwise going unspent to be directed to capital priorities.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. Council receive this report for information.

FINANCIAL IMPACT

Combined tax and rate supported capital expenditures in 2020 were \$3.666 billion, or 73.2% of the total 2020 Approved Capital Budget.

Appendix 1 summarizes 2020 spending rates by City Program and Agency.

DECISION HISTORY

City Council approved the 2020 Rate-Supported Capital Budget of \$1.368 billion and the 2020 Tax Supported Capital Budget of \$3.638 billion, with totals reflecting adjustments and amendments to the Capital Plans approved during the City Council meeting of May 5, 2021.

COMMENTS

Table 2 below outlines capital spending for Tax and Rate Supported Programs for the Twelve Months Ended December 31, 2020 within major service areas.

Table 2: Capital Variance Summary

Table 2			
Corporate Capital Variance Summary			
for the Period Ended December 31, 2020			
	2020	2020 Actual	
	Approved	Expenditures	
	Budget	\$M	%
	\$M	\$M	
Tax Supported Programs:			
Community and Social Services	896	495	55.3%
Infrastructure and Development Services	835	619	74.2%
Corporate Services	494	356	72.0%
Finance and Treasury Services	14	6	42.7%
Corporate Initiatives	36	3	9.4%
Other City Programs	4	3	70.9%
Sub Total City Operations	2,278	1,483	65.1%
TTC	1,016	825	81.2%
Transit Expansion (TTC)	77	58	75.5%
Other Agencies	267	137	51.2%
Sub Total - Tax Supported	3,638	2,503	68.8%
Rate Supported Programs:			
Solid Waste Management	104	43	41.6%
Toronto Parking Authority	77	25	32.0%
Toronto Water	1,187	1,096	92.3%
Sub Total Rate Supported	1,368	1,164	85.1%
Total	5,006	3,666	73.2%

The Capital spending pattern from 2016 to 2019 typically ranges between 59.3% and 66.7% of the total Council Approved Capital Budget, and the average spending rate is 64.4%, with the 2020 experience of 73.2% comparing favourably to past experience.

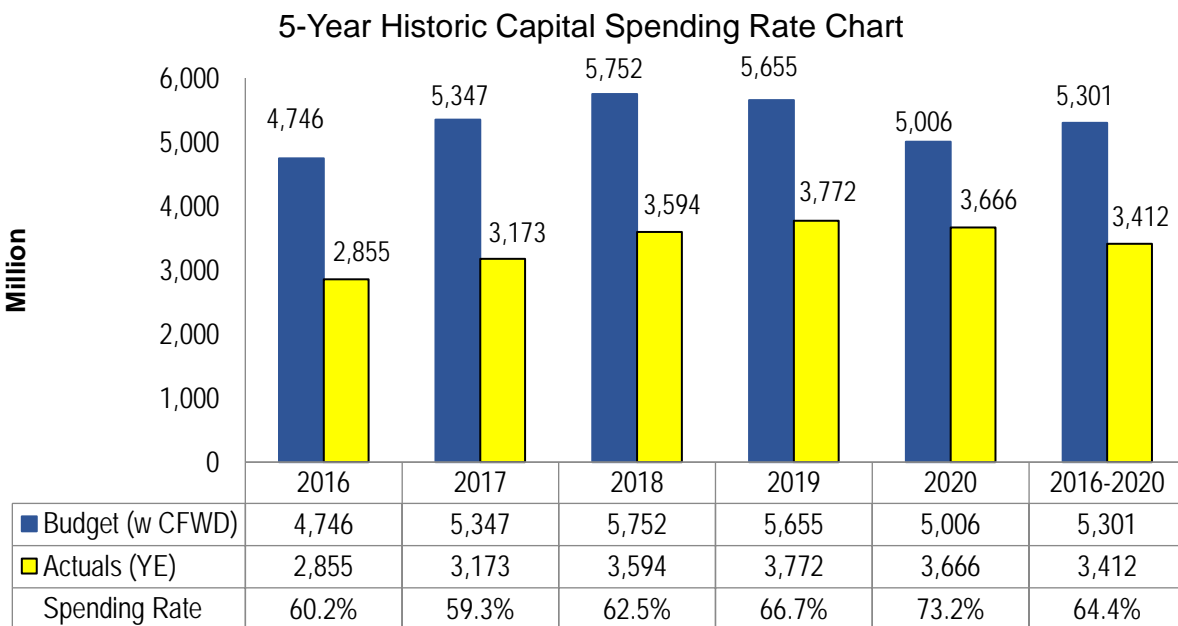
City Programs and Agencies actual year-end capital expenditures of \$3.666 billion or 73.2% of the 2020 approved budget. The City Programs and Agencies had spent tremendous effort to improve the spending rate and achieved a significant improvement. Among all of the City Programs and Agencies, the spending rate in 2020 was driven broadly by major capital spending Programs and Agencies such as TTC, Toronto Water and Transportation Services:

- TTC (Base Programs) spent \$825 million or 81.2% of its 2020 Approved Capital Budget. The largest expenditures were *Other Buildings & Structures Projects* (\$82.7 million), *Easier Access - Phase III* (\$76.8 million), *ATC Resignalling* (\$65.3 million) and *Purchase of Buses* (\$62.1 million).

- Toronto Water spent \$1.096 billion or 92.3% of its 2020 Approved Capital Budget. The largest expenditures were *the Basement Flooding Relief project (\$121.3 Million)*, *District Watermain replacement project (\$93.6 million)*, *Don & Waterfront Trunk/CSO project (\$87.7 million)* and *Ashbridges Bay WWTP - Effluent System Project (\$75.6 Million)*.
- Transportation Services was on track with most of its major projects including some of its biggest projects: the *F.G. Gardiner project (\$171.0 million)*, *Local and Major Road Rehabilitation projects (\$140.7 million)* and *City Bridge Rehabilitation Critical projects (\$37.8 million)*. As a result Transportation Services spent \$528.0 million or 87.3% of its approved 2020 Capital Budget.

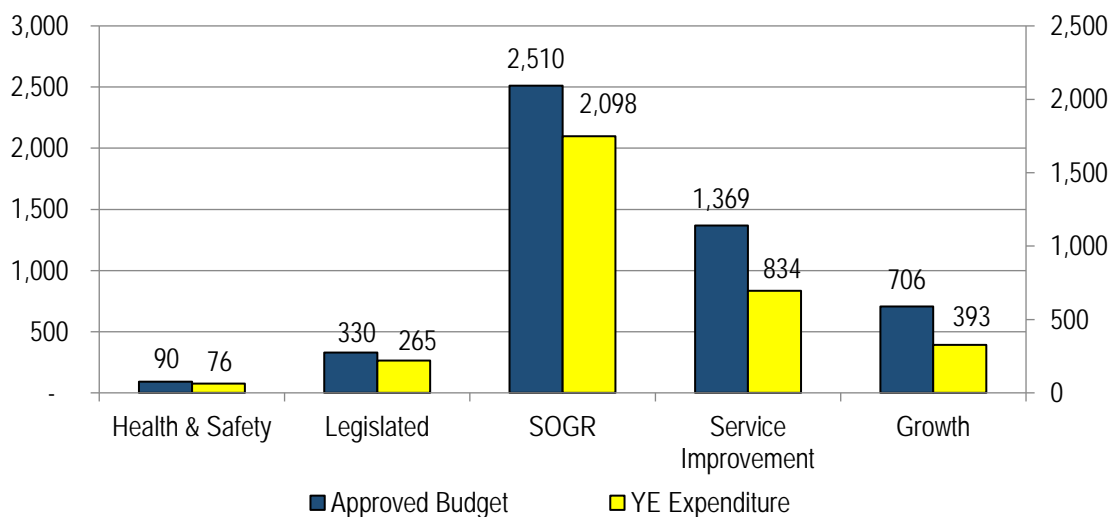
Figure 1 below compares the actual year-end spending rate in each of the years, and the 5 year average from 2016 to 2020. Spending rate is the actual capital spending amount as a percentage of the full year budget including in-year adjustments and carry forward from prior years' unspent budget.

Figure 1: 2016 - 2020 Spending



The City's capital program encompasses five categories of capital work: Health & Safety projects; Legislated projects; State of Good Repair projects; Service Improvement projects; and Growth Related projects. Figure 2 in the following page compares the 2020 Total (Tax and Rate) Approved Budget and year-end spending for each project category.

Figure 2: 2020 Approved Budget and Spending by Project Category (\$Millions)



Health & Safety and State of Good Repair (SOGR) projects have the two highest spending rates of 83.8% and 83.6% respectively. State of Good Repair (SOGR) projects accounted for the highest spending at \$2.098 billion which is in line with the City's continued emphasis on SOGR investment. Legislated has the next highest spending rate of 80.3%. 60.9% of the approved Capital Budget for Service Improvement and 55.7% of Growth related projects were also spent in 2020. This lower spending rate is common for these categories of projects which tend to be more complex, include various stakeholders and have dependencies on other factors.

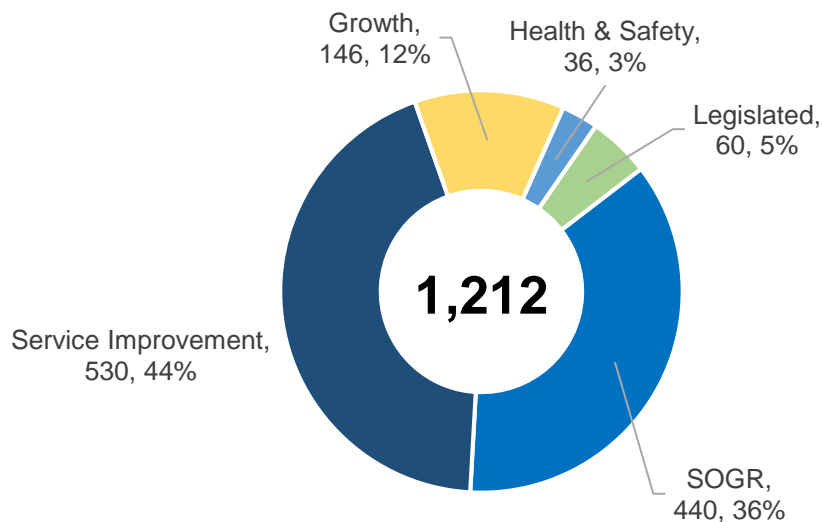
Table 3 below outlines 2020 City's capital expenditure and spending rate by project category. While improvements have been achieved from prior year experience, service improvement and growth projects generally experience lower spending rates compared to SOGR projects as noted above. As well, COVID-19 did cause delays on procurement and construction, which also contributed to the spend rates in these projects.

Table 3: City Budget and Actual Spending by Project Category

Project Category (\$M) - 2020	Approved Budget	Actual Expenditures	Spending Rate
Health & Safety	90	76	83.8%
Legislated	330	265	80.3%
SOGR	2,510	2,098	83.6%
Service Improvement	1,369	834	60.9%
Growth	706	393	55.7%
Total	5,006	3,666	73.2%

As illustrated in Figure 3 below, the City has a total of 1,212 open capital projects at the end of 12 months of 2020.

Figure 3: 2020 Open Projects



Service Improvement projects account for the majority of open projects totalling 530 or 44% of the total City's capital projects. SOGR projects account for 440 or 36% of all capital projects.

A detailed explanation on the progress of major capital projects can be found in Appendix 3 of this report. Further details on the progress of all approved capital projects for each City Program and Agency can be found in Appendix 4 of this report.

Closed Capital Projects in the twelve months of 2020

Closing of completed capital projects in a timely manner identifies underspending and allows funding to be returned to its original source to be reinvested in future budgets. Accounting Services staff will ensure that all expenditures for the identified capital projects/sub-projects are appropriately accounted for prior to closure.

Appendix 2A details 10 capital projects from the Tax Supported Programs that have been completed in the fourth quarter of 2020 by various City Programs and Agencies which can now be closed. Together these capital projects have a combined budget of \$321.0 million and actual expenditures of \$299.8 million. This results in permanent underspending of \$21.2 million.

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 debt. In accordance with the Financial 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 for future use consistent with funding eligibility.

- 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 for future use.
- Debt is applied only lastly and for the purposes for which the debt was issued. The unspent debt portion will generally not be issued.

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix 1 2020 Capital Variance Summary for the Twelve Months Ended December 31, 2020
Appendix 2A 2020 YE Full Project Closure
Appendix 2B 2020 YE Partial Project Closure
Appendix 3 2020 YE Major Capital Projects
Appendix 4 2020 YE Capital Variance Dashboard by Program and Agency