

**Capital Variance Report for the Nine-month Period
Ended September 30, 2011**

Date:	January 4, 2012
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2012\InternalServices\Fp\Bc12006Fp (AFS #14252)

SUMMARY

The purpose of this report is to provide Council with the 2011 Capital Variance Report for the Nine month period ended September 30, 2011 as well as projected actual expenditures to December 31, 2011. Furthermore, the report seeks Council's approval for in-year funding adjustments.

RECOMMENDATIONS

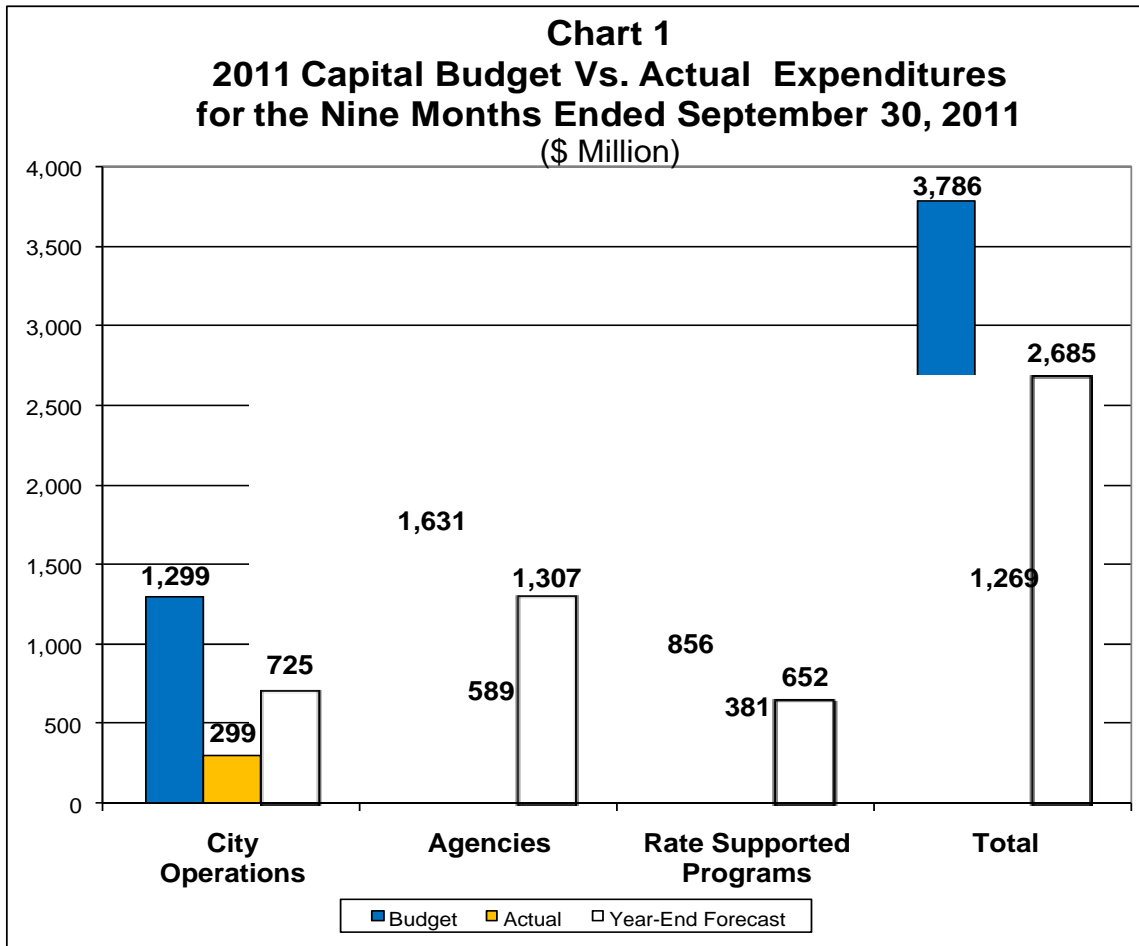
The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve in-year budget adjustments to the 2011 Approved Capital Budget detailed in Appendix 2.
2. Council authorize and direct the appropriate City Officials to take the necessary action to give effect thereto.

FINANCIAL IMPACT

Capital expenditures for the Nine Months ended September 30, 2011 totalled \$1.269 billion or 33.5% of the 2011 Approved Capital Budget of \$3.786 billion (see Chart 1). 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 \$2.684 billion or 70.9% of the total 2011 Approved Capital Budget of \$3.786 billion. It is noted that 50%, or 18 of 36 City Programs and Agencies have projected spending in excess of 70% of their respective budgets by year-end. Tax Supported Programs project a spending rate to year-end of 69.4%; while Rate Supported Programs project spending of 76.1%.



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 February 23, 2011, Council approved a 2011 Tax Supported Capital Budget of \$2.016 billion; and 2011 Rate-Supported Capital Budget of \$692.534 million for a total Tax and Rate-Supported 2011 Capital Budget of \$2.709 billion. The 2011 Rate-Supported Capital Budget consists of \$559.676 million for Toronto Water, \$35.606 million for Toronto Parking Authority and \$97.252 million for Solid Waste Management. Including additional 2010 carry forward funding and in-year budget adjustments, the 2011 Adjusted Capital Budget is \$3.786 billion (see Table 1 below).

Spending during the first nine months of 2011 totalled \$1.269 billion or 33.5% of the 2011 Approved Capital Budget. The City's capital works program tends to accelerate in the latter part of the year. This is evident in the increased spending projections to 2011 year-end, which indicate total spending of \$2.684 billion or 70.9%. It is noted that the majority of City Programs and Agencies forecast spending of over 70% of their budget by year-end.

	2011 Approved Budget	Actual Expenditures - January 1 to September 30, 2011		Projected Actual Expenditure at Year-End	
		\$000s	%	s	% of Plan
Tax Supported Programs:					
Citizen Centred Services - "A"	274,615	63,543	23.1	167,971	61.2
Citizen Centred Services - "B"	461,903	119,455	25.9	260,003	56.3
Internal Services	245,587	66,038	26.9	141,666	57.7
Other City Programs	316,440	50,274	15.9	155,670	49.2
Agencies	1,630,504	588,600	36.1	1,307,067	80.2
Total - Tax Supported	2,929,048	887,910	30.3	2,032,378	69.4
Rate Supported Programs:					
Toronto Parking Authority	38,627	9,547	24.7	15,681	40.6
Solid Waste Management	149,467	34,156	22.9	77,595	51.9
Toronto Water	668,365	337,546	50.5	558,858	83.6
Total Rate Supported	856,459	381,248	44.5	652,135	76.1
Total	3,785,507	1,269,159	33.5	2,684,512	70.9

Infrastructure Stimulus Fund (excluding TTC) and Recreational Infrastructure Canada Programs.

In 2009, City Council entered into intergovernmental economic stimulus agreements with the Government of Ontario for capital projects funding 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).

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.

City staff successfully negotiated with the Federal Government extension of the completion date of capital projects under the ISF program to October 31, 2011. Key among the prescribed criteria is that the stimulus projects must be completed by this new deadline. 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.

The Toronto Police Service *14 Division* project, with Federal ISF funding of \$8.680 million, will not be completed by the October 31, 2011 extended deadline, as a result of project delays caused by unexpected site remediation work. Toronto Police requested re-allocation of \$2.15 million from Unallocated Capital Fund to *14 Division* project since they did not qualify for full funding recovery from the Federal Government.

Infrastructure Stimulus Fund (ISF)

During the nine months ended September 30, 2011 spending on ISF-funded projects (excluding TTC and Toronto Police) totalled \$62.352 million or 68.3% of the 2011 Approved Budget for ISF-funded projects of \$91.301 million. It is projected that by October 31, 2011 spending will accelerate to \$82.937 million or 90.8% of the Total 2011 Approved Budget for ISF-funded projects. The under-spending is primarily attributed to completion of projects under-budget.

Recreational Infrastructure Canada Programs (RInC)

During the nine months ended September 30, 2011 spending on RInC-funded projects totalled \$17.036 million or 47% of the 2011 Approved Budget for RInC-funded capital projects of \$36.222 million. It is projected that by October 31, 2011 spending will accelerate to 97.6% of the Total Approved Budget for RInC-funded capital projects and that all projects will be completed. The under-spending is entirely attributed to completion of projects under-budget.

In-Year Budget Adjustments

As detailed in Appendix 2, technical and in-year budget adjustments are requested by Park, Forestry and Recreation, Fleet services, Toronto Police Services, Toronto Public Health, TTC and Sony Centre. These adjustments are required to provide funding

required for the acceleration of projects, to transfer funds to accommodate increased need for consulting services, to adjust project cost and to provide funds for the unforeseen additional work required.

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SIGNATURE

Cam Weldon
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

- Appendix 1 2011 Consolidated Capital Variance Report for the Nine Months Ended September 30, 2011
- Appendix 2 In-Year Adjustments for the Nine Months Ended September 30, 2011
- Appendix 3 Capital Variance Explanation - Programs/Agencies