

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

**Date:** April 30, 2024

**To:** Executive Committee

**From:** Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

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As part of the 2024 Budget process, the 2024-2033 Capital Budget and Plan included a combined \$1.157 billion of previously approved unspent capital projects to be carried forward to 2024-2028. This carry forward amount was based on an initial estimate as per projections available at the time of the budget development, prior to the 2023 year-end closing. With the 2023 fiscal year closed in February 2024, City Programs and Agencies have finalized the 2023 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 \$519.9 million of carry-forward funding from 2023 to future years, of which \$310.0 million to be carried to 2024 and \$209.9 million to 2025 to 2028, to enable staff to complete multi-year capital projects approved in 2023 and prior years.

With the additional carry forward request, the total capital carry forward funding will be \$1.677 billion, and the total adjusted 2024 Tax and Rate Supported Capital Budget including previously approved carry forward amount will be \$5.976 billion. The revised total carry forward funding is equivalent to 28.1% of the total 2024 Tax and Rate Supported Capital Budget.

This report also brings forward in-year Capital Budget adjustment requests for 2023 and future years, and the recommended incremental carry forward now take these changes into account. Approval of these requests is needed to provide necessary spending authority to continue with the project delivery.

### **RECOMMENDATIONS**

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The Chief Financial Officer and Treasurer recommends that:

1. City Council approve an adjustment to carry forward funding of an additional \$519.9 million from unspent capital projects funding as detailed in Appendices 1a and 1b, in order to continue work on previously approved capital projects in 2024 and beyond, and

that the 2024-2033 Tax and Rate Supported Capital Budget and Plan for respective City Programs and Agencies be adjusted accordingly.

2. City Council approve in-year budget adjustments to the 2023 and future year cash flow commitments as detailed in Appendix 2.

## **FINANCIAL IMPACT**

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In addition to the carry forward amount previously approved during the 2024 Budget process, an additional \$519.9 million in cash flow funding carried forward from 2023 to 2024 and future years is being recommended in this report, for the 2024-2033 Tax and Rate Supported Capital Budget and Plan combined.

Of the \$519.9 million carry forward funding adjustments recommended in this report, \$310.0 million gross expenditure will be added to the 2024 Capital Budget and \$209.9 million gross expenditure will be added to the future cash flow commitments in the years 2025 to 2028. Recommended carried forward funding from 2023 to 2024 and future years will not change overall project costs and associated funding.

The additional carry forward funding will increase the 2024 Tax and Rate Supported Capital Budget from \$5.666 billion to \$5.976 billion.

## **DECISION HISTORY**

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\$169.5 million of previously approved unspent capital project for Rate Program and \$987.8 million for Tax Program, for a total of \$1.157 billion, were identified as part of the Mayor's Proposed 2024 Capital Budget to be carried forward to 2024-2028 in order to continue the project delivery.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.MPB15.1>

With the 2023 fiscal year closed, this report is to seek approval for additional carry-forward adjustments based on 2023 final results. As part of the City's financial management and accountability framework, 2023 incremental 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**

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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 2023 projects. Approval of these incremental carry

forward funding adjustments will increase the total carry forward funding from \$1.157 billion to \$1.677 billion.

Based on these recommended adjustments, the total 2024 Capital Budget will increase from \$5.666 billion to \$5.976 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**

This report also recommends 2023 in-year budget adjustments detailed in Appendix 2 and summarized below.

### **Children's Services**

The in-year adjustment is related to an acceleration of \$1.407 million in future year cash flow commitments, fully funded by non-debt funding sources, to accommodate the faster than anticipated childcare projects progress in 2023, and also a reallocation of \$5.186 million to realign the funding sources for *Anishnawbe Miziwe Biik* childcare centre with zero gross and debt impact to 2023 Capital Budget for Children's Services.

### **Parks, Forestry & Recreation (PFR)**

PFR is requesting to adjust project costs and cash flow funding 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 2023 Capital Budget with PFR's capital program requirements for 2023 and beyond.

Requested adjustments include the reallocation of project costs and cash flow funding in the amount of \$0.727 million between approved projects. Additional project funding requirements due to timing of cash flow mainly related to facility and park development in 2023. The reallocation of funds will have zero gross and debt impact to the 2023 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 were able to advance ahead of schedule and require acceleration of \$65.585 million in future year cash flow commitments to 2023, offset by a deferral of \$63.126 million in cash flow funding from 2023 to the 2024-2033 Capital Plan due to delays. Additional cash flow funding requirements in 2023 are funded by various funding sources including Debt, Development Charges, Donations, Federal and Provincial Grants, and Section 42 parkland reserve.

In addition, an overall net increase in project cost and cash flow funding of \$0.895 million is required to cover additional project scope in 2023 for various park

development projects funded by non-debt funding sources and to account for Federal grant funding for improvements to community gardens.

### **Toronto Shelter and Support Services (TSSS)**

The in-year adjustment is to amend the 2023 Capital Budget and 2024-2032 Capital Plan for TSSS with an increase of \$0.529 million in gross and debt due to acceleration of future year cash flow commitments in 2023 to reflect the project delivery schedules and program requirements. In addition, TSSS is reallocating a total net cash flow funding of \$1.8 million in federal, provincial, development charges and debt funding among projects within the 2023 Capital Budget.

The adjustments include a reallocation of cash flow between various sub-projects within the *George Street Revitalization*, *1000 Shelter Beds*, and *Office Modernization* projects to align with 2023 year-end actuals (no change to project cost) as well as technical adjustments to reflect proper funding source for COVID - 19 Resilience Response projects.

### **Fire Services**

The in-year adjustment is to accelerate \$0.296 million in future year cash flow commitments from 2024 to 2023 in order to cover the cost for construction of *HUSAR Building Expansion* project that exceeds the available cash flow plan. The \$0.296 million consists of both federal funding and development charges, and the adjustment results in no change to project cost.

### **Toronto Paramedic Services**

The in-year adjustment is driven by unforeseen additional architectural services to advance on the *Multi-Function Station #2 Facility* project in 2023, as construction of the parking is now expected in 2024 as opposed to 2025. It is expected that construction tender will proceed once site plan approval and the building permit are issued by 2024 Q2. This has resulted in an over-expenditure of about \$0.021 million over 2023 budget. Thus, Toronto Paramedic Services is requesting an acceleration of \$0.021 million in debt to address the overspent. The adjustment results in no change to project cost.

### **Corporate Real Estate Management**

The in-year adjustments are related to six projects being ahead of schedule and require an acceleration in total of \$4.073 million in debt funding from 2024 future year cash flow commitments to 2023 with net zero impact to overall project cost and debt funding. As well, four projects will require a deferral of \$4.073 million into 2024 from 2023 to reflect delays due to procurement, resources constraints, and sequencing of work.

### **Technology Services Division (TSD)**

The in-year adjustments are to re-align cashflow funding between projects with accelerated spending and those experiencing delays impacting their capacity to spend.

- The adjustments are mainly to align *Enterprise Work Management System* (EWMS) project's budget with actual year-end spending. Additional vendor work and costs due to business changes and remediation impacted the project's budget by \$1.039 million. To offset this increase, TSD will receive a transfer of \$0.326 million from Toronto Water reserve and \$0.713 million from Solid Waste Management Services reserve.
- Other adjustments include reallocation of project costs and cash flow funding between approved projects, totalling \$1.338 million in reserves, prior year contribution from current, and debt funding. This is to ensure budget is aligned to actual year-end spend and to accommodate funding requirements of projects with increased costs due to scope and timeline changes. These adjustments have been fully offset by reallocating funds from other projects that are underspent and have a net zero impact to the budget.

### **Exhibition Place**

The in-year adjustment is to amend the 2023 Capital Budget and 2024-2032 Capital Plan for Exhibition Place by adjusting project costs and cash flow funding to reflect program requirements with the implementation of project scope. These adjustments have no impact to the timing of debt requirements. Requested adjustments include:

- Reduction of the unfunded third-party portion of \$4.165 million for the *Duct Bank Relocation* project as a result of delay with the third-party development.
- Reallocation of \$4.165 million from the debt financed *Soil Remediation at Lot 851* project to cover the unfunded third-party portion of the *Duct Bank Relocation* project as discussed above.

### **Toronto Public Library (TPL)**

The in-year adjustment is related to reallocation of 2023 cash flow funding of \$1.907 million from underspent projects to overspent projects. The reallocation results in zero debt impact to the 2023 Capital Budget for TPL.

TPL is also requesting an acceleration of \$4.687 million in development charges and debt from the 2024-2032 Plan to 2023 for three projects, due to the projects progressing faster than their anticipated schedules. These adjustments result in no change to project costs.

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

TTC's in-year budget adjustments consist of \$27.573 million in reallocation of funding between projects to accelerate work and/or transfer scope to reflect timing and scheduling of projects and align with year-end actuals. The adjustments also include \$11.669 million addition and reduction of funding sources, with zero net impact of on the 2023 Capital Budget, to align with year-end actuals.

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

The in-year adjustment is to amend the 2024 Capital Budget for SWMS by adjusting project costs and cash flow funding to reflect program requirements. Overall, the adjustments will reduce the 2024 Capital Budget (subsequent to incremental Carry Forward report) by \$6.598 million funded by reserve.

As well, SWMS is amending the 2023 Capital Budget to transfer 2023 allocated budget for Phase 2 of the *Enterprise Work Management System* project from SWMS to Technology Services Division. Overall, the adjustments will reduce the 2023 Capital Budget by \$0.713 million accordingly.

## **Toronto Water (TW)**

The in-year adjustment is to amend the 2024 Capital Budget for TW by adjusting project cash flow funding to reflect program requirements. Overall, the adjustments will reduce the 2024 Capital Budget (subsequent to incremental Carry Forward report) by \$65.324 million.

As well, TW is amending the 2023 Capital Budget to transfer 2023 allocated budget for Phase 2 of the *Enterprise Work Management System* project from TW to Technology Services Division. Overall, the adjustments will reduce the 2023 Capital Budget by \$0.326 million accordingly.

## **CONTACT**

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## **SIGNATURE**

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Stephen Conforti  
Chief Financial Officer and Treasurer

## **ATTACHMENTS**

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Appendix 1a - Additional Carry Forward Funding by Program  
Appendix 1b - Additional Carry Forward Funding by Project  
Appendix 2 - 2023 In-Year Adjustment Request