

Capital Variance Report for the Nine Months Ended September 30, 2024

Date: November 25, 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 nine-month period ended September 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 nine-month period ended September 30, 2024, and the projected expenditures by year-end, December 31, 2024.

Table 1: Capital Variance Summary

Table 1					
	2024 Budget*	2024 Q3 Year-to-Date Expenditures		2024 Projected Year-End Expenditures	
	\$M	\$M	%	\$M	%
City Operations	3,279.7	1,148.1	35.0%	2,119.1	64.6%
Agencies	1,643.0	1,026.6	62.5%	1,545.1	94.0%
Tax Supported:	4,922.7	2,174.7	44.2%	3,664.2	74.4%
Rate Supported:	1,445.8	590.4	40.8%	1,128.5	78.1%
TOTAL	6,368.5	2,765.1	43.4%	4,792.7	75.3%

**Note: Includes 2023 carry forward funding*

The City's actual capital spending for the first nine months of 2024 totals \$2.765 billion, or 43.4% of the 2024 Approved Capital Budget. This is in line with the experience from the previous year. The projected year-end spending rate of 75.3%, based on projections from City Programs and Agencies, closely aligns with last year's forecast for the same reporting period. Capital spending will continue to be monitored, with updates to be provided in the year-end variance report to reflect annual expenditures.

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 nine months of 2024 totalled \$2.765 billion and year-end expenditures are anticipated to increase to \$4.793 billion or 75.3% of the total 2024 Adjusted Capital budget.

Appendix 1 summarizes the Year-To-Date (YTD) spending in the first nine 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 funding increase of \$39.502 million, primarily driven by the advancements of various parks and community projects funded by non-debt sources. The adjustments encompass a total reallocation and transfer of \$31.713 million between projects, and a net acceleration of \$215.772 million which is offset by the deferral of \$176.807 million. In addition, the budget adjustment also includes a reallocation of funding source totalling \$19.740 million for prior Approved Capital Budgets to align with the year-end funding requirements.

To date \$197.5 million in funding has been received under the New Deal with the Province of Ontario for the upload of the Gardiner Expressway and Don Valley Parkway. The contribution is reflected in the City's year-to-date financial results.

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 \$6.369 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 nine months ended September 30, 2024, for major service areas.

Table 2: Capital Variance Summary

Table 2					
	2024 Budget	2024 Q3 YTD Actuals		2024 Projected Year-End Actuals	
	\$M	\$M	%	\$M	%
Tax Supported Programs:					
Community and Social Services	587.5	208.0	35.4%	402.6	68.5%
Infrastructure Services	1,154.0	377.7	32.7%	794.9	68.9%
Development and Growth Services	921.2	326.2	35.4%	520.4	56.5%
Corporate Services	536.3	208.6	38.9%	356.6	66.5%
Finance and Treasury Services	76.2	26.0	34.1%	41.4	54.3%
Other City Programs	4.5	1.6	36.1%	3.2	72.8%
Sub Total City Operations	3,279.7	1,148.1	35.0%	2,119.1	64.6%
Toronto Transit Commission (TTC)	1,323.3	835.3	63.1%	1,264.6	95.6%
Transit Expansion (a TTC program)	37.5	14.2	37.9%	25.1	67.0%
Other Agencies	282.3	177.1	62.7%	255.4	90.5%
Sub Total - Tax Supported	4,922.8	2,174.7	44.2%	3,664.2	74.4%
Rate Supported Programs:					
Solid Waste Management	86.2	35.4	41.0%	67.0	77.7%
Toronto Parking Authority	85.4	21.2	24.8%	65.7	77.0%
Toronto Water	1,274.1	533.8	41.9%	995.8	78.2%
Sub Total Rate Supported	1,445.8	590.4	40.8%	1,128.5	78.1%
Total	6,368.5	2,765.1	43.4%	4,792.7	75.3%

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

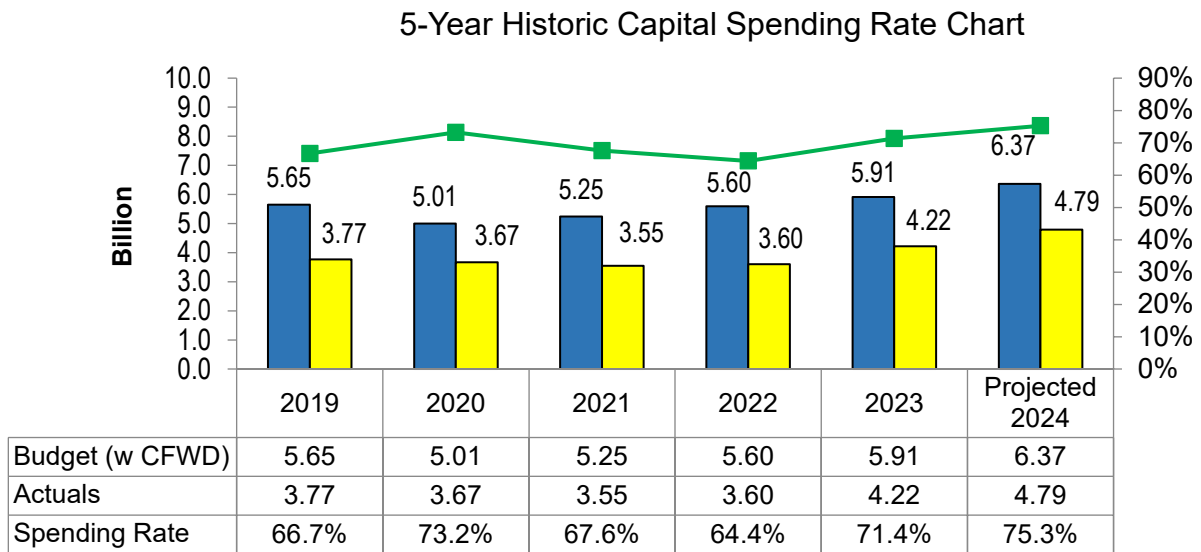
- Toronto Transit Commission is projected to spend \$1.265 billion or 95.6% of its 2024 Approved Capital Budget. The largest areas of expenditure are expected to be as follows:

- State of Good Repair projects are \$808.7 million, and the largest SOGR project being Purchase of Buses (\$183.6 million).
 - Growth projects are \$256.8 million, with the Purchase of Streetcars (\$181.7 million) representing the biggest project in this category.
 - Projects as a result of legislation are \$158.4 million, and the largest project being Easier Access-Phase III (\$133.7 million), aimed at improving subway station accessibility.
- Toronto Water is projecting to spend \$995.8 million or 78.2% of its 2024 Approved Capital Budget. The main areas of expenditure include:
 - State of Good Repair projects total \$679.9 million, with the Watermain Replacement project (\$59.3 million) having the highest projected spending.
 - Service Improvement projects amount to \$372.7 million, with Basement Flooding Tunnel Construction (\$56.7 million) representing one of the major projects in this category.
 - Growth projects add up to \$114.5 million, with New Service Connections for site servicing at \$32.9 million being the largest project.
- Transportation Services is projecting to spend \$659.2 million or 87.7% of its 2024 Approve Capital Budget. The largest expenditures are expected to be for State of Good Repair projects with the largest project being F.G. Gardiner (\$159.4 million), and Health and Safety projects with the largest being City Bridge Rehabilitation (\$69.2 million).

Additionally, Housing Secretariat and Parks, Forestry & Recreation have large capital programs which have a significant impact on the overall projected spending rate. These programs have year-end projections of \$358.3 million (50.7%) and \$273.0 million (82.3%) 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.

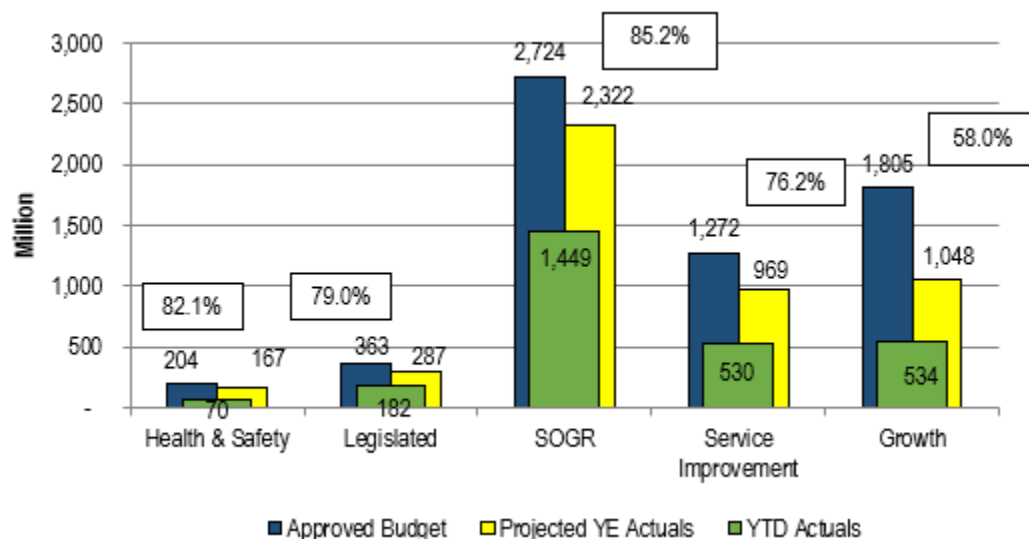
Figure 1: 2019 - 2023 Actuals and 2024 Projected Capital Spending Rate (\$ Billions)



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 75.3% is based on information and analysis as of September 30, 2024. The total actual expenditure for 2024 will be reported in the upcoming year-end variance report.

The City's capital program encompasses five categories of capital projects: Health and Safety, Legislated, State of Good Repair (SOGR), 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)



State of Good Repair projects are forecasted to have the highest spending rate at 85.2%, reflecting the City's continued focus on SOGR work. Health and Safety follows with a projected rate of 82.1%. Legislated and Service Improvements projects are expected to reach 79.0% and 76.2%, respectively, while Growth projects are anticipated to achieve a year-end rate of 58.0% due to the complexity nature of the projects in this category.

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.

Parks, Forestry & Recreation

- A net increase of \$36.920 million in project costs and cash flow funding is required for 2024-2026, primarily to advance projects supported by various non-debt funding sources. These include the Centennial Park Master Plan Implementation (Ward 2), acquisition of parkland at 386 Eglinton Avenue East (Ward 15) and 38 Holmes (Ward 18), completion of Lower Yonge Community Centre deficiency work (Ward 10), and improvements to the Stanley Park North Washroom (Ward 10).

Transportation Services

- An acceleration of \$32.287 million of funding to complete the settlement for the expropriation of 300 Commissioners Street, as per Council approved CC19.17 (<https://secure.toronto.ca/council/agenda-item.do?item=2024.CC19.17>).
- An acceleration of \$5.000 million in funding to address projects that are funded by third party proceed for projects that are ahead of schedule.

Toronto Zoo

- An increase of \$1.909 million in funding is requested for the 2024 cash flow and project cost, in relation to the federal funding contribution to the Grounds and Visitor Improvement project through the Investing in Canada Infrastructure Program. To maintain spending capacity in 2024, \$1.909 million in cash flow for the Welcome Area Construction project has been deferred to 2025, in alignment with the project's delivery timeline.

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SIGNATURE

Stephen Conforti

Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix 1 2024 Capital Variance Summary for the Nine Months Ended September 30, 2024

Appendix 2 2024 Nine Months Major Capital Projects

Appendix 3 In-Year Adjustments for the Nine months Ended September 30, 2024

Appendix 4 2024 Nine Months Capital Variance Dashboard by Program and Agency