

**REPORT FOR ACTION****Long-Term Care Homes & Services' 2016 Year End Capital Budget Adjustment**

Date: June 1, 2017
To: Budget Committee, Executive Committee
From: General Manager, Long-Term Care Homes & Services
Wards: All

SUMMARY

This report requests authority to amend the Long-Term Care Homes & Services (LTCHS) 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 another project with accelerated deliverables from cash flow drawn from an underspent/deferred project in 2016. These adjustments will have a zero dollar impact on LTCHS' 2016 Approved Capital Budget and will not impact capital requests in 2017.

RECOMMENDATIONS

The General Manager Long-Term Care Homes & Services recommends:

1. City Council authorize the reallocation of funds within the Long-Term Care Homes & Services 2016 Approved Capital Budget in the amount of \$1.734 million, for the acceleration and deferral of projects, as presented in Appendix A.
2. City Council authorize the reallocation of funds within the Long-Term Care Homes & Services 2017 Approved Capital Budget in the amount of \$1.734 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 LTCHS as outlined in Appendices A and B.

Cash flow from an underspent project (Kipling Acres redevelopment) in 2016 provided additional cash flow for State of Good Repair Projects – Building Upgrades (boiler replacements) delivered and installed earlier than projected.

The recommendations 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 Long-Term Care Homes & Services 2016 Capital Budget and 2017-2025 Capital Plan, which included approval of a 2016 Capital Budget cash flow of \$21.681 million (EX12.2 2016 Capital and Operating Budgets). The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>

City Council at its meeting of May 3, 4 and 5, 2016 approved 2015 Capital Budget carry-forward adjustment of \$8.492 million (EX14.12 2016 Capital Budget Adjustments for Carry Forward Funding). The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX14.12>

COMMENTS

LTCHS requires an amendment to the 2016 Approved Capital Budget in order to align cash flow to the 2016 year-end expenditures related to two capital projects: a) State of Good Repair – Building Upgrades and b) Kipling Acres Site 2 (Phase#3) Construction. The budget adjustment ensures that actual spending is aligned to the approved budget. This adjustment has a zero dollar impact on each project, both at the individual project level and within the 2016 and 2017 Approved Capital Budgets. Both projects were multi-year initiatives, one of which was accelerated and the other deferred, in 2016. The estimated budgets of the projects did not change; only the timing of completion.

Financial Planning implemented multi-year cash flow budgeting to identify and prioritize expected need based on anticipated completion consistent with the 10-year Capital Plan. This is the first time a project was accelerated under the revised cash flow, with the accelerated spending occurring in Q4 2016. This resulted in a delayed request by the division for an accounting realignment.

LTCHS achieved a 74.6% spend rate with its 2016 Approved Capital Budget of \$30.173 million. An amendment of the 2016 Approved Capital Budget is required to align cash flow with 2016 actual expenditures, as a result of both accelerated and deferred projects.

LTCHS' capital maintenance program ensures that life safety issues are addressed and that the long-term care homes are maintained in a state of good repair to avoid future major costs from becoming necessary.

The 10-Year Capital Plan's spending on State of Good Repair is \$48.670 million. This funding will ensure the safety, security and comfort of long-term care residents as well as mitigate risks to the City while complying with the Ministry of Health and Long-Term Care (MOHLTC) requirements.

The division's capital maintenance plan is backed by a comprehensive building condition assessment (BCA) of the structural, electrical and mechanical systems which was completed by Accent Building Service in December 2015. At that time, boiler replacements were identified as key issues.

The *Long-Term Care Homes Act* obligates long-term care homes to upgrade specific components of their physical plants; accordingly, MOHLTC compliance inspectors have the authority to direct and order capital upgrades to long-term care homes.

As such, approval to amend LTCHS' 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.

The amendment includes the provision of additional cash flow for State of Good Repair projects where boiler replacements were delivered and installed earlier than projected with the additional cash flow drawn from an underspent/deferred project, the Redevelopment of Kipling Acres, Phase II. It had been assumed that one boiler replacement installation team would be assigned to the project; two separate teams were subsequently assigned accelerating the project.

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

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

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SIGNATURE

Reg Paul
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ATTACHMENTS

Appendix A – LTCHS 2016 Capital Year End Budget Adjustments

Appendix B – LTCHS 2017 Capital Budget Adjustments