TORONTO

REPORT FOR ACTION

2019 Capital Budget Adjustments for Carry Forward Funding

Date: April 9, 2019
To: Budget Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

The purpose of this report is to seek Council's approval for an additional $872.018 million carry-forward funding that will increase the 2019 Approved Capital Budget to $5.789 billion to enable staff to complete 2018 and prior year approved capital projects.

With the 2018 fiscal year near closure, City Programs and Agencies are finalizing the 2018 actual project expenditures and have now estimated that a total of $2.031 billion of unspent funding, of previously approved capital projects, will be needed to be carried forward to continue capital project delivery in 2019. During the 2019 budget planning process, $1.159 billion of this total was approved and consequently, an additional $872.018 million carry-forward funding is being recommended in this report to provide all necessary cash flow spending authorities in 2019. The recommended carry forward funding adjustments are in compliance with the City's Carry Forward Policy and have no impact on the City's approved debt for 2019.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve additional carry forward funding of $872.018 million from unspent capital projects funding as detailed in Appendix 1, in order to continue work on previously approved capital projects, and that the 2019 Approved Capital Budget for respective City Programs and Agencies be adjusted accordingly with no incremental impact on debt.

2. City Council approve in-year funding adjustments to the 2018-2027 Approved Capital Budget and Plan for TTC as detailed in Appendix 2, to maximize the use of budgeted and eligible non-debt capital funding.

FINANCIAL IMPACT

An estimated unspent total of $2.031 billion carry-forward funding is needed to continue capital project delivery in 2019. During the 2019 capital planning process $1.159 billion was approved, therefore, an additional $872.018 million carry-forward funding is being recommended in this report with no incremental impact on 2019 approved debt funding.

Of the $872.018 million recommended carry forward funding adjustments recommended, $860.555 million is associated with the 2018 approved capital projects and $11.464 million with 2017 and prior year capital projects.

The total 2018 carry forward funding of $2.031 billion represents 34.4% of the total 2018 Approved Capital Budget. Total carry forward funding, approved with the 2019 Capital Budget and recommended in this report, will increase the 2019 Approved Capital Budget from $3.758 billion to $5.789 billion.

DECISION HISTORY

This report is provided pursuant to good business practices and budgetary control. As part of the City's financial management and accountability framework, 2018 carry forward funding requests are submitted to Committee and Council to ensure the appropriate spending authorities are in place to continue capital work.

COMMENTS

The City's Carry Forward Funding Policy enables City Programs and Agencies to carry forward unspent balances for approved projects that have not been completed for projects approved in the prior year, any debt funding does not impact the City's debt levels. For incomplete projects that were approved 2 year or prior, any debt requests is deemed to be new debt and must be offset by the debt funding from other projects.

Due to the timing of the budget planning process, Programs and Agencies are not able to precisely calculate the carry-forward funding needed for the completion of 2018 and prior years' capital projects before approval of the 2019 Capital Budget. With the 2018 fiscal year near closure, City Programs and Agencies can now finalize 2018 actual project expenditures and associated under expenditures for which unspent funding can be carried forward and added to the 2019 Approved Capital Budget to complete previously approved capital projects. It is essential that these adjustments now be made to provide necessary cash flow spending authorities to continue capital project delivery in 2019.

Recommended Additional Carry Forward Funding Adjustments to 2019 Approved Capital Budget

In accordance with the City's Carry Forward Policy, approval is being sought to carry forward funding for uncompleted 2018 projects with no incremental impact on debt. Table 1 below summarizes the recommended funding to be carried forward and added to the 2019 Tax and Rate Capital Budgets City Programs and Agencies:

Table 1: Total Carry Forward Funding Adjustments

($M)	2019 Council Approved Budget*	Council Approved Carry Forward Funding		Additional Carry Forward Funding Request		Total Carry Forward Funding	Total 2019 Budget
		2018 CFWD	**2017 & PYr CFWD**	**2018 CFWD**	**2017 & PYr CFWD**		
Tax	2,897	818	88	849	10	1,765	4,663
Rate	861	249	3	11	1	265	1,126
Total	**3,758**	**1,067**	**91**	**861**	**11**	**2,031**	**5,789**
		1,159		**872**			

Approved Budget excludes Carry-Forward Funding

Approval of these incremental carry forward funding adjustments will increase the Council approved carry forward funding of $1.159 billion to $2.031 billion representing 34.4% in unspent funding from the 2018 Approved Capital Budget being added to the 2019 Capital Budget and now are being refined based on year-end spending results.

It should be noted that reductions included in Appendix 1 are to adjust overestimated carry forward funding estimates that were included at the time of Council's approval of the 2019 Capital Budget.

Based on these recommended adjustments, the total 2019 Approved Capital Budget will increase from $3.758 billion to $5.789 billion. As outlined in Table 2 in the following page, the City has consistently experienced an average spending rate of 64% over the last 5 years and has carried forward approximately one third of its approved Capital Budget annually. This trend has a significant impact on the overall lower spending rate for the City. For 2018, the projected year-end spending rate at the end of the third quarter is significantly higher, at 67.9%.

Table 2: 2012 - 2018 Capital Budget, Spending Rates and Carry Forwards

($Millions)	Approved Budget $	Spent $ (Actual	Spent %	CFWD $ (Total)	Carry Forward as a %
2014	4,292	2,697	62.8%	1,417	33%
2015	4,199	2,868	68.3%	1,136	27%
2016	4,746	2,855	60.2%	1,636	34%
2017	5,347	3,171	59.3%	1,824	34%
2018**	5,904	4,007	67.9%	2,031	34%
5 Year Avg.	**4,898**	**3,120**	**63.7%**	**1,609**	**33%**

*** Approved Budget and Actual projected as of Q3 Variance Report*

Given this experience, the 2019 Budget process focused on a thorough review of cash flow funding to better align funding requirements to project activities and timelines, as well as structuring major projects to reflect the implementation of stage gating. Capital spending will be closely monitored throughout 2019 and an additional review of project timelines and capital funding will be undertaken during the 2020 Budget process together with the capital project delivery measures to improve the City's overall spending rates.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix 1a - Additional Carry Forward Funding by Program/Agency
Appendix 1b - Additional Carry Forward Funding by Project
Appendix 2 - TTC CFWD - Funding Adjustments