

Adjustments to Capital Budget Carry Forward Funding and Future Year Commitments

Date: July 7, 2020

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

During the 2020 budget process, City Council approved \$898.8 million of previously approved unspent capital projects to be carried forward to 2020 to continue the project delivery in 2020. The approved carry forward amount was based on the initial estimate prior to 2019 year-end closing. With the 2019 fiscal year closed in March 2020, City Programs and Agencies have finalized the 2019 actual project spending as well as the total carry forward request. As a result, the purpose of this report is to seek Council's approval for an additional \$440.9 million carry-forward funding, of which \$400.3 million to be carried to 2020 and \$40.6 million to 2021 and 2022, to enable staff to complete 2019 and prior year approved capital projects.

With the additional carry forward request, the total 2019 and prior years capital carry forward funding will be \$1.340 billion, and the total Council approved 2020 Capital Budget including previously approved carry forward amount will be \$4.866 billion. The recommended carry forward funding adjustments have no impact on the City's approved debt for 2020.

This report also brings forward in-year Capital Budget Adjustment requests for 2019 and future years. Programs and Agencies were not able to bring forward these adjustment requests earlier due to changes in scheduled committee meeting dates as a result of the COVID-19 emergency. Approval of these requests are needed as City Council's authority is required to continue with the project delivery. The details can be found in Appendix 3 to 7.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve additional carry forward funding of \$440.9 million from unspent capital projects funding as detailed in Appendix 1a, 1b and 2, in order to continue work

on previously approved capital projects in 2020 and beyond, and that the 2020 Approved Capital Budget for respective City Programs and Agencies be adjusted accordingly with no incremental impact on debt.

2. Council approve in-year budget adjustments to the 2019 Approved Capital Budget as detailed in Appendix 3, 4, 5 and 6 for Parks, Recreation and Forestry, Transportation Services, Toronto Public Library, Toronto Transit Commission respectively. There is no incremental impact on 2020 debt funding as a result of these adjustments.

3. Council approve in-year budget adjustments to the 2020-2029 Approved Capital Budget and Plan as detailed in Appendix 7 for Shelter, Support & Housing Administration. There is no incremental impact on 2020 debt funding as a result of this adjustment.

FINANCIAL IMPACT

In addition to the carry forward amount previously approved by the City Council, an additional \$440.9 million carry-forward funding is being recommended in this report. This carry forward will have no incremental impact on 2020 debt funding.

Of the \$440.9 million recommended carry forward funding adjustments recommended in this report, \$400.3 million will be added to the 2020 Capital Budget and \$40.6 million will be added to 2021 and 2022 Capital Plan.

The additional carry forward funding will increase the 2020 Approved Capital Budget from \$4.466 billion to \$4.866 billion.

DECISION HISTORY

On February 19, 2020, City Council approved \$898.8 million of previously approved unspent capital projects to be carried forward to 2020 to continue the project delivery in 2020 and beyond.

With the 2019 fiscal year closed, this report is to seek Council's approval for additional carry-forward adjustments based on 2019 final results. As part of the City's financial management and accountability framework, 2019 carry forward funding requests are submitted to Executive Committee and Council for approval to ensure 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.

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 2019 and prior years' capital projects before approval of the 2020 Capital Budget. With the 2019 fiscal year closed, City Programs and Agencies can now finalize 2019 actual project expenditures and associated under expenditures of which unspent funding can be carried forward and added to the Council Approved 2020-2029 Capital Budget and Plan 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.

Recommended Additional Carry Forward Funding Adjustments to 2020 Approved Capital Budget

In accordance with the City's Carry Forward Policy, approval is being sought to carry forward funding for uncompleted 2019 and prior year projects with no incremental impact on debt. Table 1 below summarizes the recommended funding to be carried forward and added to the 2020-2029 Capital Budget and Plan:

Table 1: Total Carry Forward Funding Adjustments

(\$M)	2020 Council Approved Budget*	Council Approved		Additional Carry Forward Funding Request to 2020		Add'l CFWD to 2021 and 2022	Total Carry Forward Funding	Total 2020 Budget
		Carry Forward Funding to 2020		2019 CFWD	2018 & PY CFWD			
		2019 CFWD	2018 & PY CFWD					
Tax**	2,294	742	64	393	13	41	1,253	3,506
Rate	1,273	93	0	(14)	8	0	87	1,359
Total	3,567	834	64	379	21	41	1,340	4,866
		899		452				

*Approved Budget excludes all Carry-Forward Funding

Approval of these incremental carry forward funding adjustments will increase the Council approved carry forward funding of \$898.8 million to \$1.340 billion.

It should be noted that reductions included in Appendix 1 are to adjust overestimated carry forward funding that were included at the time of Council's approval of the 2020-2029 Capital Budget and Plan.

Based on these recommended adjustments, the total 2020 Approved Capital Budget will increase from \$4.466 billion to \$4.866 billion. As outlined in Table 2 in the following

page, the City has experienced an average spending rate of 62.5% over the last 5 years and has carried forward approximately one third of its approved Capital Budget annually.

For 2019, the projected year-end spending rate at the end of the third quarter is relatively higher, at 69.3% than the 5 year average.

Table 2: 2014 - 2019 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	5,752	3,624	63.0%	1,909	33%
2019**	5,689	3,945	69.3%	1,297	23%
5-Yr Avg. (2014-2018)	4,867	3,044	62.5%	1,584	33%

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

Given the combination of past spending experience and the potential impact of the current COVID-19 pandemic situation, capital spending will be closely monitored throughout 2020 and a review of project timelines and capital funding will be undertaken during the 2021 Budget process together with capital project delivery measures to improve the City's overall spending rates in 2021 and future years.

In-Year Budget Adjustments

City Council approval is required for in-year budget which are detailed in Appendix 3 to 7. It is recommended that Council approve the following adjustments, these includes:

In-Year Adjustment to Council Approved 2019 Capital Budget:

Parks, Forestry and Recreation

As detailed in Appendix 3, City Council's authority is requested to amend the 2019 Capital Budget and 2020-2029 Capital Budget and Plan for Parks, Forestry and Recreation by adjusting project cash flows to reflect the project delivery schedules and program requirements. Overall, the adjustments will have a zero dollar impact on the 2019 Capital Budget and the 2020-2029 Capital Budget and Plan.

Requested adjustments include the reallocation of project costs and cash flows in the amount of \$0.157 million in 2019 between approved projects, primarily funded by Parkland Acquisition Reserve Funds which are eligible to be reallocated. Additional

project funding requirements will be fully offset by projects that were completed under-budget in 2019.

This report also seeks authority to reallocate cash flows in the amount of \$5.516 million for the acceleration and deferral of projects. A number of projects were able to advance ahead of schedule and require acceleration of cash flow from 2020 to 2019, while others experienced project delays and deferral of cash flow from 2019 to 2020 is needed. There are no changes to approved project costs.

Transportation Services

Request to reallocate of \$2.160 million from the Major Roads Rehabilitation Program to the Sidewalks Program in 2019 is detailed in Appendix 4. Funds have been reallocated to align cash flows with actual year-end expenditures. Various projects funded from the Major Road Rehabilitation Program were completed under budget due to changes in scope or experienced coordination delays. Favourable construction conditions allowed the advancement of necessary work in the Sidewalks Program, resulting in the actual year-end expenditures exceeding projections and budget.

Toronto Public Library (TPL)

As detailed in Appendix 5, amendment of the 2019 Capital Budget for Toronto Public Library by adjusting project cash flows to reflect program requirements. Overall, the adjustments will have a zero dollar impact on the 2019 Capital Budget.

Toronto Transit Commission (TTC)

As detailed in Appendix 6, adjustments are requested to realign projects based on timing and scheduling and to correct prior in-year entries processed earlier in the year. The requested adjustments will have no impact on TTC's total approved projects costs and debt over the 10-year period.

In-Year Adjustment to Council Approved 2020-2029 Capital Budget and Plan:

Shelter, Support & Housing Administration

As detailed in Appendix 7, request to increase the project cost and 2020 cash flow for the Shelter Land Acquisition Project (CHS036) by \$0.500 million fully funded from a permanent reallocation from the '1000 New Shelter Beds' project (CHS044). The additional funding is required to cover ancillary costs of acquisition such as Land Transfer tax, purchase of 4 parking spots on site, minor construction cost increases, as well as the cost of capital items required to commence operations at the premises. This transfer will not impact the successful completion of the 1,000 Shelter Beds Projects as savings have so far been realised in the design and construction costs of acquired sites. The cost savings realised can therefore be used to cover the increased funding requirement for the Red Door Shelter acquisition.

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SIGNATURE

Heather Taylor
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ATTACHMENTS

Appendix 1a - Additional Carry Forward Funding to 2020 by Program
Appendix 1b - Additional Carry Forward Funding to 2020 by Project
Appendix 2 - Additional Carry Forward Funding to 2021 and beyond
Appendix 3 - 2019 Year-End Adjustment Request for Parks, Forestry and Recreation
Appendix 4 - 2019 Year-End Adjustment Request for Transportation Services
Appendix 5 - 2019 Year-End Adjustment Request for Toronto Public Library
Appendix 6 - 2019 Year-End Adjustment Request for Toronto Transit Commission
Appendix 7 - In-Year Adjustment to 2020-2029 Budget and Plan for Shelter, Support and Housing Administration