

The Regional Municipality of York

Committee of the Whole
Finance and Administration
June 13, 2019

Report of the Commissioner of Finance

Mid-Year Capital Reprofiting

1. Recommendations

It is recommended that:

1. Council approve changes to project debt requirements for 2019 Capital Spending Authority, resulting in an increase of \$273,600 in Debenture Proceeds, as detailed in Attachment 1.
2. Council approve the gross capital expenditure changes and associated changes in funding sources, as well as changes to 2019 Capital Spending Authority (CSA) and associated funding sources, including a decrease of \$5,124,300 in CSA debt, as detailed in Attachments 2 and 3.

2. Summary

This report seeks Council's 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, Council approval of any debt for capital projects is required.

3. Background

On [February 28, 2019](#), Council approved the 2019 Budget. As part of the 2019 Budget approval, Council provided authority for 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 \$867 million capital budget in 2019.

Reallocating between capital projects provides the flexibility to adapt to changing and unforeseen circumstances in capital project implementation and to maximize delivery of the 2019 capital budget.

The 2019 capital budget was prepared using estimates and assumptions from the summer and fall of 2018. The reallocations in this report reflect updated project information since that time.

The report is coming forward at this time to seek 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 2019 year-end expenditure estimates and 2020 capital approval 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 2019 Budget approval
- In cases where a reallocation within a program group will affect a project's debt level for its 2019 Capital Spending Authority (CSA), Council's approval is required to change the debt authority for that project.

Category 2: Reallocations with an expenditure offset

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

Category 3: Requests without an expenditure offset

- Council's approval is required to authorize expenditure increases or increases in Capital Spending Authority, and the proposed funding sources, where offsets are not available.

Departments may reallocate funding within a program group

Departments have authority 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 2019 and ten-year capital plan totals
- There is no change in the total 2019 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 debt authority (for its 2019 Capital Spending 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 2019 Capital Spending Authority debt requirements. In total, the Category 1 program group reallocations would result in no net change in 2019 expenditures or 2019 Capital Spending Authority requirements, and an increase of \$273,600 in 2019 Capital Spending Authority debt.

Category 1 also includes expenditure and CSA approval for four projects that did not have expenditures planned in 2019. These four projects include two Roads projects (Elgin Mills Road and Rutherford Road), the Kennedy Road Watermain, and the York Durham Sewage System Forcemain Twinning project.

The Elgin Mills Road project extends from Yonge Street to Bathurst Street, and requires expenditures in 2019 in order to continue with design work. The Rutherford Road project extends from Westburne Drive to Peter Rupert Avenue, and requires expenditures in 2019 to pay for utility relocation. The Kennedy Road Watermain project extends from Milliken to Major Mackenzie Drive and is requesting 2019 expenditure in order to complete minor additional scope items to close out the contract.

The York Durham Sewage System Forcemain Twinning project is currently under the Upper York Sewage Servicing project in the Council-approved 2019 Capital Plan. Recently, the Region received federal funding from the Disaster Mitigation and Adaptation Fund (DMAF) for 40 per cent of the eligible project costs up to \$48 million. Budget reprofiling is requested by Environmental Services to set up a new project for the York Durham Sewage System Forcemain Twinning to better track expenditures for DMAF funding purposes.

Funding may be reallocated outside of a program group, with Council approval

Attachment 2 provides details on the proposed reallocations in Category 2, where funding is being reallocated outside of a program group. Both the expenditure 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.

Four projects in Category 2 are receiving 2019 expenditure allocations through this report, as they have unanticipated spending requirements in 2019 or are new to the 10-year capital plan. These projects include Belinda's Place and three Roads projects.

The three Roads projects include: work on Highway 50 (extending from Highway 7 to Rutherford Road, including the intersection at Gore Road) and work on the retaining wall on Mount Albert Road that was not able to be completed in 2018; as well as expenditures and CSA needed for potential emergencies such as the collapsing of a culvert.

The reallocations in Category 2 result in no change to 2019 expenditures and 2019 Capital Spending Authority, and a decrease of \$5.262 million in 2019 CSA debt.

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 the capital budget. These requests have been grouped in Category 3 and generally reflect the acceleration of expenditures from later years of the ten-year capital plan. These situations are considered on an individual basis and are reviewed in relation to the Region's fiscal strategy, particularly the impact on debt and reserve levels.

Council approval is required to increase 2019 expenditures for the Southwest Satellite Yard project by \$11.444 million to accommodate unanticipated advance of a land project

Transportation Services is requesting an increase of \$11.444 million in 2019 gross expenditures for the Southwest Satellite Yard project. This project allows the department to purchase land sooner than planned for material storage in order to save travel time for contractors and operators for snow removal and road maintenance purposes.

This project is anticipated to be completed in 2023 following the land purchase being closed in 2019.

Council approval is required to increase 2019 Capital Spending Authority for Paramedic Services by \$214,000 due to construction delays

Paramedic Services is requesting an additional \$214,000 in Capital Spending Authority due to construction delays for two response stations located in Newmarket and Markham. These costs were originally included in the 2018 capital budget but did not materialize last year; there is no change to overall project costs as a result of these delays.

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

The reallocation and reprofiling of expenditures between capital projects supports the efficient delivery of the Region's capital plan, as projects progress faster or slower than anticipated in the 2019 Budget.

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

5. Financial

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

Reallocations within program groups and for projects with an expenditure offset (as outlined in Attachments 1 and 2) will not result in a change in total 2019 budgeted capital expenditures or 2019 Capital Spending Authority. As a result of these reallocations, the

funding sources for several projects will change, as outlined in Attachments 1 and 2, including changes to project debt requirements for 2019 CSA, and a net decrease of \$4.988 million in 2019 CSA debt.

Requests without an offset, identified as Category 3 and detailed in Attachment 3, result in an increase in total capital expenditures of \$11.658 million in 2019 and an increase of \$214,000 in 2019 Capital Spending Authority. There is also an increase of \$137,400 in CSA debt that is entirely attributable to Paramedic Services.

Overall changes to funding sources for 2019 gross capital expenditures are summarized in Table 1.

Table 1
Changes to funding sources for 2019 gross capital expenditures

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves	4,534	
Development Charge Debt	6,021	
Other Recoveries	3,946	
Federal Gas Tax Reserve	1,177	
Asset Replacement Reserves		3,163
Debt Reduction Reserve		660
Development Charge Reserve		197
Subtotal	15,678	4,020
Net Increase	11,658	

**Numbers may not add up due to rounding*

Overall changes to funding sources for 2019 Capital Spending Authority are summarized in Table 2.

Table 2
Changes to funding sources for 2019 Capital Spending Authority

Funding Source	Increase (\$000's)	Decrease (\$000's)
Program Specific Reserves	3,962	
Other Recoveries	3,946	
Federal Gas Tax Reserve	1,177	
Development Charge Debt		4,851
Asset Replacement Reserves		3,163
Debt Reduction Reserve		660
Development Charge Reserves		197
Subtotal	9,085	8,871
Net Increase	214	

**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 to ensure that infrastructure delivery is maximized within the approved levels throughout the Region. Construction progress on the 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 more slowly than anticipated or where cost savings have been realized to projects that are progressing faster than planned or experiencing cost pressures, thereby maximizing the 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.

The Senior Management Group has reviewed 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:

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Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

May 16, 2019
Attachments (3)
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