

## Capital Variance Report for the Four months Ended April 30, 2023

**Date:** June 26, 2023

**To:** Executive Committee

**From:** Chief Financial Officer and Treasurer

**Wards:** All

### SUMMARY

The purpose of this report is to provide City Council with the City of Toronto capital spending for the four month period ended April 30, 2023, as well as projected expenditures to December 31, 2023. Furthermore, this report seeks Council's approval for in-year budget adjustments to the 2023 Adopted Capital Budget and Plan.

Table 1 below summarizes the City's 2023 actual capital expenditures compared with the 2023 approved capital budget for the period ended April 30, 2023 as well as the projected expenditures by December 31, 2023.

**Table 1: Capital Variance Summary**

Table 1					
	2023 Adopted Budget*	2023 4M Actual Expenditures		2023 Projected YE Expenditures	
	\$M	\$M	%	\$M	%
City Operations	2,634.4	399.4	15.2%	2,181.1	82.8%
Agencies	1,734.2	256.1	14.8%	1,585.0	91.4%
<b>Tax Supported:</b>	<b>4,368.6</b>	<b>655.5</b>	<b>15.0%</b>	<b>3,766.1</b>	<b>86.2%</b>
<b>Rate Supported:</b>	<b>1,562.3</b>	<b>197.0</b>	<b>12.6%</b>	<b>1,349.0</b>	<b>86.4%</b>
<b>TOTAL</b>	<b>5,930.9</b>	<b>852.5</b>	<b>14.4%</b>	<b>5,115.2</b>	<b>86.2%</b>

*\*Note: Includes 2022 carry forward funding*

The City's actual capital spending through the first four months of 2023 is \$852.5 million or 14.4% of the adopted capital budget of the year. The projected spending rate is 86.2% by year-end based on submissions from City divisions and agencies.

## **RECOMMENDATIONS**

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The Chief Financial Officer and Treasurer recommends that:

1. City Council approve in-year budget adjustments to the 2023-2032 Adopted Capital Budget and Plan as detailed in Appendix 4.

## **FINANCIAL IMPACT**

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The capital expenditures in the first four months of 2023 total \$852.5 million and year-end expenditures are anticipated to increase to \$5.115 billion or 86.2% of the total 2023 Adopted Capital budget.

Appendix 1 summarizes the YTD spending in the first four months of 2023; and the projected year-end spending rate by City Programs and Agencies.

Appendix 4 includes recommended in-year capital budget adjustments to the 10-Year Capital Plan, which includes a net of \$97.791 million of reallocations between projects and an additional funding of \$425.736 million mainly funded by federal subsidy.

## **DECISION HISTORY**

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The 2023 Tax and Rate Supported Capital Budget of \$5.578 billion received municipal adoption following the Council meeting of February 15, 2023.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MPB4.1>

As well, the incremental carry forward from 2022 of \$360.621 million was adopted on May 10, 2023 during the Council meeting. The total carry forward amount being carried to 2023 and future years is \$1.683 billion.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX4.4>

This report is provided pursuant to financial management best practices and budgetary control. As part of the City of Toronto's financial accountability framework, quarterly and year-end capital variance reports are submitted to Committees and City Council, to provide financial monitoring information on capital results to date and projections to year-end, and on an exception basis, to identify issues that require direction and/or decisions from City Council. In addition, City Council's approval is requested for budget adjustments that amend the Adopted Capital Budget and Plan between projects in accordance with the Financial Control By-Law and the City's financial management policies.

## COMMENTS

Table 2 outlines capital spending for Tax and Rate Supported Programs for the Four months Ended April 30, 2023 for major service areas.

**Table 2: Capital Variance Summary**

Table 2					
	2023 Adopted Budget	2023 4M Actual Expenditures		2023 Projected YE Expenditures	
	\$M	\$M	%	\$M	%
<b>Tax Supported Programs:</b>					
Community and Social Services	942.7	79.8	8.5%	744.8	79.0%
Infrastructure and Development Services	963.3	250.3	26.0%	877.9	91.1%
Corporate Services	619.7	56.2	9.1%	456.1	73.6%
Finance and Treasury Services	103.0	12.3	11.9%	97.5	94.6%
Corporate Initiatives	0.8	0.1	15.9%	0.6	75.0%
Other City Programs	4.8	0.6	13.0%	4.2	86.1%
<b>Sub Total City Operations</b>	<b>2,634.4</b>	<b>399.4</b>	<b>15.2%</b>	<b>2,181.1</b>	<b>82.8%</b>
TTC	1,363.8	197.6	14.5%	1,269.3	93.1%
Transit Expansion (TTC)	87.4	3.6	4.1%	65.7	75.2%
Other Agencies	283.0	54.8	19.4%	250.0	88.4%
<b>Sub Total - Tax Supported</b>	<b>4,368.6</b>	<b>655.5</b>	<b>15.0%</b>	<b>3,766.1</b>	<b>86.2%</b>
<b>Rate Supported Programs:</b>					
Solid Waste Management	90.8	8.5	9.4%	75.7	83.3%
Toronto Parking Authority	82.5	4.4	5.3%	75.8	92.0%
Toronto Water	1,389.0	184.1	13.3%	1,197.5	86.2%
<b>Sub Total Rate Supported</b>	<b>1,562.3</b>	<b>197.0</b>	<b>12.6%</b>	<b>1,349.0</b>	<b>86.4%</b>
<b>Total</b>	<b>5,930.9</b>	<b>852.5</b>	<b>14.4%</b>	<b>5,115.2</b>	<b>86.2%</b>

City Programs and Agencies project year-end capital expenditures totalled to \$5.115 billion. The projected spend rate of 86.2% based on program submissions will continue to be monitored over 2023 and any updates will be reflected in capital variance reporting throughout the year.

The following Programs and Agencies have significant capital programs, and are the main contributors to the overall actual capital spending of the year:

- TTC (Base Programs) is expecting to spend \$1.269 billion or 93.1% of its 2023 Adopted Capital Budget based on current year-end projections. The largest areas of expenditure are expected to be as follows:

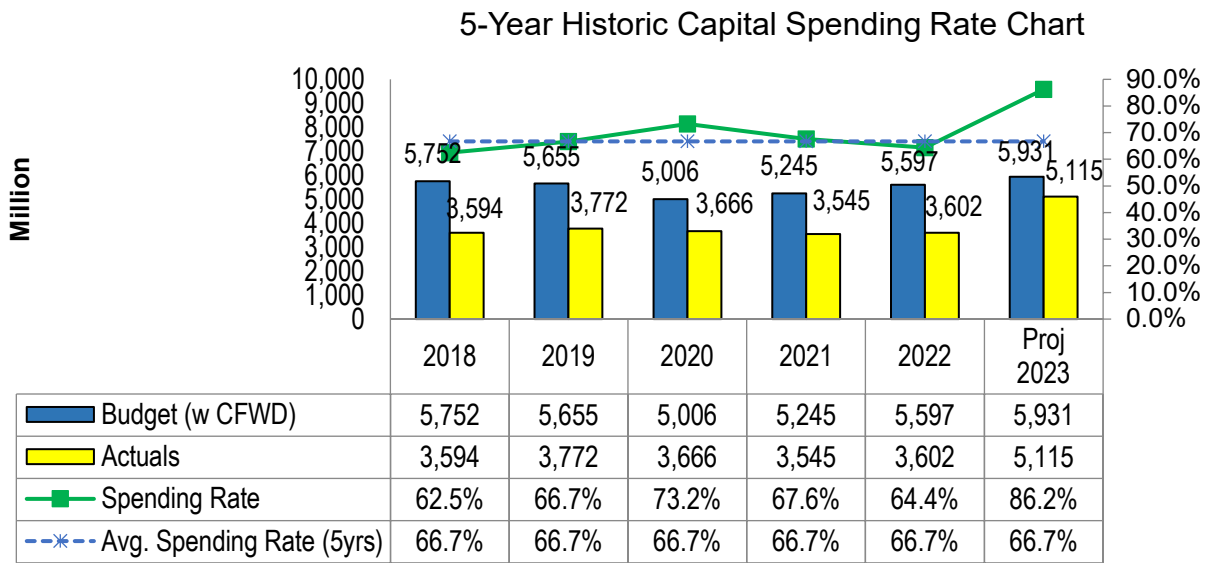
- State of Good Repair projects were \$940.7 million, and the largest SOGR project being *Purchase of Buses - SOGR (\$247.5 million)*.
  - Legislated projects were \$145.9 million, and the largest legislated project being *Easier Access-Phase III (\$121.6 million)*
  - Growth projects were \$110.4 million, and the largest growth project being *Purchase of Streetcars - Growth (\$56.0 million)*.
- Toronto Water is projecting to spend \$1.198 billion or 86.2% of its 2023 Adopted Capital Budget. The largest areas of expenditure are expected to be as follows:
    - State of Good Repair projects were \$554.9 million, and the largest contributing project being *Watermain Replacement (\$85.0 million)*.
    - Service Improvement projects were \$401.2 million, and the largest service improvement project being *BF Tunnel - Construction (\$61.4 million)*.
    - Legislated projects were \$112.3 million, and the largest legislated project being *Outfall Construction (\$25.5 million)*.
  - Housing Secretariat is projecting to spend \$407.5 million or 81.5% of its adopted 2023 Capital Budget. The largest expenditures are expected to be on SOGR (largest project being TCHC Building Repair Capital totalling \$152.7 million), and Growth (largest project being Emergency Housing Action totalling \$79.2 million).

Additionally, Transportation Services and Transit Expansion have large capital programs which have a significant impact on the overall spending rate. These programs have year-end projections of \$384.6 million and \$379.4 million respectively.

Figure 1 in the next page compares the actual year-end spending rate in each of the years 2018 to 2022, and the projected 2023 year-end spending rate as detailed in this report. Spending rate is the actual capital spending amount as a percentage of the full year budget including in-year adjustments and carry forward funding from prior years' unspent budget.

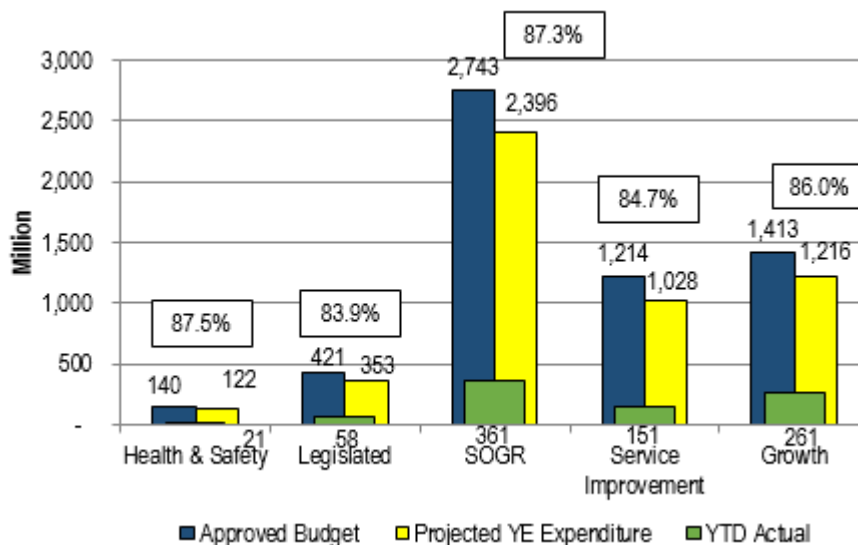
As indicated in the annual chart, the City's annual spending rate is trending up from year 2018's 62.5% to 2020's 73.2%. A dip in capital spending was experienced in 2021-2022 largely due to supply chain and labour challenges. The City is currently projecting a strong spending rate in 2023. As of the four month ended, City has spent \$852.5 million, which is higher than the 5 year average of \$729.4 million. Capital spending will continue to be reviewed over the course of the year, with updates provided in future variance reports that will benefit from actual experience over capital intensive months.

**Figure 1: 2018 - 2022 Spending and 2023 Projected Capital Spending Rate (\$ Millions)**



The City's capital program encompasses five categories of capital work: Health & Safety projects, Legislated projects, State of Good Repair projects, Service Improvement projects, and Growth Related projects. Figure 2 compares the 2023 Total (Tax and Rate) Approved Budget, year-to-date spending and year-end projections for each project category.

**Figure 2: 2023 Adopted Budget and Spending by Project Category (\$Millions)**



Health & Safety and State of Good Repair (SOGR) projects have the two highest projected spending rates of 87.5% and 87.3% respectively. SOGR projects also account for the highest projected year-end spending at \$2.396 billion which is in line with the City's continued emphasis on SOGR investments. It is also anticipated that about 86.0% of the Adopted Capital Budget is on Growth, 84.7% in Service Improvement and 83.9% in Legislated related projects will be spent by year-end. Table 3 in the next page outlines 2023 City's capital expenditure and spending rate by project category.

**Table 3: City Budget and Projected Spending by Project Category (\$Millions)**

Project Category (\$M) - 4M 2023	Approved Budget	YTD Actual	Projected YE Expenditure	Spending Rate
Health & Safety	140	21	122	87.5%
Legislated	421	58	353	83.9%
SOGR	2,743	361	2,396	87.3%
Service Improvement	1,214	151	1,028	84.7%
Growth	1,413	261	1,216	86.0%
<b>Total</b>	<b>5,931</b>	<b>852</b>	<b>5,115</b>	<b>86.2%</b>

Further details on the progress of all approved capital projects for each City Program and Agency can be found in Appendix 5 of this report.

### **Closed Capital Projects in the four month of 2023**

Closing of completed capital projects in a timely manner identifies underspending and allows funding to be returned to its original source, to be reinvested in future budgets. Accounting Services staff will ensure that all expenditures for the identified capital projects/sub-projects are appropriately accounted for prior to closure.

Appendix 2 details 23 capital projects from the Tax Supported Programs that have been completed in four months of 2023 by various City Programs and Agencies which can now be closed. Together these capital projects have a combined budget of \$109.8 million and actual expenditures of \$109.5 million, with a permanent underspend of \$0.3 million.

Capital project financing may have various funding sources. Projects are normally funded based on actual expenditures in the following order: third-party funding, reserves or reserve funds, and debt. In accordance with the Financial Control By-Law, after a project is fully completed and closed, the unspent funding, if any, will be treated as follows:

- Third party funding will be returned to the source for future use consistent with funding eligibility.
- Reserve funds are drawn based on actual expenditure within the Council approved limit. Any undrawn portion will remain in the same reserve or reserve fund for future use.
- Debt is applied last and is usually only issued upon a capital project's completion, with the proceeds of the debenture applied directly to the project.

## **Recommended In-Year Budget Adjustments**

City Council approval is required for in-year budget adjustments detailed in Appendix 4. It is recommended that Council approve the following in-year adjustments, as outlined below:

### **Children's Services**

The division is returning funding of \$0.114 million in 2023 to reserves for a completed child care development project, requesting an additional \$2.000 million (\$0.600 million in 2023 and \$1.400 million in the 2024-32 Plan period) for an SOGR project due to price escalations seen in recent bid-awards, and requesting an acceleration of funding of \$2.000 million for two child care development projects (\$1.000 million each), including one project being jointly delivered with PF&R and another being managed in partnership with a local community centre, as construction timelines are ahead of originally estimated schedules.

The total impact of these adjustments is an increase of \$2.486 million to 2023 cash flows, funded through a combination of other operating contributions (\$1.000 million) and the reserves (XR1103 - Childcare Capital Reserve Fund) (\$1.486 million).

### **Economic Development and Culture (EDC)**

The recommended 2023 in-year budget adjustment for EDC includes the creation of a new project to the 2023 Capital Plan as well as reallocations from other projects to accommodate cost escalations. The recommended 2023 Capital Plan for EDC will increase by \$0.200 million gross, and \$0 net with \$0.036 million in cash flow in 2023 and \$0.164 million in cash flow in 2024, fully funded through the Public Art Reserve Fund (XQ4002), to create a new Growth project for a public art commission as part of the future of Ordnance Park.

Also included in this in-year adjustment is a reallocation of 2023 cash flow funding of \$0.415 million from the SOGR Dempsey Bros. Store project to the SOGR Assembly Hall Mechanical (\$0.315 million) and the SOGR Guild Revitalization Log Cabin project (\$0.100 million). The Dempsey Bros. Store is currently being leased which has delayed the commencement of major SOGR and AODA work until the building becomes vacant. The Assembly Hall Mechanical project as well as the Guild Revitalization Log Cabin have experienced cost escalations due to tender bids expected to be higher than pre-tender estimates. The Assembly Hall accessibility upgrades are the subject of a FedDev grant that must be completed in 2023-2024, so it is critical to increase the SOGR budget and award the project for 2023 construction. The Log Cabin will serve as a seasonal program annex for the Clark Centre for the Arts, with Indigenous communities identified as priority users.

These in-year budget adjustments result in zero debt impact to the 2023 Council Adopted Capital Budget for EDC.

## **Parks, Forestry & Recreation (PF&R)**

PF&R is recommending various project cash flows adjustments to reflect program requirements and unforeseen site conditions. There are two in-year adjustments that reflect a total increase in project costs and associated cash flow funding of \$4.390 million in 2023 from non-debt funding sources (Development Charges and Section 42 First 5% and Above 5% Cash-in-lieu):

- \$0.090 million cash flow added to 2023 for the Benner Park Playground Enhancement (Ward 8); and
- \$4.300 million cash flow added to 2023 for the North East Scarborough Community Centre (Ward 25) to address the removal and disposal of unforeseen contaminated soils during construction.

## **Shelter, Support & Housing Administration (SSHA)**

SSHA is recommending an adjustment of \$4.578 million to correct technical error in the 2022 Adopted Incremental Carry Forward for SSHA which was incorrectly captured resulting in the reduction of total project costs and the 2023 cash flow plan.

SSHA is also recommended to increase \$5.800 million cash flow to its SOGR projects, which is fully funded from CMHC Federal funding. A total of \$18.470 million CMHC funding will be provided over 2023-2025 for eligible repair and renovation costs for City owned facilities. The remaining balance of \$12.670 million will be requested through 2024 budget process.

## **Fire Services**

The program is recommending an adjustment to accelerate \$0.125 million of 2024 cash flow to year 2023 for earlier than expected repair work for the West Training Burn House.

## **Housing Secretariat**

Housing Secretariat is recommending a technical adjustment of \$3.500 million to correct the funding source from Debt to Fed funding in relation to Modular Housing Initiative.

## **Toronto Paramedic Services (PS)**

PS is recommending adjustments to project cash flows in order to reflect the project delivery schedules and program requirements. Overall, these month 4 adjustments reflect a total net cash flow increase of \$8.650 million to the 2023 Capital Budget and 2024-2032 Capital Plan from Provincial Grant and PS Equipment Reserve XQ1019.

a) The addition of funding in the amount of \$2.200 million received from the Ministry of the Solicitor General is to invest in new Next Generation (NG) 9-1-1 technology and associated costs, including hardware, software, and licensing costs, project



management, project resourcing including consultant fees, additional training and change management.

b) The addition of funding requested for Medical Equipment Replacement in 2023 in the amount of \$6.450 million is for the purchase of 325 X-Series Advanced Zoll Cardiac Monitors with delivery in 2023. Funding source is PS Equipment Reserve Fund (XQ1019).

### **Transit Expansion**

Transit Expansion is recommending a budget reallocation of \$0.183 million from Flood Protection Program (CCI111-03) to Flood Protection for Boardview / Eastern (CCI116-01).

### **Transportation Services**

Budget adjustments and reallocations are recommended to award or complete Port Union Road Improvements, Peel and Gladstone Road Improvements, and additional work from Metrolinx funded primarily from Development Charges of \$8.927 million and third party funding (Metrolinx) of \$39.926 million. Reallocations of cash flow are also requested for the West Toronto Rail Path Extension project to better improve tracking of expenditures.

### **Customer Experience**

Effective January 1, 2023, the City is initiating the evolution of 311 Toronto into an expanded Customer Experience Division bringing together three Corporate Services groups including 311 Toronto, the Customer Experience Transformation (CET) program, and part of the Customer Experience and Innovation team within Technology Services.

The CET program project "Channel & Counter Strategy" (C&C) is currently residing within Corporate Real Estate Management (CREM) and as part of the reorganization, this project is being transferred from CREM to the new Customer Experience (CX) Division.

The requested adjustment includes transfer of Channel & Counter (C&C) budget of \$5.281 million from CREM to CX. This is comprised of 2022 carry forward budget of \$1.247 million and 2023 new budget of \$4.034 million.

### **Corporate Real Estate Management**

In correlation of the adjustment under Customer Experience, this adjustment is related to transferring the CET program Channel & Counter (C&C) project budget of \$5.281 million to CX.

### **Fleet Services**

Fleet Services is recommending Council to approve below adjustment related to:

- A reallocation of \$0.335 million cash flow from CFL014-22 to CFL014-23 in Fire's vehicle replacement plan in 2024.
- A deferral of \$0.168 million funding from 2023 to 2024 for Library Vehicle/Equipment Purchases to match contributions to the reserve which were reduced as an affordability measure.
- A reallocation of \$0.002 million cash flow from CFL053-22 to CFL053-23 to support purchase of tools and equipment in 2023.

### **Chief Information Security Office (CISO)**

CISO is recommending a reallocation of \$0.283 million funding from Digitization Support Services to Cyber Foundation to meet cyber security prioritized actions and enhance the City's cyber posture.

### **TO Live**

The recommended 2023 in-year adjustment for TO Live reallocates 2023 cash flow funding of \$0.396 million from Meridian Hall - Theatre Systems, Meridian Arts Centre - Health and Safety Upgrades - COVID-19, and Meridian Arts Centre - Technical Theatre Improvements, Meridian Arts Centre - Performance Rigging, Meridian Arts Centre - Performance Portable Lighting Equipment, and St. Lawrence Centre for the Arts - SOGR Projects to a new SOGR project to the Adopted 2023 Capital Budget for TO Live. The Meridian Arts Centre requires undergoing repairs to the Hydro Vault system in order to avoid service disruption and safety concerns. This in-year budget adjustment will create a new project "Meridian Arts Centre - Hydro Vault Repairs" with project cost of \$0.396 million, through the reallocation of other projects, as noted above.

This in-year budget adjustment results in zero debt impact to the 2023 Council Adopted Capital Budget for TO Live.

### **Toronto Public Library**

Toronto Public Library is recommending a 2023 budget reallocation of \$1.0 million gross and CFC funding from the Toronto Reference Library project to the Northern District Library Exterior project. When the contractor began the repair work on the building exterior at the Northern District Library, they discovered the structural concrete block walls behind the brick veneer had significant deterioration from water penetration. Additional funding is required to remove all the brick veneer from the walls and the concrete block structural back up walls. Additional funding is also required for work needed on the East side property line as a result of structural integrity concerns of the existing retaining wall due to site grading. This in-year budget adjustment will change the scope of the Northern District Library Exterior project and increase the total project cost to \$3.205 million. City Council's authority is requested to amend the 2023 Capital Budget for Toronto Public Library by reallocating project cash flows to reflect the project

delivery schedules and program requirements. The adjustments will have a zero dollar impact on the 2023 TPL Adopted Capital Budget.

### **Toronto Transit Commission (TTC)**

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

- a) \$40.6 million reallocation of funding between projects to accelerate/defer work and/or transfer scope to reflect timing and scheduling of projects and align with year-end projections.
- b) \$349 million additional funding to recognize federal funding from Infrastructure Canada's ZETF program for the purchase of buses and charging infrastructure as well as \$0.3 million from Pattison for capital work related to digital advertising infrastructure.

### **Solid Waste Management Services (SWMS)**

SWMS is recommending adjustments on project cash flows to reflect program requirements. Overall, they reflect a total net cash flow reallocation of \$15.914 million within the 2023 Capital Budget, Reserve Fund and recoverable debt funded. This is comprised of the following adjustments:

- a) Reallocation of \$11.528 million between various Infrastructure & Resource Management projects. Funds have been reallocated to cover anticipated increased costs to be incurred in 2023.
- b) Reallocation of \$2.607 million between various Transfer Stations & Landfill Operations projects. Funds have been reallocated to cover anticipated increased costs to be incurred in 2023 relating to Green Lane Landfill.
- c) Reallocation of \$1.375 million between various Business Services IT projects. Funds have been reallocated to cover anticipated increased costs to be incurred in 2023.
- d) Reallocation of \$0.180 million between various Collection & Litter Operations and Policy, Planning & Outreach projects. Funds have been reallocated to cover anticipated increased costs to be incurred in 2023.

### **Toronto Parking Authority (TPA)**

TPA is recommending reallocations of funding totalling to \$15.894 billion in Q1- 4M between projects to reprioritize the TPA capital budget at the project level. These adjustments include the consolidation and funding reallocation among various projects such as Bike Share Purchases, CP 43 Stairwell Rehabilitation, EV Consultants and EV Charging Programs. The net financial impact is netted to zero.

## **CONTACT**

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## **SIGNATURE**

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Heather Taylor  
Chief Financial Officer and Treasurer

## **ATTACHMENTS**

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Appendix 1 2023 Capital Variance Summary for the Four months Ended April 30, 2023  
Appendix 2 2023 4M Capital Projects Recommended for Full Closure  
Appendix 3 2023 4M Major Capital Projects  
Appendix 4 In-Year Adjustments for the Four months Ended April 30, 2023  
Appendix 5 2023 4M Capital Variance Dashboard by Program and Agency