

**Capital Variance Report for the Nine-month Period  
Ended September 30, 2010**

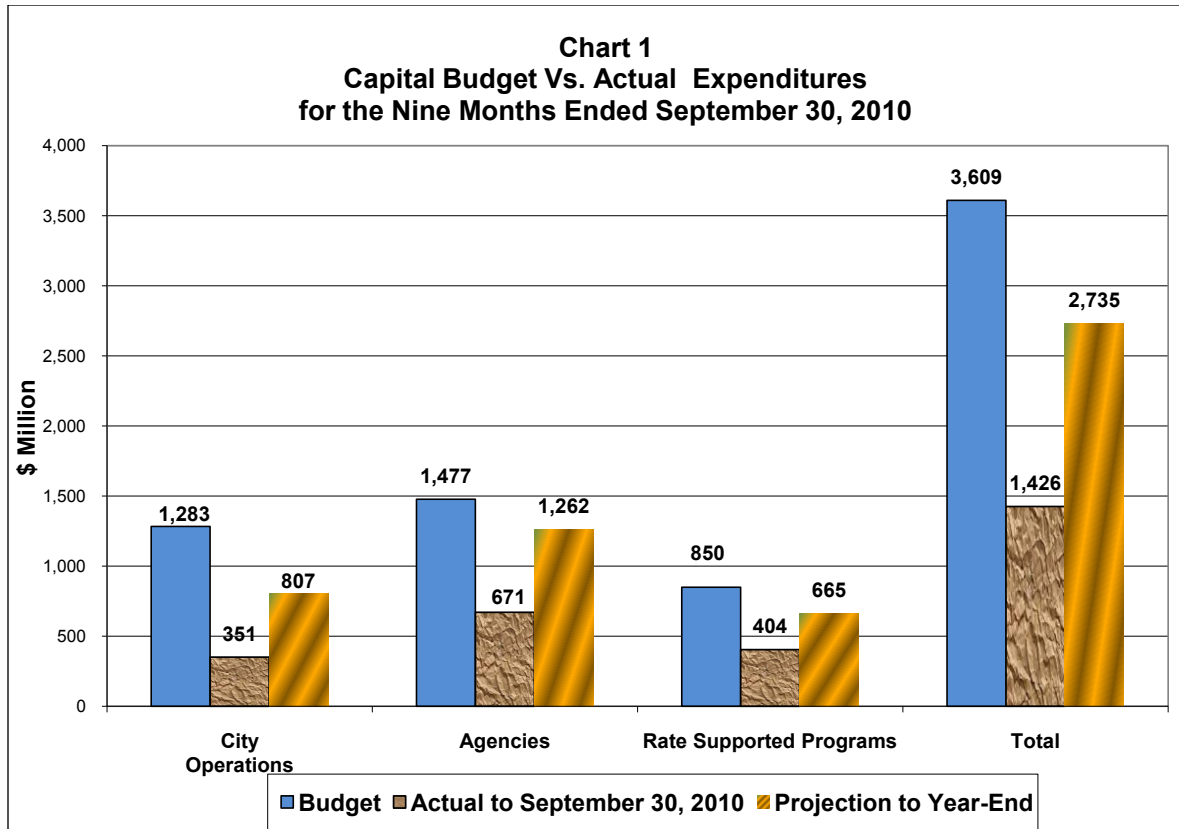
<b>Date:</b>	November 30, 2010
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2010\Internal Services\Fp\Ec10016Fp (AFS #11650)

**SUMMARY**

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The purpose of this report is to provide the 2010 Capital Variance for the nine-month period ended September 30, 2010 and projected actual expenditures to December 31, 2010. Furthermore, the report seeks Council's approval for in-year and additional prior-year carry-forward funding adjustments.

Capital expenditures for the nine months ended September 30, 2010 totalled \$1.426 billion or 39.5% of the 2010 Approved Capital Budget of \$3.609 billion. This spending pattern is consistent with prior years. As detailed by City Program and Agency in Appendix 1, projected actual expenditures to year-end is estimated at \$2.735 billion or 75.8% of the total 2010 Approved Capital Budget of \$3.609 billion. It is noted that 57%, or 20 of 35 City Programs and Agencies have projected spending to year-end in excess of 70% of their respective budgets. Tax Supported Programs project a spending rate of 75% to year-end; while Rate Supported Programs project spending of 78.3% of their total 2010 Approved Capital Budget.



## RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the in-year budget adjustments to the 2010 Approved Capital Budget detailed in Appendix 2.
2. Council approve a change in scope of the Steeles Avenue Resurfacing Project requiring additional project cost of \$0.763 million to be funded one third by the Federal government under the Infrastructure Stimulus Program, and two thirds by reallocating funds in the same amount from the previously approved and wholly City funded Mount Pleasant Bridge Rehabilitation Project; and that implementation of the change in scope be conditional on the Federal government approving its share of the additional funding requirement.
3. Council approve reduction of the 2008 carry forward capital funding for Economic Development and Culture totalling \$0.142 million, with no incremental impact on debt as detailed in Appendix 3.
4. Council authorize and direct the appropriate City Officials to take the necessary action to give effect thereto.
5. The Executive Committee forward this report to City Council for its consideration.

## **FINANCIAL IMPACT**

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Capital expenditures for the nine months ended September 30, 2010 totalled \$1.426 billion or 39.5% of the 2010 Approved Capital Budget of \$3.609 billion. This results in under-spending of \$876 million, most of which will be carried forward to 2011 in order to complete projects. In compliance with the City's Carry Forward policy, carry forward of unspent 2010 funding will have no incremental impact on approved debt.

## **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 approved capital programs are progressing, and on an exceptions basis, to identify issues that require direction and/or decisions from Council.

## **COMMENTS**

At its meeting of December 8, 2009, Council approved a 2010 Tax-Supported Capital Budget of \$2.431 billion; and on November 30, 2009, Council approved a 2010 Rate-Supported Capital Budget of \$760.650 million for a total Tax and Rate-Supported 2010 Capital Budget of \$3.191 billion. The 2010 Rate-Supported Capital Budget consists of \$669.905 million for Toronto Water, \$28.732 million for Toronto Parking Authority and \$62.013 million for Solid Waste Management. Including additional 2009 carry forward funding, the 2010 Adjusted Capital Budget is \$3.609 billion (see Table 1 below).

As detailed in Appendix 4, the under-spending is 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; extended time required for the completion of environmental assessments; delays in finalizing Requests for Proposal; and unanticipated delays in construction start-up and deferral of work. In addition, several projects were completed under-budget. Unspent funds for incomplete projects will be carried forward to 2011 on an as required basis, in accordance with the City's Carry Forward Policy.

<b>Table 1 Corporate Capital Variance Summary for the Nine Months Ended April 30, 2010</b>					
	2010 Approved Budget	Actual Expenditures - January 1 to September 30,		Projected Actual to Year-End 2010	
		\$000	%	\$000s	% of Plan
<b>Tax Supported Programs:</b>					
Citizen Centred Services - "A"	230,576	58,274	25.3	156,856	68.0%
Citizen Centred Services - "B"	566,299	167,368	29.6	395,859	69.9%
Internal Services	248,225	74,979	30.2	162,885	65.6%
Other City Programs	237,762	50,195	21.1	91,747	38.6%
Agencies	1,477,045	670,711	45.4	1,262,412	85.5%
<b>Total - Tax Supported</b>	<b>2,759,907</b>	<b>1,021,526</b>	<b>37.0</b>	<b>2,069,759</b>	<b>75.0%</b>
<b>Rate Supported Programs:</b>					
Toronto Parking Authority	33,105	19,343	58.4	23,747	71.7%
Solid Waste Management	95,770	14,812	15.5	40,599	42.4%
Toronto Water	720,672	370,119	51.4	600,467	83.3%
<b>Total Rate Supported</b>	<b>849,547</b>	<b>404,274</b>	<b>47.6</b>	<b>664,814</b>	<b>78.3%</b>
<b>Total</b>	<b>3,609,454</b>	<b>1,425,800</b>	<b>39.5</b>	<b>2,734,573</b>	<b>75.8%</b>

### **Infrastructure Stimulus Fund (excluding TTC) and Recreational Infrastructure Canada Programs**

In 2009, City Council entered into intergovernmental stimulus agreements with the Government of Ontario for funding towards approved capital projects under the Recreational Infrastructure Canada program in Ontario and the Ontario Recreation Program (RInC-REC); and, the Government of Canada for infrastructure project funding under the Infrastructure Stimulus Fund (ISF). Under these agreements, the City received funding towards the delivery of City capital projects and to create jobs in order to help mitigate the impact of the recession.

Both the Federal and Provincial governments have prescribed criteria that require close attention and diligence of City staff in order to take advantage of all funding entitlement. Key among the prescribed criteria is that the stimulus projects must be substantially completed by March 31, 2011. As a result, infrastructure stimulus projects continue to be closely monitored by the City Manager's Office and the Financial Planning Division to identify risks threatening timely completion and to take appropriate action to mitigate such risks.

The majority of ISF and RInC projects will be completed on time and on budget. Ongoing analysis has indicated that a few projects may not be completed within the prescribed March 31, 2011 deadline, despite best efforts to mitigate this risk. These projects are as follows:

- *Father Henry Carr Community Hub* with project cost of \$8.153 million will be 33% complete at March 31, 2011, due to delays in gaining access to the facility and changes to the project scope after consultation with the community partner occupants.
- *Toronto Police Service 14 Division* with project cost of \$6.503 million will be 43%. This project has been delayed because of the G20 Summit.

- Solid Waste Management Services *Expansion of the Leachate Control System* with project cost of \$4.584 million will be 65% completed. This completion rate is primarily attributed to unanticipated delay in obtaining the required certificate of approval from the Ministry of Environment.
- Solid Waste Management Services *Landfill Gas Collection System* project will be 39% complete by March 31, 2011. This completion rate is primarily attributed to unanticipated delay in obtaining the required certificate of approval from the Ministry of Environment.

It is noted that the existing engineering contract for the two Solid Waste Management projects above has recently been amended to advance work on the latter two projects and to realize a higher completion rates by March 31, 2011. Furthermore, City staff is continuing to negotiate with the Federal Government for extension of the completion date under the ISF program to beyond March 31, 2011 due to uncontrollable circumstances. As yet, no commitment has been received.

### **Infrastructure Stimulus Fund (ISF)**

As detailed in Appendix 1a, for the nine months ended September 30, 2010 spending on ISF-funded projects (excluding TTC) totalled \$115.896 million or 35.7% of the 2010 Approved Budgets for ISF-funded projects of \$324.660 million. It is projected that by year-end spending will accelerate to \$256.863 million or 79.1% of the 2010 Approved Budget for ISF-funded capital projects. Further, projections indicate that 85% of the ISF-funded projects will be completed by March 31, 2011 and that the City will recover 79.2% of the Federal funding available under the ISF Program. The under-spending is primarily attributed to legal issues surrounding the issuance of construction contracts; building permit delays which has threatened the completion of projects on time; as well as lower than originally estimated projects cost.

- ***Emergency Medical Services (EMS)*** projects spending of 93.9% of its approved ISF-funded capital projects by March 1, 2011. The *Station 19* and *Station 28* projects experienced legal delays during the issuance of the construction contracts. These projects are behind schedule and may not be completed by March 31, 2011. To mitigate risks on these ISF projects, strict milestone clauses have been added to the construction contracts and project managers are aggressively monitoring the status of the constructions sites.
- ***Transportation Services*** projects spending 95% of its ISF-funded capital projects with 100% completion by March 31, 2011.
- ***Facilities Management and Real Estate (FM&RE)*** projects spending of 50.6% of its ISF-funded capital projects by March 31, 2011 mainly due to a delay in acquiring the building for the *Father Henry Carr Community Hub* project.
- ***Toronto Police Service's (TPS)*** projects spending of 70% of its ISF-funded capital projects by March 31, 2011, mainly due to delay in obtaining all Municipal approvals

for the *14 Division*. In an effort to achieve a greater completion rate prior to the ISF completion deadline, the TPS will re-prioritize its capital projects.

- ***Toronto Public Library (TPL)*** projects spending of 94.3% of its ISF-funded capital projects by March 31, 2011. The under-spending is mainly due to the *Toronto Reference Library Renovation* project and discovery of asbestos and preparation of construction site to ensure public safety during library open hours.
- ***Solid Waste Management Service (SWMS)*** projects spending of 79.2% of its ISF-funded capital projects by March 31, 2011. The under-spending is mainly due to late approval from the Ministry of the Environment for the Green Lane project. SWMS will implement risk mitigation strategies to increase the chances of completing ISF projects by March 31, 2011.
- ***Toronto Water (TW)*** projects spending of 70.1% of its ISF-funded capital projects by March 31, 2011. The under-spending is mainly due to the *Eastern Beaches Water Quality* project which has been deferred indefinitely because recent cost estimates were significantly higher than initially estimated; and the *Spadina-Wellington Trunk Watermain* project that was tendered well below estimate and additional funds are not required to complete the project.

### **Additional ISF Project Cost – Transportation Services**

Subsequent to approval of the ISF agreement with the Federal Government, a number of ISF projects were cancelled (see Appendix 1(c )) because further assessment indicated that they could not be completed by the prescribed completion date of March 31, 2011. Cancellation of these projects provided funding room that the City may be able to utilize by submitting new projects or expanding the scope of already approved projects for consideration of the Federal government. Transportation Services has proposed that it is feasible to expand the scope of the Steeles Avenue Resurfacing Project in order to pave an additional 2.5 kilometres and that the additional work can be completed on or before March 31, 2011. The incremental cost of the additional work proposed above is \$0.763 million of which the Federal government will fund 1/3 or \$0.253 million. The remaining \$0.509 million will be funded by the City.

This report requests Council authority to submit an application to the Federal government for the additional work on the *Steeles Avenue Resurfacing* project. Conditional upon the Federal government approval, Council authority is requested to increase the project cost of the Steeles Avenue Resurfacing Project by \$763 million, offset by reducing the project cost of the *Mount Pleasant Bridge Rehabilitation* project. The additional work proposed will be undertaken and completed during the 4<sup>th</sup> Quarter of 2010. The *Mount Pleasant Bridge Rehabilitation* project (total project cost of \$1.241 million) is to be cancelled due to an unforeseen conflict with Toronto Water work in the immediate area that will not be completed until 2011. The bridge work will be undertaken in late 2011 or early 2012 as part of the City's bridge rehabilitation program. Design work is already complete.

## **Recreational Infrastructure Canada Programs (RInC)**

Appendix (1b) indicates that spending on RInC-funded projects totalled \$10.556 million or 14.9% of the 2010 Approved Budgets for RInC-funded capital projects of \$70.667 million. Spending will increase to \$54.790 million or 77.5% of the 2010 Approved Budgets for RInC capital projects by year-end. It is noted that 99.1% of the RInC-funded projects will be completed by March 31, 2011, and that the City will recover 84.8% of the funding available under RInC Program. The under-spending is mainly attributed to completion of projects under-budget.

*Parks, Forestry & Recreation (PF&R)* projects spending of 82.4% of its RInC-funded capital projects by March 31, 2011. The under-spending is attributed to the *Regent Park* project which is partially funded by RInC (\$5.2 million) and other non-RINC funds (\$9.914 million). The Program expects to spend 100% of RInC funds and overall 82.4% of its RInC capital projects by March 31, 2011.

*Transportation Services* is projecting spending 90.7% of its RInC-funded capital projects by March 31, 2011. The under-spending is attributed mainly to the *Gatineau Corridor bike trails* project that will not be completed on time due to the complexity of design solutions; the need to coordinate with the construction of the aquatic centre for PAN AM Games; and the cancellation of several laneway and local road reconstruction projects because of unanticipated new developments in their respective project areas.

## **In-Year Budget Adjustments**

As detailed in Appendix 2, in-year budget adjustments are required for various City Programs and Agencies, inclusive of reallocation of budget between capital projects already approved under "Delegation of Authority During Extended Council Recess" (EX46.38).

## **CONTACT**

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## **SIGNATURE**

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Cam Weldon  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

- Appendix 1 - 2010 Consolidated Capital Variance Report for the Nine Months Ended September 30, 2010
- Appendix 1.a - Consolidated Capital Variance Report for ISF Projects for the Nine Months Ended September 30, 2010
- Appendix 1.b - Consolidated Capital Variance Report for RInC Projects for the Nine Months Ended September 30, 2010
- Appendix 1.c - Cancelled ISF Projects
- Appendix 2 - In-Year Adjustments for the Nine Months Ended September 30, 2010
- Appendix 3 - 2008 Carry Forwards Funding Adjustments
- Appendix 4 - Capital Variance Explanation - Programs/Agencies