

# The Regional Municipality of York

Committee of the Whole  
Finance and Administration  
June 16, 2022

Report of the Commissioner of Finance

## 2022 Capital Reprofiting Report

### 1. Recommendations

Council approve the 2022 gross capital expenditure changes and associated funding sources, as well as changes to 2022 Capital Spending Authority and associated funding sources, including an increase of \$13.2 million in Capital Spending Authority debt, as detailed in Attachments 1, 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 that was approved as part of the 2022 Budget.

Key points:

- The total reprofiting requests include an increase of \$17.5 million in 2022 budgeted capital expenditures, \$32.9 million in Capital Spending Authority (CSA), and \$13.2 million in Capital Spending Authority (CSA) debt.
- Most of the proposed changes reflect revised project timing and have no impact on 2022 Budget or CSA. Requested changes for seven capital projects result in an incremental budget ask due to higher-than-expected tender estimates and material costs, as well as project accelerations or scope changes.
- The impacts of the proposed changes on the Region's Fiscal Strategy will inform debt and reserve levels as part of the development of the 2023 Budget.
- Capital reprofiting supports the sound fiscal management objective of the 2022 Budget and the 2019 to 2023 Strategic Plan.

### 3. Background

On [December 16, 2021](#), Council approved the 2022 Budget and the authority to reallocate expenditures and funding between projects in a program group, subject to the following conditions:

- No change in the 2022 and 10-year capital plan total expenditures for the program group
- No change in the 2022 multi-year Capital Spending Authority for the program group
- The reallocation is between projects with similar funding sources
- No change in 2022 debt authority for any project

In larger capital plans, such as Roads, Transit, Water or Wastewater, the services are broken down into program groups such as “Rehabilitation and Replacement” and “Growth”. For smaller capital plans, such as Forestry, Energy Management, Paramedic Services, Public Health, Court Services, YorkNet, and Finance, the whole service area is considered 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 \$980 million 2022 capital budget.

The reallocations requested in this report are beyond the scope of program group authority noted above and as such require Council approval.

## 4. Analysis

### **Proposed reallocations requiring Council approval are grouped into three categories**

Category 1: Reallocations within a program group with similar funding sources resulting in a change to CSA debt authority

- Council approval to change the debt authority is required in cases where a reallocation within a program group affects a project’s debt level for its 2022 Capital Spending Authority.

Category 2: Reallocations with an expenditure offset between different program groups and/or different funding sources

- Council approval is required for reallocations between projects that are not in the same program group, or within the same program group but with different 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 2021 June Capital Reprofitting Report, the number of 2022 capital reprofiling requests requiring Council approval has increased from 33 to 45.

## **Council approval is required for reallocations that change Capital Spending Authority debt (Category 1) and for reallocations across program groups or with different funding sources (Category 2)**

The reallocations outlined in Category 1 result in no change to the approved 2022 Budget, 2022 CSA, or total 2022 CSA debt. While total 2022 CSA debt is not changing, Council approval is required to authorize the change in CSA debt at the project level. More details on these projects are included in Attachment 1.

The reallocations outlined in Category 2 result in no change to the approved 2022 Budget or 2022 CSA, and a decrease of \$2.9 million in 2022 CSA debt. More details on these projects are included in Attachment 2.

## **Council approval is required to increase 2022 Capital Budget and Capital Spending Authority where no offset is available (Category 3)**

In select cases, an increase in expenditure or CSA may be requested, where no offset is available from within the approved 2022 capital budget. These requests are identified as Category 3 and generally reflect the acceleration of expenditures from later years of the 10-year capital plan or underspending re-budgeted from the previous year. 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.

There are 14 reprofiling requests under Category 3 that are recommended for Council approval, 7 of which are entirely related to 2021 underspending. The total category 3 reprofiling adjustments would increase the 2022 Budget by \$17.5 million, 2022 CSA by \$32.9 million and 2022 CSA debt by \$16.1 million.

Public Works - Transportation is requesting \$25.3 million in additional 2022 CSA. Of this amount, \$16.5 million is due to a scope change for the Yonge Street – Davis Drive to Green Lane project, with the remaining \$8.8 million due to tender estimates higher than expected on that project and two others. The additional CSA will allow Public Works - Transportation to sign multi-year contracts and will have no impact on 2022 expenditures. Increased expenditures for 2023 and beyond will be addressed through the 2023 Budget process.

Public Works - Environment is requesting \$15 million in additional 2022 expenditures for water infrastructure emergency repair and acceleration of Jane-Dufferin Collector Sewer rehabilitation. These requested changes will have no impact on CSA.

Community and Health Services is requesting \$5.1 million in additional 2022 CSA for the 62 Bayview Parkway Affordable Housing Development project to allow for the pre-construction architectural contract to be signed. The requested change will have no impact on 2022 expenditures. Increased expenditures for 2023 and beyond will be addressed through the 2023 Budget process.

York Region Rapid Transit Corporation (YRRTC), Property Services, YorkNet, and Court Services are requesting additional 2022 expenditures and CSA totalling \$2.5 million, entirely related to 2021 underspending being re-budgeted into 2022. YRRTC's requested expenditure and CSA increases total \$1 million for Bus Rapid Transit Facilities and Terminals, Toronto York

Spadina Subway Extension and Rapid Transit Initiatives. Property Services requested expenditure and CSA increases total \$1.3 million for Transportation Business Initiatives and facilities rehabilitation. YorkNet's requested increase of \$0.84 million in 2022 expenditures and CSA is for the Connect to Innovate project and will allow the project to be completed this year. Court Services is requesting \$0.72 million in 2022 expenditure and CSA for the Courtroom Renovations project.

More details on these projects are included in Attachment 3.

### **In January, a Budget adjustment was approved to reflect \$2.3M in new external funding to support affordable housing**

As part of Council's approval of the 2022 Regional Budget, the Treasurer was authorized to adjust the Budget for any additional provincial and/or federal funding provided there is no tax levy impact. In January, the Treasurer approved an adjustment to the Community and Health Services (CHS) budget to reflect a \$2.3 million forgivable loan from the Canada Mortgage and Housing Corporation's (CMHC's) Co-Investment Fund for the Stouffville Affordable Housing Development project (H67919). As a result, the project's Capital Spending Authority was increased to reflect the additional funding, with the associated expenditures expected to be requested through the 2023 Budget.

### **Further capital budget and funding adjustments may be required later in 2022**

In December 2020, Council approved the Transit Fleet Electrification Plan, providing a defined phased approach to transition to fully electric fleet by 2050. To help offset capital program costs, the Region's application for the federal Zero Emission Transit Fund (ZETF) is in progress, and project costs include approximately \$350 million between 2023 and 2025. Additional budget adjustments are being requested through the June 16, 2022, Accelerating Fleet Electrification Zero Emission Transit Fund Application Council Report to incorporate the acceleration of the plan. These budget adjustments are conditional on the acceptance of the Region's Zero Emission Transit Fund application. If funding approval is received closer to year-end, activities in 2022 may be limited to the initiation of procurements for vehicle deliveries in 2023 to 2025.

## **5. Financial**

The financial impact of the reallocations and reprofiling requests are summarized below.

Reallocations within a program group resulting in a change to 2022 CSA debt levels for any projects, identified as Category 1 and detailed in Attachment 1, will result in no change to 2022 Budget, 2022 CSA, or total 2022 CSA debt authority.

Reallocations between projects with an expenditure offset outside of a program group or with different funding sources, identified as Category 2 and detailed in Attachment 2, will result in no change to the total 2022 Budget or 2022 CSA. As a result of these reallocations, funding sources for several projects will change, resulting in a net decrease of \$2.9 million in the 2022 CSA debt requirement.

Reprofiling requests without an expenditure offset, identified as Category 3 and detailed in Attachment 3, will result in an increase of \$17.5 million in the 2022 Budget and \$32.9 million in 2022 CSA, with an increased debt requirement of \$16.1 million.

Based on all three categories, the total increase in 2022 CSA debt is \$13.2 million, as presented for Council approval in Recommendation 1 of this report,

Changes to 2022 gross expenditure funding sources for the reprofiling requests detailed in Attachment 1, 2 and 3 are summarized in Table 1.

**Table 1**  
**Changes to funding sources for 2022 gross capital expenditures**

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves		(3,403.3)
Debt Reduction Reserve		(1,051.0)
Asset Replacement Reserves	10,184.9	
General Capital Reserves	1,491.8	
Development Charge Reserves	3,278.4	
Grants and Subsidies	9,673.1	
Other Recoveries		(6,721.5)
Debenture	134.6	
Roads Capital Acceleration Reserve		
Canada Community-Building Fund Reserve (formerly Federal Gas Tax Reserve)	3,933.8	
<b>Subtotal</b>	<b>28,696.6</b>	<b>(11,175.9)</b>
<b>Net Increase</b>	<b>17,520.7</b>	

*\*Numbers may not add up due to rounding*

Changes to 2022 CSA funding sources for the reprofiling requests detailed in Attachment 1, 2 and 3 are summarized in Table 2.

**Table 2**  
**Changes to funding sources for 2022 Capital Spending Authority**

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves	6,782.9	
Debt Reduction Reserve		(97.0)
Asset Replacement Reserves		(4,665.1)
General Capital Reserves	379.8	
Development Charge Reserves	3,278.5	
Grants & Subsidies	49,500.4	
Other Recoveries		(37,966.5)
Debenture	13,204.9	
Roads Capital Acceleration Reserve	313.1	
Canada Community-Building Fund Reserve (formerly Federal Gas Tax Reserve)	2,145.8	
<b>Subtotal</b>	<b>75,605.4</b>	<b>(42,728.6)</b>
<b>Net Increase</b>	<b>32,876.7</b>	

*\*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 requests outlined in this report help ensure that infrastructure delivery is maximized within 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 to help maximize delivery of the capital plan. As the budget year progresses, reprofiling adjustments are made to reallocate expenditures and 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.

Summaries of the proposed reallocations have been appended to this report.

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For more information on this report, please contact Joe Iannace, Acting Director, Office of the Budget at 1-877-464-9675 ext. 71631. Accessible formats or communication supports are available upon request.



Recommended by:

**Kelly Strueby**  
Acting Commissioner of Finance and Regional Treasurer



Approved for Submission:

**Bruce Macgregor**  
Chief Administrative Officer

June 2, 2022  
Attachments (3)  
eDOCS #13780624