

Fleet Services 2016 Year End Capital Budget Adjustment

Date: March 8, 2017
To: Budget Committee
From: General Manager, Fleet Services
Wards: All

SUMMARY

This report requests authority to amend the Fleet Services Division (FSD) Approved 2016 Capital Budget by adjusting cash flows contained within the Budget and Plan, respectively, to reflect the actual year end expenditures. This will provide additional cash flow for projects with accelerated deliverables from cash flow drawn from underspent/deferred projects in 2016. These adjustments will have a zero dollar impact on FSD's 2016 Approved Capital Budget and will not impact Divisional vehicle and equipment requests in 2017.

RECOMMENDATIONS

The General Manager of Fleet Services recommends that:

1. City Council authorize the reallocation of funds within the Fleet Services Division 2016 Approved Capital Budget in the amount of \$5.858 million, for the acceleration and deferral of projects, as presented in Appendix A.
2. City Council authorize the reallocation of funds within the Fleet Services Division 2017 Approved Capital Budget in the amount of \$5.858 million, for the acceleration and deferral of projects, as presented in Appendix B.

FINANCIAL IMPACT

The approval of this report will authorize the acceleration and deferral of approved cash flows between 2016 Capital Budget and 2017-2026 Capital Budget and Plan for Fleet Services as outlined in Appendices A and B, providing additional cash flow for projects where the vehicles and equipment were delivered earlier than projected in 2016 with additional cash flow drawn from underspent/deferred projects not purchased/delivered in 2016.

The recommendation in this report will not increase funding in capital programs or adjust overall project cost for any individual project and will align 2016 and 2017 cash flows with actual expenditures.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council at its meeting of February 17, 2016 approved Fleet Services' 2016 Capital Budget and 2017-2025 Capital Plan, which included approval of a 2016 Capital Budget cash flow of \$50.190 million (EX12.2 2016 Capital and Operating Budgets). The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilMinutesReport&meetingId=10870>

City Council at its meeting of May 3, 4 and 5, 2016 approved 2015 Capital Budget carry-forward adjustment of - \$1.967 million (EX14.12 2016 Capital Budget Adjustments for Carry Forward Funding). The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=10873>

City Council at its meeting of October 5, 6 and 7, 2016 approved 2016 Capital Budget adjustment with a zero gross budget impact (EX17.16 Capital Variance Report for the Six-Month Period Ended June 30, 2016). The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=10876>

City Council at its meeting of December 13, 14 and 15, 2016 approved 2016 Capital Budget adjustment with a zero gross budget impact (EX20.26 Capital Variance Report for the Nine-Month Period Ended Sept 30, 2016). The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=10878>

COMMENTS

Fleet Services Division (FSD) achieved a 96% spend rate with its 2016 Approved Capital Budget of \$48.2 million. An amendment of the 2016 Approved Capital Budget is required to align cash flow with 2016 actual expenditures, as a result of both acceleration and deferrals within client projects.

Most of the vehicles that FSD purchases on behalf of its clients are custom designed and built to meet operational needs. In many cases, multiple suppliers collaborate to provide the final unit. Heavy duty vehicles and specialized equipment require significantly longer lead time for design and assembly and the process from beginning to end can take multiple years. To plan for this, FSD considers all of the applicable

factors for each situation and plans the cash flow within projects to align with the anticipated delivery. In 2016, FSD took delivery of some vehicles and equipment sooner than the planned cash flow for those projects identified, as indicated in Part A of Appendix A.

The above accelerated delivery has been offset by underspending in other projects in 2016. Each year, FSD communicates recommended replacements to its clients and plans its cash flow accordingly. Underspending in a project will result should a client Division choose not to submit a request to FSD to initiate their replacement needs. Underspending may also result when the delivery of purchased vehicles or equipment is delayed beyond the projected timelines. The resulting project deferrals have been identified, as indicated in Part B of Appendix A.

As such, approval is being sought to amend FSD's 2016 Approved Capital Budget to align cash flow to the 2016 year end expenditures by project, all in accordance with Section 71-9 (B) to (E) of the Toronto Municipal Code, Chapter 71 - Financial Control.

This amendment includes the provision of additional cash flow for projects where vehicles and equipment were delivered earlier than projected with the additional cash flow drawn from underspent/deferred projects.

The adjustment to the 2016 cash flow will be offset by reversal in the same amount in FSD's 2017 Approved Capital Budget cash flow for both the accelerated and deferred projects. As a result, there is no financial impact to the client Divisions' overall project deliverables and cash flow.

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

CONTACT

Vukadin Lalovic, P.Eng.
Manager, Asset Management
Fleet Services
Tel.: (416) 392-6365
E-mail: Vukadin.Lalovic@toronto.ca

Steven Ma
Manager, Finance & Accounting
Fleet Services
Tel: (416) 338-1169
E-mail: Steven.Ma@toronto.ca

SIGNATURE

Lloyd Brierley
General Manager, Fleet Services

ATTACHMENTS

Appendix A – Fleet Services Division 2016 Capital Year End Budget Adjustments
Appendix B – Fleet Services Division 2017 Capital Budget Adjustments