

The Regional Municipality of York

Committee of the Whole
Finance and Administration
June 10, 2021

Report of the Commissioner of Finance

2021 Mid-Year Capital Reprofiting

1. Recommendations

Council approve the gross capital budget changes and associated changes in funding sources, as well as changes to 2021 Capital Spending Authority and associated funding sources, including an increase of about \$1.0 million in Capital Spending Authority debt, as detailed in Attachments 1 and 2.

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.

Key points:

- The total reprofiling request includes an increase of \$1.0 million in Capital Spending Authority debt, \$17.7 million in the 2021 Budget, and \$16.4 million in Capital Spending Authority

3. Background

On [March 25, 2021](#), Council approved the 2021 Budget and authorized the departments to reallocate funding between projects within a program group, subject to certain conditions.

In larger capital plans, such as Roads, Water or Waste Management, the services are broken down into program groups such as “Rehabilitation and Replacement” and “Growth”. For smaller capital plans, such as Forestry, Paramedic Services, Court Services, YorkNet, and Finance, the whole service is a program group.

Reallocating between capital projects provides the flexibility to adapt to changing and unforeseen circumstances in capital project implementation and to maximize delivery of the \$763 million 2021 capital budget.

The 2021 capital budget was prepared using estimates and assumptions from the summer and fall of 2020. 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 reprofiling may be required later in the year to address project schedule changes. Required reprofiling will be incorporated into the 2021 year-end expenditure estimates and, where applicable, the 2022 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 2021 Budget approval, subject to program group conditions being met.
- In cases where a reallocation within a program group will affect a project's debt level for its 2021 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 or have dissimilar funding sources.

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 2020 mid-year reprofiling requests, the number of the 2021 mid-year reprofiling requests have decreased from 35 to 33. 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 2021 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 2021 budget and 10-year capital plan
- There is no change in the total 2021 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.

As part of the 2021 Capital Reprofitting Report this year, there are no Category 1 requests that require Council approval, and there is no net change to the 2021 Budget, 2021 CSA, or 2021 CSA debt authority.

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 2021 budget allocations through this report, as they have unanticipated spending requirements in 2021.

Transportation Services is requesting reallocations for projects in Transit and Roads. The Transit project, 55 Orlando Garage Expansion, requires an additional \$2M in 2021 CSA. This is a result of project reassessment to reflect current market prices. For Roads, some projects require additional budget and CSA of \$13.5M in 2021. This is generally due to delays in 2020 resulting in work having to be completed in 2021 and is offset by delays on projects planned for construction start in 2021.

York Regional Police is requesting an additional \$0.2 million in 2021 budget and CSA for Air Operations due to unanticipated repairs and increased costs of aircraft integration. York Regional Police have identified an offset for this request by reallocating available expenditures from another capital project.

The reallocations in Category 2 result in no change to the 2021 Budget and 2021 CSA, and a decrease of about \$1.4 million in 2021 CSA debt. More details on these projects are included in Attachment 1.

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 2021 Capital Budget and Capital Spending Authority for six projects

Six reprofiling requests under Category 3 are recommended for Council approval. These reprofiling adjustments would increase the 2021 Budget by \$17.7 million, 2021 CSA by \$16.4 million and 2021 CSA debt by \$2.4 million.

Community and Health Services is requesting increases of \$3.9 million for Unionville Seniors Affordable Housing Development and \$0.2 million for Woodbridge Redevelopment for work carried over into 2021 following construction delays in 2020. Total cost remains unchanged for both projects.

YorkNet is requesting a 2021 budget increase of about \$1.4 million by moving 2022 expenditures forward to prepurchase material for the fibre network to avoid potential supply shortages caused by global external factors, including production shutdowns and the COVID-19 pandemic. The increase will allow YorkNet to secure materials and mitigate possible shortages in the future that could disrupt construction and project delivery. This request results in no change in total project cost or 2021 CSA.

York Region Rapid Transit Corporation is requesting \$3.5 million for Bus Rapid Transit (BRT) Facilities and Terminals, \$3.5 million for the Toronto York Spadina Subway Extension (TYSSE) and \$3.3 million for Yonge Subway Extension Consultant Design & Preliminary Engineering. The increases are for completion of work carried over from 2020 as well as a reallocation of \$0.9 million in budgeted expenditures from TYSSE to BRT Facilities and Terminals for Fare Collection Equipment at the SmartVMC Terminal. As a result of the reallocation, total project cost for TYSSE will decrease from \$1,329.2 million to \$1,328.3 million and total project cost for BRT Facilities and Terminals will increase from \$213.9 million to \$214.8 million.

More details on these projects are included in Attachment 2.

The Treasurer has adjusted the Budget to reflect new or additional external funding for 5 projects

When Council approved the 2021 Regional Budget it authorized the Treasurer to adjust the Budget for any additional provincial and/or federal funding provided there is no tax levy impact.

Since the Budget was approved, the Region has received funding approval through the federal government's Investing in Canada Infrastructure Program (ICIP) COVID-19 Resilience Stream and the provincial government's Social Services Relief Fund (SSRF) for projects in Transportation Services, Community and Health Services and Corporate Services. The adjustments to the budgets for these departments are shown in Table 1.

Table 1
Budget adjustments to reflect new or additional external funding

Department	Project	External Funding Adjustment (\$000's)	Regional Funding Adjustment (\$000's)	Overall Adjustment (\$000s)
<u>Investing in Communities Infrastructure Program (ICIP) COVID-19 Resilience Stream</u>				
Transportation Services	TT82190 : Bus Terminals, Loops & Stops – Replacement	850.0	(850.0)	-
Community and Health Services	H54696 : Paramedic Services Station - Current Rehab/Refresh	700.0	(528.7)	171.3
Corporate Services	14703 : Corporate Facilities Asset Renewal	650.0	(650.0)	-
<u>Social Services Relief Fund (SSRF)</u>				
Community and Health Services	H67926 : Modular Housing Demo Project	300.0	-	300.0
Community and Health Services	H67929 : Modular Housing Demo Project – Leeder Place / East Gwillimbury (New Project)	6,000.0	-	6,000.0
Total		8,500.0	(2,028.7.0)	6,471.3

ICIP- and SSRF-funded expenditures must be incurred by December 31, 2021 to be eligible for funding.

As a result of these adjustments, the Region's 2021 budgeted capital expenditures increased by \$6.47 million (\$8.50 million grant funding offset by a \$2.03 million reduction in Regional funding). The Regional funding adjustments result in lower reserve draws and no impact on tax levy.

Mid-year capital reprofiling supports the sound fiscal management objective of the 2021 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 2021 Budget.

The report is consistent with the 2021 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 the 2021 Budget, 2021 Capital Spending Authority, or 2021 Capital Spending Authority debt.

Reallocations for projects with an expenditure offset, as outlined in Attachment 1, will result in no change to the total 2021 capital budget and 2021 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 2021 CSA.

Reprofiling requests without an offset, identified as Category 3 and detailed in Attachment 2, will result in an increase of \$17.7 million in 2021 capital budget and \$16.4 million in 2021 Capital Spending Authority, with an increased debt requirement of \$2.4 million.

Based on all three categories, the total request to increase the CSA debt requirement, as presented for Council approval in Recommendation 1 of this report, is \$1.0 million.

Reprofiling changes to funding sources as outlined in Attachment 1 and 2 for the 2021 gross capital expenditures are summarized in Table 2.

Table 2
Changes to funding sources for 2021 gross capital expenditures

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves	3,984.7	
Asset Replacement Reserves	75.0	
General Capital Reserves	71.7	
Development Charge Reserves	270.6	
Grants and Subsidies	9,177.5	
Other Recoveries	2,808.6	
Debenture (Development Charges)	969.7	
Roads Capital Acceleration Reserve		(1,120.9)
Federal Gas Tax Reserves	1,510.2	
Subtotal	18,868.0	(1,120.9)
Net Increase	17,747.1	

**Numbers may not add up due to rounding*

Reprofiling changes to funding sources as outlined in Attachment 1 and 2 for the 2021 Capital Spending Authority are summarized in Table 3.

Table 3
Changes to funding sources for 2021 Capital Spending Authority

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves	3,984.2	
Asset Replacement Reserves	75.0	
General Capital Reserves	71.7	
Development Charge Reserves	216.6	
Grants & Subsidies	9,177.5	
Other Recoveries	2,808.6	
Debenture (Development Charges)	969.7	
Roads Capital Acceleration Reserve		(1,120.9)
Federal Gas Tax Reserves	204.2	
Subtotal	17,507.5	(1,120.9)
Net Increase	16,386.6	

**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.

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Attachments (2)
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