

Adjustments to Capital Budget, Carry Forward Funding and Future Year Commitments

Date: April 18, 2022

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

As part of the 2023 tax and rate supported budget processes, the approved Capital Plan included a combined \$1.322 billion of previously approved unspent capital projects to be carried forward to 2023-2027. The approved carry forward amount was based on an initial estimate as per projections available at the time of the budget development, prior to the 2022 year-end closing. With the 2022 fiscal year closed in March 2023, City Programs and Agencies have finalized the 2022 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 \$360.6 million of tax and rate supported carry-forward funding from 2022 to future years, of which \$236.6 million to be carried to 2023 and \$124.0 million to 2024 to 2027, to enable staff to complete multi-year capital projects approved in 2022 and prior years.

With the additional carry forward request, the total capital carry forward funding will be \$1.683 billion, and the total adjusted 2023 tax and rate supported Capital Budgets including previously approved carry forward amount will be \$5.814 billion. The revised total carry forward funding is equivalent to 28.9% of the total tax and rate supported Capital Budget.

This report also brings forward in-year Capital Budget adjustment requests for 2022 and future years, and the recommended incremental carry forward now take these changes into account. Approval of these requests is needed to provide necessary authority to continue with the project delivery.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve an adjustment to carry forward funding of an additional \$360.6 million from unspent capital projects funding as detailed in Appendix 1a and 1b, in order to continue work on previously approved capital projects in 2023 and beyond, and that

the 2023 Approved Tax and Rate Supported Capital Budgets for respective City Programs and Agencies be adjusted accordingly.

2. Council approve in year budget adjustments to the 2022 and future years Approved Tax and Rate Supported Capital Budgets as detailed in Appendix 2.

FINANCIAL IMPACT

In addition to the carry forward amount previously approved during the 2023 budget process, an additional \$360.6 million in funding carried forward from 2022 to 2023 and future years is being recommended in this report, for the Tax and Rate Supported Capital Budgets combined.

Of the \$360.6 million carry forward funding adjustments recommended in this report, \$236.6 million gross expenditure will be added to the 2023 Capital Budget and \$124.0 million gross expenditure will be added to the Capital Plan in the years 2024 to 2027. Recommended carried forward funding from 2022 to 2023 and future years will not change overall project costs and associated funding.

The additional carry forward funding will increase the 2023 Approved Tax and Rate supported Capital Budgets from \$5.578 billion to \$5.814 billion.

DECISION HISTORY

\$223.0 million of previously approved unspent capital project for Rate Program and \$1,099.5 million for Tax Program were approved on February 15, 2023 to be carried forward to 2023-2027 in order to continue the project delivery.

With the 2022 fiscal year closed, this report is to seek approval for additional carry-forward adjustments based on 2022 final results. As part of the City's financial management and accountability framework, 2022 carry forward funding requests are submitted to Council for approval to ensure appropriate spending authorities are in place to continue previously approved capital work.

COMMENTS

The City's Carry Forward Funding Policy enables City Programs and Agencies to carry forward unspent balances for approved ongoing projects that have not been completed.

In accordance with the City's Carry Forward Policy, approval is being sought to carry forward funding for uncompleted 2022 projects. Table 1 below summarizes the recommended funding to be carried forward and added to the 2023-2032 Capital Budget and Plan:

Table 1: Total Carry Forward Funding Adjustments

	Period	Tax	Rate	Total
2023 Budget without Carry Forward	2023	3,123	1,323	4,446
Previously Approved Carry Forward	2023	912	220	1,132
	2024-2027	188	3	191
Incremental Carry Forward	2023	217	19	237
	2024-2027	41	83	124
Total Carry Forward	2023	1,129	239	1,368
	2024-2027	229	86	315
2023 Budget including Carry Forward	2023	4,252	1,562	5,814

Approval of these incremental carry forward funding adjustments will increase approved carry forward funding from \$1.322 billion to \$1.683 billion.

Based on these recommended adjustments, the total 2023 Approved Capital Budget will increase from \$5.578 billion to \$5.814 billion.

The City will continue to plan the annual capital projects incorporating assumptions that reflect both affordability and achievability, in addition to being informed by historical trends and actual capacity. The strategy is expected to continuously deliver realistic capital plans and drive more reasonable spending rates in future years. The actual year-end spending rate will be confirmed as part of year end reporting.

In Year Budget Adjustments

Approval is required for 2022 in year budget adjustments detailed in Appendix 2.

It is recommended that Council approve adjustments related to the following:

Children Services

Children's Services is requesting an acceleration of \$4.536 million from future years to 2022. Children's Services provides funding to third party partners in the form of grants to deliver additional child care spaces, primarily with the district school boards and through joint projects with other City programs. As such, Children's Services has minimal control of the timing associated with the delivery of the projects. In 2022, seven child care centre projects requested budget funding adjustments to accommodate project timing requirements, as the funding requirements of the construction exceeded the current year budgeted cash flows. As this is primarily related to a difference in the cash flow budget and the timing of construction, the project costs are not impacted. In instances

where costs have been impacted by supply chain issues and/or inflation, project cost increases have been approved in 2023 or prior to reflect the current construction environment.

Parks, Forestry & Recreation

City Council's authority is requested to amend the 2022 Capital Budget and 2023-2031 Capital Budget and Plan for Parks, Forestry and Recreation (PFR) by adjusting project cash flows to reflect the project delivery schedules and program requirements. The amendments have no incremental impact to the timing of debt requirements over the 10-year period and will align the 2022 Approved Capital Budget with PFR's capital program requirements for 2022 and beyond.

Requested adjustments include the reallocation of project costs and cash flows in the amount of \$3.404 million between approved projects. Additional project funding requirements are due to timing of cash flow mainly related to facility and park development in 2022. The reallocation of funds will have zero gross and debt impact to the 2022 Capital Budget for PFR.

PFR also seeks authority to adjust cash flows for the acceleration and deferral of projects. A number of projects including construction of the North East Scarborough Community Centre and various acquisitions and expropriations were able to advance ahead of schedule and require acceleration of \$21.499 million in future year cash flow commitments to 2022, offset by a deferral of \$17.478 million in cash flow from 2022 to the 2023-2031 Capital Plan due to delays. Additional cash flow funding requirement in 2022 were primarily funded by Development Charges and Section 42 parkland reserve. Overall, there are no changes to the scope of the projects or project costs.

In addition, an overall net increase in project cost and cash flow funding of \$2.268 million is required to cover additional project scope in subprojects in 2022 for various park development projects funded by non-debt funding sources and to account for Federal and Provincial grant funding programs for improvements to Close Avenue Parkette, Heron Park Baseball Diamond and James Gardens Lawn Bowling. These amendments have no impact to the timing of debt requirements over the 10-year period and will align with the allocation of debt within the 2022 Council Approved Capital Budget, and the 2023-2032 Capital Budget and Plan.

Corporate Real Estate Management

The Accessibility for Ontarians with Disabilities Act (AODA) capital program requires adjustment to cash flows to align with 2022 project spending. The Var Loos - AODA Initiative - Initial Phase project account requires an acceleration of funding due to higher spending as more sites complete design work than originally anticipated. The Var Loos-AODA-Phase 2 capital project account, which represents primarily construction costs, requires a deferral of cash flow to 2023 due to supply chain constraints and delays in receiving building materials. Also, due to higher than anticipated material cost as a result of market conditions an acceleration of cash flows on the 1050 Ellesmere Building Enhancements project is required to align with 2022 spending. The higher material cost

is absorbed through the project contingency, therefore no impact to the overall project budget.

Transportation Services

Transportation Services is requesting various adjustments primarily to either adjust funding sources or adjustments based on accelerated project delivery due to favourable construction conditions. The total adjustment to the 10-Year Plan reflects a reduction of \$14.4 million, comprised of a 2022 increase of \$58.9 million offset by reduction from 2023 and future years totalling \$73.3 million.

Technology Services

The EWMS Program has proceeded and executed the 2022 project plan and currently requires additional funds, above what was included in the approved budget. The Maximo technology platform was rolled out to Transportation Services and Parks, Forest and Recreation prior to year-end 2022. The additional funds will be used to accommodate the purchase of Maximo end user licences (approximately \$1.600 million) and initial licence support, as well as additional EMA vendor costs for system configuration and rollout. Required increases in the Capital Budget were fully offset by reallocations from projects completed under budget.

Toronto Transit Commission

TTC's in year budget adjustments consist of the following:

- a) \$68.800 million reallocation of funding between projects to transfer scope to reflect timing and scheduling of projects and align with year-end actuals as detailed in Appendix 2.
- b) \$0.100 million reduction of funding related to technical adjustments.

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix 1a - Additional Carry Forward Funding by Program
Appendix 1b - Additional Carry Forward Funding by Project
Appendix 2 - Appendix 2 - 2022 In-Year Adjustment Request