

Capital Variance Report for the Six Months Ended June 30, 2024

Date: September 17, 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 six-month period ended June 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 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 six-month period ended June 30, 2024, and the projected expenditures by year-end, December 31, 2024.

Table 1: Capital Variance Summary

Table 1						
	2024 Budget*		2024 Q2 Year-to-Date Expenditures		2024 Projected Year-End Expenditures	
	\$M	\$M	\$M	%	\$M	%
City Operations	3,226.4	661.2	661.2	20.5%	2,355.5	73.0%
Agencies	1,643.1	676.6	676.6	41.2%	1,608.4	97.9%
Tax Supported:	4,869.5	1,337.8	1,337.8	27.5%	3,963.9	81.4%
Rate Supported:	1,446.2	343.2	343.2	23.7%	1,200.7	83.0%
TOTAL	6,315.7	1,681.0	1,681.0	26.6%	5,164.6	81.8%

**Note: Includes 2023 carry forward funding*

The City's actual capital spending through the first six months of 2024 is \$1.681 billion or 26.6% of the 2024 Approved Capital Budget. This is slightly better than prior year's experience. The projected year-end spending rate is 81.8% based on estimates provided by City Programs and Agencies, which is largely in line with last year's projection at the same reporting period. Capital spending will continue to be reviewed with updates provided in future variance reports that will benefit from actual experience in the months where capital expenditures are more intense. As more actual delivery

materialized over the course of the year, the Programs and Agencies will provide updated spending projections.

RECOMMENDATIONS

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 reallocations of funding sources for prior Approved Capital Budgets, as detailed in Appendix 3.

FINANCIAL IMPACT

The capital expenditures in the first six months of 2024 totalled \$1.681 billion and year-end expenditures are anticipated to increase to \$5.165 billion or 81.8% of the total 2024 Adjusted Capital budget.

Appendix 1 summarizes the Year-To-Date (YTD) spending in the first six 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. The adjustments include a net addition funding of \$120.7 million, which mainly consists of converting \$105.0 million from the previous approved future year debt estimate included in the approved 10-Year Capital Plan to future year commitment, and the remaining net additional funding of \$15.7 million is supported by the Province. On the other hand, the adjustments encompass a total reallocation and transfer of \$73.8 million between projects, and a net acceleration of \$54.3 million which is offset by the deferral of \$47.1 million. In addition, the budget adjustment also includes a reallocation of funding source totalling \$33.2 million for prior Approved Capital Budgets to align with the year-end funding requirements.

Appendix 5 details a list of projects and subprojects scheduled for closure. The majority of projects to be closed have been identified as part of a capital cleanup process. All projects have been reviewed and approved by divisions and agencies for closure.

DECISION HISTORY

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 and the in-year capital budget adjustments. As a result, the total adjusted budget for 2024 is \$6.316 billion.

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 six months ended June 30, 2024, for major service areas.

Table 2: Capital Variance Summary

Table 2					
	2024 Budget	2024 Q2 YTD Actuals		2024 Projected Year-End Actuals	
	\$M	\$M	%	\$M	%
Tax Supported Programs:					
Community and Social Services	573.0	111.0	19.4%	456.0	79.6%
Infrastructure Services	1,117.1	172.1	15.4%	907.7	81.3%
Development and Growth Services	919.4	224.6	24.4%	550.9	59.9%
Corporate Services	536.3	134.2	25.0%	367.0	68.4%
Finance and Treasury Services	76.5	18.1	23.7%	70.1	91.7%
Other City Programs	4.1	1.1	26.4%	3.8	90.5%
Sub Total City Operations	3,226.4	661.2	20.5%	2,355.5	73.0%
Toronto Transit Commission (TTC)	1,304.4	553.3	42.4%	1,289.2	98.8%
Transit Expansion (a TTC program)	56.3	4.0	7.0%	56.2	99.9%
Other Agencies	282.3	119.4	42.3%	263.0	93.1%
Sub Total - Tax Supported	4,869.5	1,337.8	27.5%	3,963.9	81.4%
Rate Supported Programs:					
Solid Waste Management	86.7	19.8	22.8%	70.9	81.8%
Toronto Parking Authority	85.4	13.2	15.4%	68.6	80.3%
Toronto Water	1,274.1	310.2	24.3%	1,061.2	83.3%
Sub Total Rate Supported	1,446.2	343.2	23.7%	1,200.7	83.0%
Total	6,315.7	1,681.0	26.6%	5,164.6	81.8%

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 \$1.289 billion or 98.8% of its 2024 Approved Capital Budget, which is materially inline with the projections provided in the 4-Month variance report. The largest areas of expenditure are expected to be as follows:
 - State of Good Repair (SOGR) projects are \$788.4 million, and the largest SOGR project being Purchase of Buses (\$183.6 million).
 - Growth projects are \$228.8 million, and the largest growth project being Purchase of Streetcars (\$218.6 million).
 - Legislated are \$146.7 million, and the largest growth project being Easier Access-Phase III (\$122.5 million).

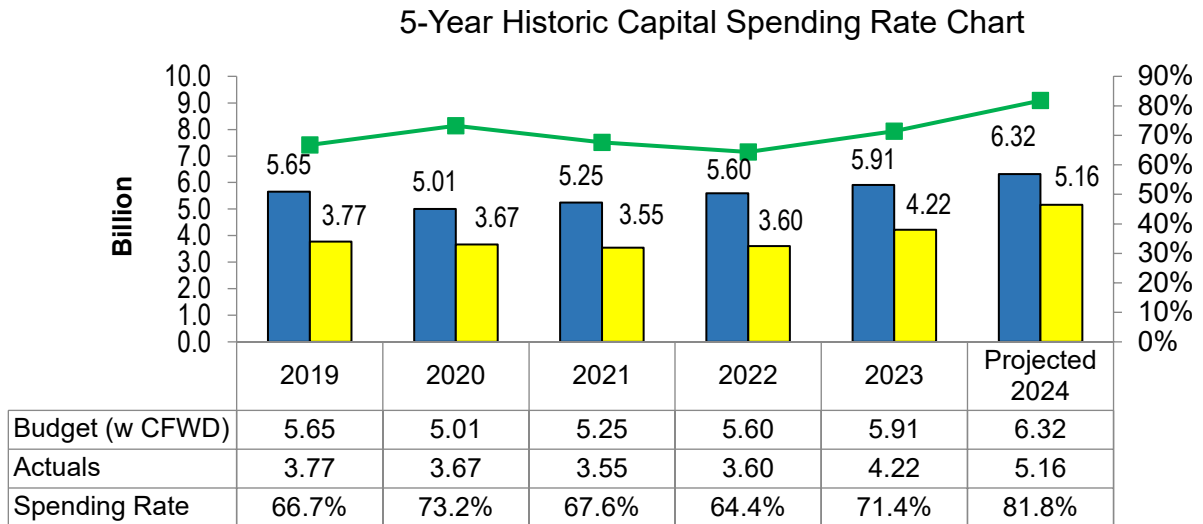
- Toronto Water is projecting to spend \$1.061 billion or 83.3% of its 2024 Approved Capital Budget. The largest areas of expenditure are expected to be as follows:
 - State of Good Repair projects are \$541.2 million, and the largest project being Watermain Replacement (\$77.9 million).
 - Service Improvement projects are \$326.9 million, and the largest project being Basement Flooding tunnel construction (\$56.1 million).
 - Growth projects were \$100.8 million, and the largest being New Service Connections – site servicing (\$32.7 million).

- Transportation Services is projecting to spend \$591.8 million or 82.8% of its 2024 Approve Capital Budget. The largest expenditures are expected to be for SOGR projects with the largest project being F.G. Gardiner (\$150.0 million), and Health and Safety with largest project being City Bridge Rehabilitation (\$73.2 million)

Additionally, Housing Secretariat 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 \$377.2 million (53.5%) and \$315.9 million (78.6%) respectively.

Figure 1 on the following page 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.

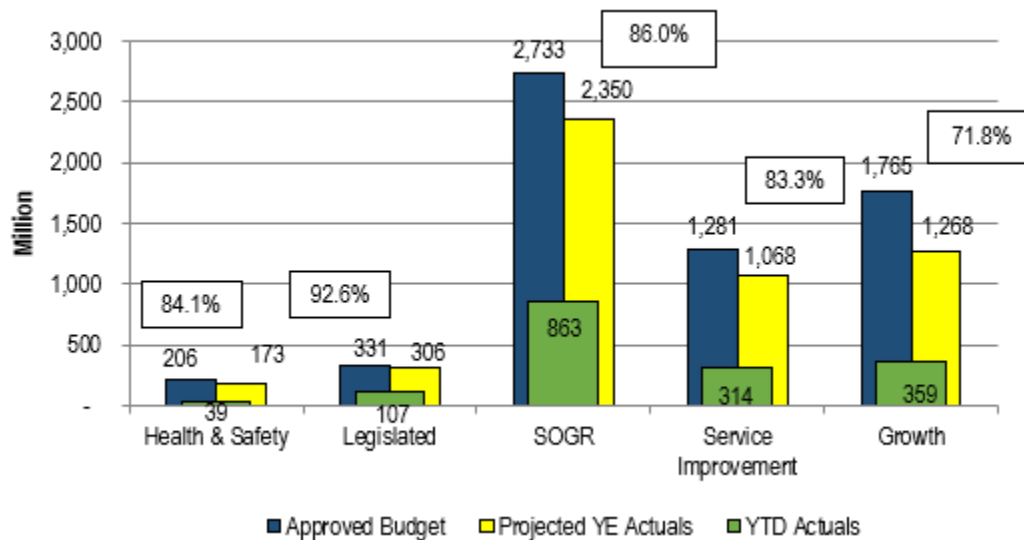
Figure 1: 2019 - 2023 Actuals and 2024 Projected Capital Spending Rate (\$ Billions)



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 81.8% is based on information and analysis as of June 30, 2024. Projections will continue to be updated in future variance reporting as more information and 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)



Legislated projects are forecasted to have the highest spending rate at 92.6%. It is followed by SOGR projects which are expected to deliver full-year spending rate of 86.0% (\$2.350 billion), reflecting the City's ongoing focus on SOGR work. Health and Safety and Services Improvements projects are projected to have the spending rates of 84.1% and 83.3% respectively. Growth projects are anticipated to achieve a year-end spending rate of 71.8%.

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 the in-year budget adjustments. The key adjustments are outlined below for City Council's reference. As well, a full summary of the adjustments, along with detailed information for each Program/Agency, is provided in Appendix 3.

Transportation Services

- To convert the previous approved future year estimate of \$105.000 million that are included in the approved 10-Year Capital Plan to future year commitment for State of Good Repair and Service Improvement needs enabling the advancement of future year contractual commitments. These funds are for awarding the contracts involving future commitments for City bridge rehabilitation, local road rehabilitation, and cycling infrastructure.
- Additional funding of \$72.700 million to align with City Council's decision of [EX16.1 - Acceleration of the State of Good Repair Design-Build Contract for the F.G. Gardiner Expressway Rehabilitation Section 2](#), and to accelerate the State of Good Repair Design-Build Contract for the F.G. Gardiner Expressway Rehabilitation Section 2 - Dufferin Street to Strachan Avenue and Enhanced Congestion Management Measures.

Housing Secretariat (HS)

- The Province has provided the City with \$114.000 million through the Building Faster Fund (BFF). HS is required to use these funds to meet the 2024 milestones and targets outlined in the BFF investment plan. As a result, HS is allocating \$84.000 million to various projects in 2024, which consists of an additional funding of \$53.967 million. Considering project readiness and delivery capacity, HS is requesting the deferral of \$53.967 million in federally funded projects from 2024 to 2025 for the 25-35 Bellevue and 7-9 Wardlaw locations.
- Projects totaling \$68.986 million have been reduced in the 2025-2033 plan to realign cash flows with updated timelines and account for the financial impact of reduced development charges resulting from Bill 23 (More Homes Built Faster Act, 2022).

Parks, Forestry & Recreation

- An increase of \$4.117 million in 2025 and 2026 cash flows and project cost, mainly to advance projects which are currently underway: support the procurement in Victoria Memorial Square Park (Ward 10); receive grant funding for the redevelopment and reconstruction of L'Amoreaux Kidstown Waterpark (Ward 22); replace the Tam Heather Tennis Dome (Ward 24); build a new dogs off leash area in a new parcel of parkland (Ward 25); and improve the Royal Rouge Tot Lot (Ward 25).

Closing of Capital Projects/Subprojects

Appendix 5 details a list of projects and subprojects scheduled for closure. The list reflects the work undertaken as part of the City's 2024 Capital Cleanup process and prepare for data migration a new financial system as part of the Financial Systems Transformation Project. All the projects have been reviewed and approved by Divisions and Agencies for closure.

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix 1 2024 Capital Variance Summary for the Six Months Ended June 30, 2024
Appendix 2 2024 Six Months Major Capital Projects
Appendix 3 In-Year Adjustments for the Six months Ended June 30, 2024
Appendix 4 2024 Six Months Capital Variance Dashboard by Program and Agency
Appendix 5 Capital Projects and Subprojects Closure (Clean up)