

## Capital Variance Report for the Four Months Ended April 30, 2024

**Date:** July 2, 2024

**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, 2024, as well as the projected 2024 year-end expenditures. Furthermore, this report seeks Council's approval for in-year budget adjustments to previous approved Capital Budget and Plan as outlined in the Appendix 3 of this report.

Table 1 below summarizes the City's 2024 actual capital expenditures compared with the 2024 Approved Capital Budget for the four-month period ended April 30, 2024, and the projected expenditures by December 31, 2024.

**Table 1: Capital Variance Summary**

Table 1					
	2024 Budget*	2024 4M Year-to-Date Expenditures		2024 Projected Year-End Expenditures	
	\$M	\$M	%	\$M	%
City Operations	3,124.4	258.0	8.3%	2,479.5	79.4%
Agencies	1,637.4	413.5	25.3%	1,621.4	99.0%
<b>Tax Supported:</b>	<b>4,761.8</b>	<b>671.5</b>	<b>14.1%</b>	<b>4,101.0</b>	<b>86.1%</b>
<b>Rate Supported:</b>	<b>1,448.3</b>	<b>172.6</b>	<b>11.9%</b>	<b>1,243.7</b>	<b>85.9%</b>
<b>TOTAL</b>	<b>6,210.1</b>	<b>844.1</b>	<b>13.6%</b>	<b>5,344.7</b>	<b>86.1%</b>

*\*Note: Includes 2023 carry forward funding*

The City's actual capital spending through the first four months of 2024 is \$844.1 million or 13.6% of the 2024 Approved Capital Budget. This is in line with the seasonal trend of historical spending pattern. The projected spending rate is 86.1% by year-end based on submissions from City Programs and Agencies. Capital spending will continue to be reviewed with updates provided in future variance reports that will benefit from actual

experience over capital intensive months. As more actual delivery materialized over the course of the year, the Programs and Agencies will provide updated spending projections.

## **RECOMMENDATIONS**

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The Chief Financial Officer and Treasurer recommends that:

1. City Council approve in-year budget adjustments to the 2024-2033 Approved Capital Budget and Plan, as well as a reallocation of funding sources for 2022 and 2023 Approved Capital Budgets, as detailed in Appendix 3.

## **FINANCIAL IMPACT**

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The capital expenditures in the first four months of 2024 totalled \$844.1 million and year-end expenditures are anticipated to increase to \$5.345 billion or 86.1% of the total 2024 Adjusted Capital budget.

Appendix 1 summarizes the Year-To-Date (YTD) spending in the first four months of 2024 and the projected year-end spending rate by City Programs and Agencies.

Appendix 3 includes recommended in-year capital budget adjustments to the 10-Year Capital Budget and Plan, which includes a net transfer of \$270.2 million from Operating to Capital Budget, a net addition funding of \$141.7 million, a total reallocation of \$62.7 million between projects, and a net acceleration of \$33.9 million which is offset by the deferral of \$28.9 million. In addition, the budget adjustment also includes a reallocation of funding source totalling \$0.2 million for 2022 and 2023 Approved Capital Budgets to align with the year-end funding requirements.

## **DECISION HISTORY**

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The 2024 Tax and Rate Supported Capital Budget of \$5.666 billion including carry forward, received municipal adoption following the Council meeting of February 14, 2024.

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

The original budget was subsequently amended by City Council through the incremental carry forward report. As a result, the total adjusted budget for 2024 is \$6.210 billion.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX14.5>

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 Approved Capital Budget and Plan in accordance with the Financial Control By-Law and the City's financial management policies.

## COMMENTS

Table 2 outlines capital actuals for Tax and Rate Supported Programs for the four months ended April 30, 2024, for major service areas.

**Table 2: Capital Variance Summary**

Table 2					
	2024 Budget	2024 4M YTD Actuals		2024 Projected Year-End Actuals	
	\$M	\$M	%	\$M	%
<b>Tax Supported Programs:</b>					
Community and Social Services	511.6	58.9	11.5%	415.9	81.3%
Infrastructure Services	1,084.3	61.3	5.7%	848.8	78.3%
Development and Growth Services	916.6	47.7	5.2%	788.7	86.0%
Corporate Services	531.3	75.6	14.2%	351.4	66.1%
Finance and Treasury Services	76.5	14.1	18.4%	70.9	92.7%
Other City Programs	4.1	0.5	12.2%	3.8	91.4%
<b>Sub Total City Operations</b>	<b>3,124.4</b>	<b>258.0</b>	<b>8.3%</b>	<b>2,479.5</b>	<b>79.4%</b>
Toronto Transit Commission (TTC)	1,304.4	343.0	26.3%	1,299.4	99.6%
Transit Expansion (a TTC program)	56.3	2.5	4.4%	56.3	100.0%
Other Agencies	276.7	68.0	24.6%	265.8	96.1%
<b>Sub Total - Tax Supported</b>	<b>4,761.8</b>	<b>671.5</b>	<b>14.1%</b>	<b>4,101.0</b>	<b>86.1%</b>
<b>Rate Supported Programs:</b>					
Solid Waste Management	88.0	11.2	12.8%	73.8	83.9%
Toronto Parking Authority	85.4	3.6	4.2%	71.3	83.5%
Toronto Water	1,274.9	157.7	12.4%	1,098.6	86.2%
<b>Sub Total Rate Supported</b>	<b>1,448.3</b>	<b>172.6</b>	<b>11.9%</b>	<b>1,243.7</b>	<b>85.9%</b>
<b>Total</b>	<b>6,210.1</b>	<b>844.1</b>	<b>13.6%</b>	<b>5,344.7</b>	<b>86.1%</b>

The following City Programs and Agencies have significant capital programs, and are the main contributors to the overall projected actuals for the year:

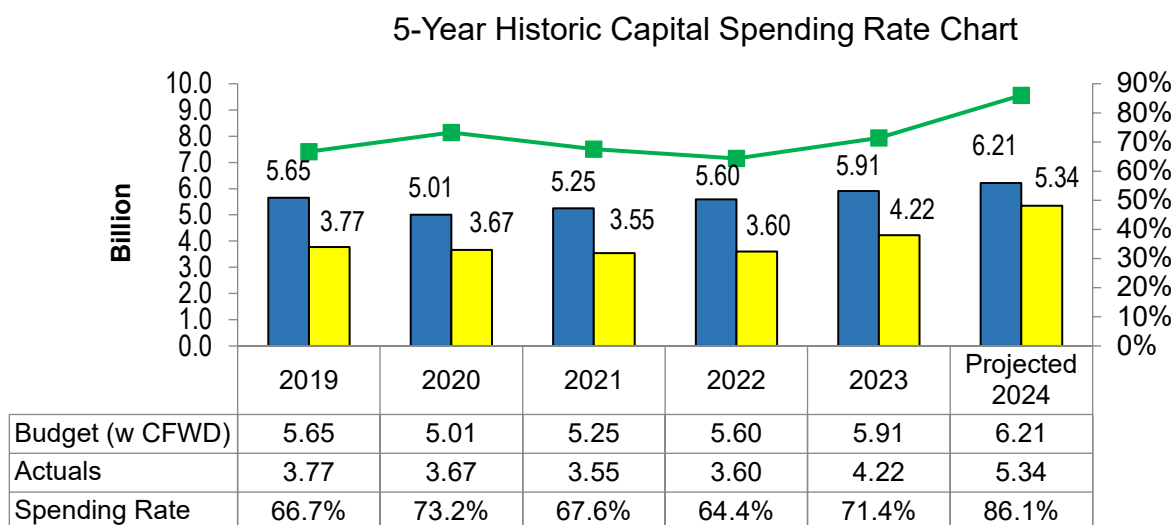
- TTC is projected to spend \$1.299 billion or 99.6% of its 2024 Approved Capital Budget. The largest areas of expenditure are expected to be as follows:
  - State of Good Repair (SOGR) projects are \$787.0 million, and the largest SOGR project being Purchase of Buses (\$184.8 million).
  - Growth projects are \$244.8 million, and the largest growth project being Purchase of Streetcars (\$218.6 million).

- Legislated are \$133.0 million, and the largest growth project being Easier Access-Phase III (\$108.8 million).
- Toronto Water is projecting to spend \$1.099 billion or 86.2% of its 2024 Approved Capital Budget. The largest areas of expenditure are expected to be as follows:
  - State of Good Repair projects are \$587.5 million, and the largest project being Watermain Replacement (\$99.9 million).
  - Service Improvement projects are \$319.3 million, and the largest project being Basement Flooding tunnel construction (\$56.3 million).
  - Growth projects were \$102.6 million, and the largest being New Service Connections – site servicing (\$32.7 million).
- Housing Secretariat is projecting to spend \$628.0 million or 89.5% of its 2024 Approve Capital Budget. The largest expenditures are expected to be for Growth projects with the largest project being Rapid Housing Initiative Phase 1-3 (\$136.5 million), and SOGR with the largest project being TCHC building repairment (\$142.7 million)

Additionally, Transportation Services and Transit Expansion under Infrastructure Services have large capital programs which have a significant impact on the overall projected spending rate. These programs have year-end projections of \$530.2 million (77.7%) and \$318.6 million (79.2%) respectively.

Figure 1 compares the actual year-end spending rate in each of the years 2019 to 2023, and the projected 2024 year-end spending rate as detailed in this report. Spending rate is the actual capital expenditures as a percentage of the full year budget including in-year adjustments and carry forward funding from prior years' unspent budget.

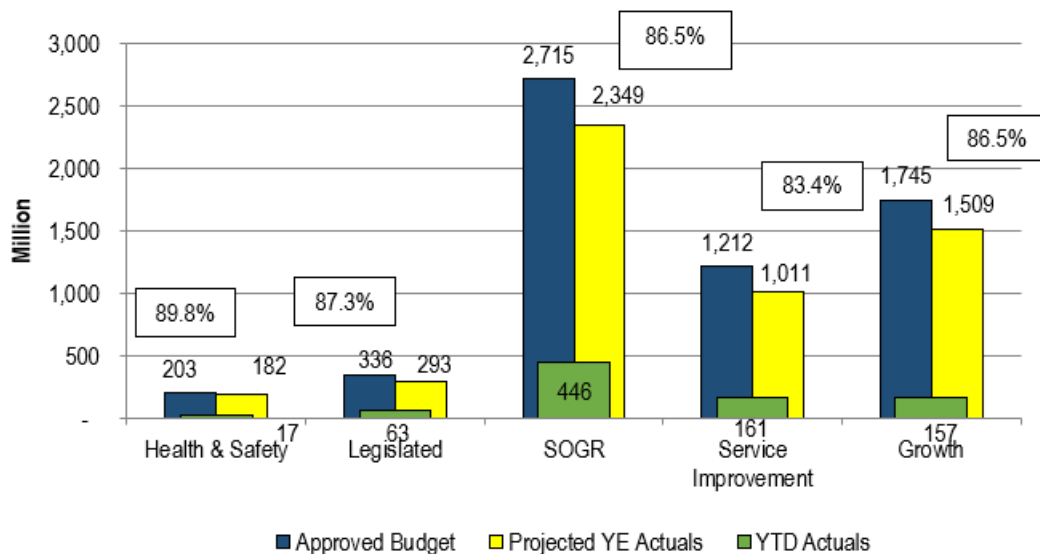
**Figure 1: 2019 - 2023 Actuals and 2024 Projected Capital Spending Rate (\$ Billions)**



As indicated in the annual chart, the City's annual spending rate is trending up from year 2019's 66.7% to 2023's 71.4%. The projected 2024 spending rate of 86.1% is to be updated in future variance reporting as more actual delivery materializes over the year.

The City's capital program encompasses five categories of capital projects: Health and Safety, Legislated, State of Good Repair, Service Improvement, and Growth Related. Figure 2 compares the 2024 Total (Tax and Rate) Approved Capital Budget, year-to-date actual spending, and projected year-end actuals for each project category.

**Figure 2: 2024 Approved Budget versus. Year-to-Date Actuals and Projected Spending by Project Category (\$ Millions)**



Health and Safety and Legislated projects are projected to have the highest spending rates, at 89.8% and 87.3% respectively. SOGR projects are expected to deliver full-year spending of \$2.715 billion (86.5%), reflecting the City's ongoing focus on SOGR work. Growth projected expenditures are expected to increase compared to previous years, reaching \$1.509 billion, or 86.5%. Service Improvement projects are anticipated to achieve a year-end spending rate of 83.4%.

Further details on the progress of all approved capital projects for each City Program and Agency can be found in Appendix 4 of this report.

## Recommended In-Year Budget Adjustments

City Council approval is required for in-year budget adjustments detailed in Appendix 3. It is recommended that Council approve the following in-year adjustments, as outlined below:

### **Children's Services**

The in-year budget adjustment is to return funding of \$0.424 million to source (Childcare Capital Reserve Fund) for the 2024-2033 capital plan as the projects on St. John The

Evangelist Catholic School, TCS Growing Child Care for Toronto, and Gilder/Gilder Satellite Child Care Centre are completed and to be closed off.

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

The in-year budget adjustment includes a funding reallocation of \$2.000 million from Reserve Funds to Federal Grant for the Indigenous Centre for Innovation and Entertainment to reflect the funding received from the Federal Government. There is no change to the scope of the project or project cost. As well, the adjustment has zero debt impact to EDC's 2024 Capital Budget.

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

The in-year budget adjustments will amend the 2024-2033 Capital Budget and Plan by adjusting project cash flows to reflect the project delivery schedules and program requirements for 2024 and beyond and have no incremental impact to the timing of debt requirements over the 10-year period.

- Acceleration and deferral of cash flow between 2024 and 2025. Several projects require realignment of cash flows to reflect project delivery timelines and require acceleration of \$11.130 million from future year cash flow commitments to 2024, offset by a deferral of \$10.238 million in cash flow from 2024 to 2025 due to delays.
- Advance Section 42 funds to replace Section 37 funds for prior years' cash flow of \$0.176 million, Section 37 funds will be deferred to future years.
- Increase of \$63.829 million in project costs and cash flow funding is required over 2024-2026 to advance the construction phases of various projects supported by multiple funding sources. Most of this increase is for advancing the ferry fleet replacement and shoreside infrastructure, amounting to \$61.000 million in 2026 funded by development charges.

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

The in-year budget adjustments will amend the 2024 Capital Budget by adjusting project cash flows to reflect the project and program requirements.

- Addition of one-time funding in the amount of \$0.650 million received from the Ministry of Health is to invest in upgrades to the CAD system.
- Reallocating \$2.100 million of approved funding to better match project funding requirements.

## ***Housing Secretariat (HS)***

The in-year budget adjustments consist of:

- Transfer \$270.203 million in third-party grant funding from the Operating to the Capital Budget to allow the Housing Secretariat to manage funds more effectively within the Capital Budget. The program is supported by Federal, Provincial, and reserve funding. This adjustment will not impact program delivery or service levels and will improve administrative and accounting workflows.
- Add funding of \$66.577 million to support the Rental Development project in 2025 to be funded from the Housing Accelerator Fund. This project will help increase housing supply and support the development of communities that are more affordable, diverse, and climate resilient.
- Accelerate \$1.253 million to realign for actual spending on Housing Now Delivery project.

## ***Waterfront Revitalization Initiative (WRI)***

The in-year budget adjustment includes a funding reduction of \$0.871 million for the Bathurst Quay Public Realm project, which is a cost-sharing initiative between WRI and PFR. Parks Forestry and Recreation's construction budget is sufficient to accommodate this reduction in WRI.

## ***Corporate Real Estate Management (CREM)***

The in-year budget adjustments will transfer \$7.000 million from the Chief Information Security Office (CISO) to CREM, as well a funding reallocation of \$2.200 million within CREM as outlined in report [GG14.18 - Redevelopment of St. Lawrence Market North - Emergency Non-Competitive Contract and Purchase Order Amendment for Contract Administration Services](#). This is to support the St. Lawrence Market North Redevelopment project, addressing outstanding change orders and ensuring the project's completion and occupancy as planned. Overall, there is a net zero impact on debt funding.

## ***Fleet Services***

The in-year budget adjustments will add funding totaling \$5.332 million for the Engineering and Construction Services project in 2024, as well as for the Corporate Real Estate Management and Solid Waste Management projects in 2025. These increases are necessary due to price escalations in the cost of vehicles and equipment. Securing this funding is crucial for acquiring these assets this year, given the long lead time needed to complete the procurement of the equipment. Without approval, delays in procurement could result in avoidable cost escalations.

Additional funding of \$4.000 million is requested for PFR to convert year-round rentals into owned assets. Assets must be procured in 2024 to be ready for the 2025 season.

All adjustments are funded through Fleet Replacement reserves with no impact on debt funding.

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

The in-year budget adjustments will realign a \$0.200 million budget from the Chief Information Security Office for the remaining implementation activities for the Privileged Access Management project to TSD.

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

The in-year budget adjustments are related to funding transfers of \$7.000 million to CREM, and \$0.200 million to TSD mentioned above.

### ***City Clerk's Office***

The in-year budget adjustments are related to:

- Additional funding of \$0.145 million to replace equipment in Toronto which is fully funded from the Clerk's Equipment Reserve with contribution from a bequest donation approved by City Council (2024.EX13.10).
- Additional funding of \$0.165 million to replace printing equipment which is fully funded from the Clerk's Equipment Reserve.

### ***Exhibition Place***

The in-year budget adjustment is related to a funding reallocation of \$2.135 million to support the procurement cost incurred on Centennial Square Installation of Indigenous Feature Wall due to price escalation. There is no impact on the overall capital budget as other projects are reprioritized.

### ***Toronto Public Health***

The in-year budget adjustment is to reallocate funding of \$0.178 million from Debt to Provincial Grants for Dental Clinic Renovation project, in aligning with the Province's commitment updated in March 2024.

### ***Toronto Police Service***

The in-year budget adjustments consist of strategies to provide funding to critical Toronto Police Service projects in 2024 to reflect project requirements and delivery timelines. This includes:

- Reallocation of \$0.170 million to the Long-Term Facility Plan - 41 Division; New Build project from the Mobile Command Centre project, as well an acceleration of \$2.900 million in funding from 2025 to 2024.



- Reallocation of \$1.506 million to the Information Technology Storage Growth project from the State-of-Good-Repair project and Long-Term Facility Plan - Facility and Process Improvement project.
- Reallocation of \$1.460 million to the Mobile Workstation Lifecycle Replacement from the Workstation, Laptop, Printer Lifecycle project.
- Reallocation of \$0.969 million to the Infrastructure Lifecycle Replacement from the Connected Officer Lifecycle replacement project, Automatic Vehicle Locator (A.V.L.) project and In-Car Camera project.
- Additional funding of \$2.300 million for replacement of information technology equipment to address the risk associated with using the equipment beyond the typical replacement period, and the amount is funded by reserves.

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

The in-year budget adjustments consist of \$45.140 million in reallocation of funding between multiple projects; as well, a net acceleration of \$18.678 million based on up-to-date project timing and scheduling. The amount is fully offset by the deferrals with no net impact on the 2024-2033 Capital Budget.

### ***Toronto Zoo***

The in-year budget adjustments consist of reallocation of funding totalling \$3.430 million between multiple projects within Toronto Zoo's 2024 Capital Budget to reflect actual spending, project requirements and delivery timelines. The adjustments have no impact on debt funding and the overall project cost and cash flows to the 2024 Capital Budget for Toronto Zoo.

### ***Solid Waste Management Services***

The in-year adjustment is related to the funding reallocation of \$3.602 million to realign project cash flows to reflect program requirements among projects. There is no net impact on the project costs or debt funding.

## **CONTACT**

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## **SIGNATURE**

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Stephen Conforti  
Chief Financial Officer and Treasurer

## **ATTACHMENTS**

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Appendix 1 2024 Capital Variance Summary for the Four Months Ended April 30, 2024  
Appendix 2 2024 Four Months Major Capital Projects  
Appendix 3 In-Year Adjustments for the Four months Ended April 30, 2024  
Appendix 4 2024 Four Months Capital Variance Dashboard by Program and Agency