

The Regional Municipality of York

Committee of the Whole
Finance and Administration
June 11, 2020

Report of the Commissioner of Finance

2020 Mid-Year Capital Reprofiting

1. Recommendations

1. Council approve changes to project debt requirements for 2020 Capital Spending Authority, resulting in no net change to the Debenture Proceeds, as detailed in Attachment 1
2. Council approve the gross capital budget changes and associated changes in funding sources, as well as changes to 2020 Capital Spending Authority and associated funding sources, including an increase of about \$1.4 million in Capital Spending Authority debt, as detailed in Attachments 2 and 3

2. Summary

This report seeks Council approval of reallocations between capital projects in a program group where there is a change in debt requirements, and approval of additional reallocations and expenditure requests that are beyond the scope of program group authority. Under the *Municipal Act, 2001*, Council approval of any debt for capital projects is required.

3. Background

On [December 19, 2019](#), Council approved the 2020 Budget and authorized the departments to reallocate funding between projects within a program group, subject to certain conditions.

For the majority of capital expenditures (roads, water and wastewater), there are two program groups: (1) Growth, and (2) Rehabilitation and Replacement. The use of program groups is intended to help departments deliver on the \$826-million capital budget in 2020.

Reallocating between capital projects provides the flexibility to adapt to changing and unforeseen circumstances in capital project implementation and to maximize delivery of the 2020 capital budget.

The 2020 capital budget was prepared using estimates and assumptions from the summer and fall of 2019. The reallocations in this report reflect updated project information and estimates since that time.

This report seeks Council's approval of proposed reallocations early in the construction season. Additional reprofiting may be required later in the year to address project schedule changes. Required reprofiting will be incorporated into the 2020 year-end expenditure estimates and, where applicable, the 2021 capital budget requests.

4. Analysis

The proposed reallocations are grouped into three categories

This report presents three distinct types of reallocations:

Category 1: Reallocations within a program group

- Authority for these reallocations was granted as part of the 2020 Budget approval
- In cases where a reallocation within a program group will affect a project's debt level for its 2020 Capital Spending Authority (CSA), Council approval is required to change the debt authority for that project.

Category 2: Reallocations with an expenditure offset

- Council approval is required for reallocations between projects that are not in the same program group.

Category 3: Requests without an expenditure offset

- Council approval is required to authorize expenditure or CSA increases and the proposed funding sources, where offsets are not available.

Compared to the 2019 mid-year reprofiling requests, the number of the 2020 mid-year reprofiling requests have decreased from 74 to 35 due to uncertainty at the current time. It is anticipated that further capital reallocations may be required later in the year.

Departments may reallocate funding within a program group

Council provided authority through the 2020 Budget for departments to reallocate funding between capital projects in a program group, as long as:

- There is no change in the total cost of the program group's 2020 budget and 10-year capital plan
- There is no change in the total 2020 Capital Spending Authority for the program group
- The reallocation is between projects with similar funding sources.

However, in cases where the reallocation within a program group will result in a change to a project's CSA debt authority, Council approval is required.

Attachment 1 provides details on the projects in Category 1, where the reallocation will result in a change to the project's 2020 CSA debt requirements. In total, the Category 1 program group reallocations would result in no net change in the 2020 budget, 2020 CSA, or 2020 CSA debt.

Council can approve funding reallocation outside of a program group

The proposed reprofiling under Category 2 includes reallocations with an expenditure offset outside of a program group. Both the budget change requests (including changes to Capital

Spending Authority) and associated changes in funding sources require Council approval as they fall outside of the authority provided under the budget approval.

The projects in Category 2 are receiving 2020 budget allocations through this report, as they have unanticipated spending requirements in 2020, or are new to the 10-year capital plan.

The York Durham Sewage System Forcemain Twinning project is progressing well and staff would like to take advantage of the opportunity to advance work. This requires an additional \$12.5 million in the 2020 budget and associated funding, advanced from 2021. The project is receiving federal funding from the Disaster Mitigation and Adaptation Fund (DMAF) for 40 per cent of the eligible project costs as well.

Transportation Services is requesting reallocations for projects in Transit and Roads. The Transit project, Transit Garage North, requires an additional \$3.3M in budget and CSA for 2020 to bring the project to completion. This is a result of project delay in 2019 and cost increase due to design changes. For Roads, some projects require additional budget and CSA of \$15.5M in 2020 generally due to delays in 2019 resulting in work having to be completed in 2020 offset by delays on projects planned for construction start in 2020.

Community and Health Services is requesting Category 2 reallocations between three Housing projects, two Senior Services projects, and three Paramedic Services projects that require additional budget and CSA in 2020 due to greater than anticipated project delays in 2019.

Paramedic Services is requesting a reduction in the 2020 capital budget and CSA of \$2.0 million for the Land Acquisition project, due to a combination of a \$3 million decrease for a land project in Maple closing in 2019 rather than 2020 and a \$1 million increase for a technical adjustment.

York Regional Police is requesting an additional \$265 thousand for the Air Operation's 2020 budget and CSA due to increased costs of aircraft integration. The project is scheduled to be completed in 2020. The increase will be offset from 2020 funding of the Connected Officer Modernization project, which is delayed due to vendor's implementation.

The reallocations in Category 2 result in a decrease of \$2 million to the 2020 budget and 2020 CSA, and a decrease of about \$1.4 million in 2020 CSA debt. More details on these projects are included in Attachment 2.

Requests for expenditure increases without an offset are considered on a case by case basis and require Council approval

In select cases, an increase to the budget may be requested, where no offset is available from within the capital budget. These requests have been grouped in Category 3 and generally reflect the acceleration of expenditures from later years of the 10-year capital plan. These situations are considered on an individual basis and reviewed in relation to the Region's fiscal strategy, particularly their impact on debt and reserve levels.

Council approval is required to increase 2020 Capital Budget and Capital Spending Authority for four projects

Four reprofiling requests under Category 3 are recommended for Council approval. These reprofiling adjustments would increase the 2020 budget by \$12.9 million, 2020 CSA by \$13.3 million and 2020 CSA debt by \$2.8 million.

Due to the 2019 delays on the Cornell Terminal associated with receipt of permits and inclement weather, the YRRTC Bus Rapid Transit Facilities and Terminals project requires \$8 million in the 2020 budget and CSA, to reach the substantial completion of the project. The overall project cost remains unchanged.

Due to change in timing of budgeted capital expenditures, the Administrative Centre at 17150 Yonge Street requires reprofiling of \$4.5 million in the 2020 capital budget and 2020 Capital Spending Authority of \$3.1 million, to complete the project. The overall project cost remains unchanged at \$216.5 million. The project has reached substantial completion in March 2020.

As part of the Transportation Business Initiatives project, the Mackenzie Health Elevator Pavilion requires reprofiling of \$1.8 million in Capital Spending Authority to execute a multi-year contract in 2020. The 2020 capital budget and the total project cost remain unchanged.

YorkNet's Fibre Network Delivery requires additional capital budget and Capital Spending Authority of \$0.4 million to continue network construction in 2020 due to underspending in 2019 as a result of project delays.

More details on these projects are included in Attachment 3.

Mid-year capital reprofiling supports the sound fiscal management objective of the 2020 Budget and the 2019 to 2023 Strategic Plan

The reallocation and reprofiling of expenditure budgets between capital projects support the efficient delivery of the Region's capital plan, as projects progress faster or slower than anticipated in the 2020 Budget.

The report is consistent with the 2020 Budget, as well as the 2019 to 2023 Strategic Plan objective to practice sound fiscal management.

5. Financial

Overall, the projects are tracking towards their budgets. The financial impact of the reallocations and reprofiling requests are summarized below.

Reallocations within program groups will have no net change in 2020 budget, 2020 Capital Spending Authority, or 2020 Capital Spending Authority debt. As a result of these reallocations, Council approval is required only for a change to individual project's 2020 CSA debt, as outlined in Attachment 1.

Reallocations for projects with an expenditure offset, as outlined in Attachment 2, will result in a decrease of \$2 million to the total 2020 capital budget and 2020 Capital Spending Authority. As a result of these reallocations, funding sources for several projects will change, resulting in a net decrease of \$1.4 million to debt requirements for 2020 CSA.

Reprofiling requests without an offset, identified as Category 3 and detailed in Attachment 3, will result in an increase of \$12.9 million in 2020 capital budget and \$13.3 million in 2020 Capital Spending Authority, with an increased debt requirement of \$2.8 million.

Based on all three categories, the total request to increase the CSA debt requirement, as presented for Council approval in Recommendation 2 of this report, is \$1.4 million.

Overall changes to funding sources for the 2020 gross capital expenditures are summarized in Table 1.

Table 1
Changes to funding sources for 2020 gross capital expenditures

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves		(127.2)
Debt Reduction Reserve	4,009.6	
Asset Replacement Reserves		(18,256.8)
Grants and Subsidies	9,000.0	
Other Recoveries	2,724.2	
Debenture DC	8,909.6	
Federal Gas Tax Reserves	4,670.8	
Subtotal	29,314.3	(18,384.0)
Net Increase	10,930.3	

**Numbers may not add up due to rounding*

Overall changes to funding sources for the 2020 Capital Spending Authority are summarized in Table 2.

Table 2
Changes to funding sources for 2020 Capital Spending Authority

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves		(127.2)
Debt Reduction Reserve	2,702.4	
Asset Replacement Reserves		(5,825.0)
Grants & Subsidies	4,000.0	
Other Recoveries	4,492.7	
Debenture DC	1,378.7	
Federal Gas Tax Reserves	4,670.8	
Subtotal	17,244.6	(5,952.2)
Net Increase	11,292.4	

**Numbers may not add up due to rounding*

All of the changes in funding sources noted above are feasible and consistent with the Region's approved [Fiscal Strategy](#).

6. Local Impact

The reprofiling changes outlined in this report help ensure that infrastructure delivery is maximized within the approved expenditures throughout the Region. Construction progress on various projects within local municipalities is expected to be in line with the revised timing of expenditures.

7. Conclusion

Reallocations between capital projects are an established practice. As the budget year progresses, the intent is to reallocate funding from projects that are progressing slower than anticipated or where cost savings have been realized to projects that are progressing faster than planned or experiencing cost pressures, thereby maximizing delivery of the capital plan.

Summaries of the reallocations have been appended to this report.

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext 71611. Accessible formats or communication supports are available upon request.

Recommended by: **Laura Mirabella, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

May 27, 2020
Attachments (3)
10724748