

Clause 8 in Report No. 11 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 28, 2018.

8

Mid-Year Capital Reprofiling

Committee of the Whole recommends adoption of the following recommendations contained in the report dated June 5, 2018 from the Commissioner of Finance:

1. Council approve changes to project debt requirements for 2018 Capital Spending Authority, resulting in a decrease of \$252,000 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 2018 Capital Spending Authority (CSA) and associated funding sources, including an increase of \$95,155,000 in CSA debt, as detailed in Attachments 2 and 3.

Report dated June 5, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. Council approve changes to project debt requirements for 2018 Capital Spending Authority, resulting in a decrease of \$252,000 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 2018 Capital Spending Authority (CSA) and associated funding sources, including an increase of \$95,155,000 in CSA debt, as detailed in Attachments 2 and 3.

2. Purpose

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 and Previous Council Direction

On [December 14, 2017](#), Council approved the 2018 Budget. As part of the 2018 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 \$810 million capital budget in 2018.

Reallocating between capital projects provides the flexibility to adapt to changing and unforeseen circumstances in capital project implementation, to maximize delivery of the 2018 capital budget.

The 2018 capital budget was prepared using estimates and assumptions from the summer and fall of 2017. 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.

4. Analysis and Implications

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 2018 Budget approval
- In cases where a reallocation within a program group will affect a project's debt level for its 2018 Capital Spending Authority (CSA), Council's approval is required to change the debt authority for that project.

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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

Council provided authority through the 2018 Budget for departments to reallocate funding between capital projects in a program group, as long as:

- There is no increase in the total cost of the program group's 2018 and ten-year capital plan totals
- There is no increase in the total 2018 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 2018 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 2018 Capital Spending Authority debt requirements. In total, the Category 1 program group reallocations would result in no net change in 2018 expenditures or 2018 Capital Spending Authority requirements, and a decrease of \$252,000 in 2018 Capital Spending Authority debt.

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.

Five projects in Category 2 are receiving an initial 2018 expenditure allocation through this report, as these projects have unanticipated spending requirements in 2018. This includes unanticipated spending in 2018 on Mobility Plus bus

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replacement to meet operational needs, and additional repair work on 40 foot Viva buses to address corrosion on the structure framing.

The reallocations in Category 2 result in no change to 2018 expenditures and 2018 Capital Spending Authority, and an increase of \$5.155 million in 2018 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 into 2018. 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 2018 Capital Spending Authority for the Upper York Sewage Servicing program by \$90 million to advance the construction tender

Due to the recent Ministry of Environment and Climate Change declaration order regarding the modifications to the existing York Durham Sewage System, Environmental Services is requesting an increase of \$90 million in 2018 Capital Spending Authority for the Upper York Sewage Servicing program to advance the construction tender of the forcemain twinning.

This request results in an increase of \$90 million in 2018 CSA debt. Total project costs and the timing of cash flows are unchanged from the 2018 budget approvals.

Council approval is required to increase 2018 Capital Spending Authority for York Region Rapid Transit Corporation by \$15 million to reflect revised construction timelines for Cornell Terminal

York Region Rapid Transit Corporation (YRRTC) requires an increase of \$14.96 million in 2018 Capital Spending Authority, with projected cash flow in 2019, to reflect revised construction timelines for the Cornell Terminal.

Due to delays in 2017 associated with the unsuccessful bids on the Cornell Terminal and the need to retender with amendments to the design, the construction contract is expected to be awarded in 2018. Capital Spending Authority is needed to award the contract and commit to future expenditures, which will take place in 2019, as per the approved 2018 Budget.

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While timelines have changed, the overall cost of the project has not changed and the target completion date remains September 2019.

Mid-year Capital reprofiling supports the sound fiscal management objective of the 2018 Budget and the 2015 to 2019 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 2018 Budget.

The report is consistent with the 2018 Budget, as well as the 2015 to 2019 Strategic Plan objective to practice sound fiscal management.

5. Financial Considerations

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 2018 budgeted capital expenditures or 2018 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 2018 CSA, and a net increase of \$4.9 million in 2018 CSA debt.

Requests without an offset, identified as Category 3 and detailed in Attachment 3, will not result in a change in total capital expenditures in 2018, but result in an increase of \$104.96 million in 2018 Capital Spending Authority and an increase of \$90 million in CSA debt. The change in CSA debt is entirely attributable to the Upper York Sewage Servicing project.

Overall changes to funding sources for 2018 gross capital expenditures are summarized in Table 1.

Table 1

Changes to funding sources for 2018 gross capital expenditures

Funding Source	Increase (\$000's)	Decrease (\$000's)
Pay-as-you-go Tax Levy	439	
Program Specific Reserves	5,900	
Federal Gas Tax Reserve	437	
Development Charge Debt	4,903	
Debt Reduction Reserve		493
Asset Replacement Reserves		7,273
Development Charge Reserves		471
Other Recoveries		3,442
Subtotal	11,679	11,679
Net Increase		-

Overall changes to funding sources for 2018 Capital Spending Authority are summarized in Table 2.

Table 2

Changes to funding sources for 2018 Capital Spending Authority

Funding Source	Increase (\$000's)	Decrease (\$000's)
Pay-as-you-go Tax Levy	439	
Program Specific Reserves	5,900	
Development Charge Reserves	7,062	
Federal Gas Tax Reserve	4,550	
Grants & Subsidies	2,699	
Development Charge Debt	94,903	
Debt Reduction Reserve		493
Asset Replacement Reserves		7,273
Other Recoveries		2,827
Subtotal	115,553	10,593
Net Increase		104,960

All of the changes in funding sources noted above are feasible and consistent with the Region's approved fiscal strategy.

6. Local Municipal Impact

There is no direct local municipal impact associated with this report. The reprofiting changes outlined in this report help to ensure that infrastructure delivery is maximized within the approved levels throughout the Region.

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.

June 5, 2018

Attachments (3)

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Accessible formats or communication supports are available upon request

Category #1 - Reallocation within a program group (where CSA debt changes)

(\$000's)		Gross Expenditures - 2018			Funding Sources Adjustments - 2018				Change in 2018 CSA			Funding Sources Adjustments - CSA			
Project Number	Project Name	Approved 2018 Budget	Change	Adjusted 2018 Budget	Pay-as-you-go Tax Levy	Debt Reduction Reserve	Other Recoveries	Debenture DC	Approved 2018 CSA	Change	Revised 2018 CSA	Pay-as-you-go Tax Levy	Debt Reduction Reserve	Other Recoveries	Debenture DC
TS / Roads: Program Group 'Growth'															
TR80680	Bayview Avenue - Elgin Mills Road to 19th Avenue	1,405	1,898	3,303	190	-	-	1,708	1,476	1,898	3,374	190	-	-	1,708
TR81030	Leslie Street and 19th Avenue	6,562	(1,737)	4,825	(174)	-	-	(1,563)	8,540	(1,737)	6,803	(174)	-	-	(1,563)
TR84180	Leslie St - Wellington St to St John's Side Rd	16,316	7,482	23,798	703	-	454	6,325	17,317	7,482	24,799	703	-	454	6,325
TR97100	St. John Side Rd - Bayview Ave to Woodbine Ave	5,720	1,070	6,790	82	-	245	742	6,717	1,070	7,787	82	-	245	742
TR85570	Rutherford Rd - Jane to Keele St.	4,071	(3,661)	410	(366)	-	-	(3,295)	4,132	(3,661)	471	(366)	-	-	(3,295)
TR81320	Major Mackenzie Dr - Hwy 27 to Pine Valley Dr	12,045	(5,052)	6,993	(463)	-	(419)	(4,169)	59,176	(5,052)	54,124	(463)	-	(419)	(4,169)
Sub-total		46,119	-	46,119	(28)	-	280	(252)	97,358	-	97,358	(28)	-	280	(252)

Category #2 - Reallocation with an expenditure offset

(000's)		Gross Expenditures - 2018			Funding Sources Adjustments - 2018								Change in 2018 CSA			Funding Sources Adjustments - CSA								
Project Number	Project Name	Approved 2018 Budget	Change	Adjusted 2018 Budget	Pay-as-you-go Tax Levy	Debt Reduction Reserve	Asset Repl. Reserves	Program Specific Reserves	DC Reserves	Federal Gas Tax Reserve	Other Recoveries	Debt - DC	Approved 2018 CSA	Change	Revised 2018 CSA	Pay-as-you-go Tax Levy	Debt Reduction Reserve	Asset Repl. Reserves	Program Specific Reserves	DC Reserves	Federal Gas Tax Reserve	Other Recoveries	Debt - DC	
Transportation																								
TT82155	Major Mackenzie West Terminal	1,500	(800)	700	-	-	-	-	(664)	(136)	-	-	8,500	-	8,500	-	-	-	-	-	-	-	-	-
TT82150	Bus Terminals, Loops & Stops-Expansion	710	800	1,510	-	-	-	-	233	567	-	-	1,815	-	1,815	-	-	-	-	-	-	-	-	-
TT84599	Conventional Bus Expansion	3,000	(100)	2,900	-	-	-	-	(6)	(94)	-	-	15,000	(100)	14,900	-	-	-	-	(6)	(94)	-	-	-
TT82770	Support Vehicles	150	100	250	-	-	-	-	-	100	-	-	150	100	250	-	-	-	-	-	-	100	-	-
TT84699	Conventional Bus Replacement	18,000	(2,800)	15,200	-	-	(2,800)	-	-	-	-	-	28,350	-	28,350	-	-	-	-	-	-	-	-	-
TT84499	Mobility Plus Bus Replacement	-	2,800	2,800	-	-	2,800	-	-	-	-	-	4,680	-	4,680	-	-	-	-	-	-	-	-	-
TT84899	Viva Buses Replacement	30,000	(1,900)	28,100	-	-	(1,900)	-	-	-	-	-	36,000	(1,900)	34,100	-	-	(1,900)	-	-	-	-	-	-
TT86110	Vehicle Diagnostic System	475	(425)	50	(425)	-	-	-	-	-	-	-	475	(425)	50	(425)	-	-	-	-	-	-	-	-
TT86113	Viva Bus Major Structural Refurbishing & Mechanical OH	-	425	425	425	-	-	-	-	-	-	-	-	425	425	425	-	-	-	-	-	-	-	-
TR81045	SW/Central Road Maintenance Facilities	-	4,700	4,700	235	-	-	-	-	-	-	4,465	-	4,700	4,700	235	-	-	-	-	-	-	-	4,465
TR82685	Highway 404 Northbound off-Ramp Extension at Highway 7	4,039	1,755	5,794	88	-	-	-	-	-	878	790	4,039	1,755	5,794	88	-	-	-	-	-	-	878	790
TR84045	Lake to Lake Cycling Facilities	2,200	1,300	3,500	129	-	-	-	-	-	12	1,159	2,246	1,300	3,546	129	-	-	-	-	-	-	12	1,159
TR85790	SouthEast Main Yard	654	1,175	1,829	59	-	-	-	-	-	-	1,116	2,725	1,175	3,900	59	-	-	-	-	-	-	-	1,116
TR80430	Regional Streetscaping	3,799	(2,000)	1,799	(400)	-	-	-	-	-	-	(1,600)	3,799	(2,000)	1,799	(400)	-	-	-	-	-	-	-	(1,600)
TR84200	Doane Road - Highway 404 to Yonge St	109	841	950	84	-	-	-	-	-	-	757	109	841	950	84	-	-	-	-	-	-	-	757
TR82680	Mid Block Crossing - Highway 404 North of Highway 7	5,440	2,515	7,955	83	-	-	-	-	-	1,685	747	5,440	2,515	7,955	83	-	-	-	-	-	-	1,685	747
TR81968	Mid Block Crossing - Highway 404 North of 16th Ave	23,928	(10,286)	13,642	-	-	-	-	-	-	(6,297)	(3,989)	28,658	(10,286)	18,372	-	-	-	-	-	-	-	(6,297)	(3,989)
TR84044	Viva Next	-	1,900	1,900	190	-	-	-	-	-	-	1,710	-	1,900	1,900	190	-	-	-	-	-	-	-	1,710
Sub-total		94,004	-	94,004	467	-	(1,900)	-	(437)	437	(3,722)	5,155	141,986	-	141,986	467	-	(1,900)	-	(6)	6	(3,722)	5,155	
Seniors Services																								
H55281	Resident Unit Renovations	370	(370)	-	-	(370)	-	-	-	-	-	-	370	(370)	-	-	(370)	-	-	-	-	-	-	-
H55282	Balconies Conversion Maple Health Centre	195	(195)	-	-	(195)	-	-	-	-	-	-	195	(195)	-	-	(195)	-	-	-	-	-	-	-
H55291	Resident Tub Rooms	570	(570)	-	-	(570)	-	-	-	-	-	-	570	(570)	-	-	(570)	-	-	-	-	-	-	-
H59445	Nurse Call System	400	400	800	-	-	400	-	-	-	-	-	400	400	800	-	-	400	-	-	-	-	-	-
H59415	Long-Term Care Act & Adult Day Centres - Modernization	500	735	1,235	-	735	-	-	-	-	-	-	1,650	735	2,385	-	735	-	-	-	-	-	-	-
Sub-total		2,035	-	2,035	-	(400)	400	-	-	-	-	-	3,185	-	3,185	-	(400)	400	-	-	-	-	-	-
Housing Services																								
H67510	Pre-development Costs	445	(350)	95	-	-	(350)	-	-	-	-	-	445	(350)	95	-	-	-	(350)	-	-	-	-	-
H67916	Woodbridge Redevelopment	24,900	-	24,900	-	-	-	-	-	-	-	-	30,170	(500)	29,670	-	-	-	(500)	-	-	-	-	-
H67919	Affordable Housing Development Priority	-	350	350	-	-	-	350	-	-	-	-	7,000	850	7,850	-	-	-	850	-	-	-	-	-
Sub-total		25,345	-	25,345	-	-	-	-	-	-	-	-	37,615	-	37,615	-	-	-	-	-	-	-	-	-

(\$000's)		Gross Expenditures - 2018			Funding Sources Adjustments - 2018								Change in 2018 CSA			Funding Sources Adjustments - CSA								
Project Number	Project Name	Approved 2018 Budget	Change	Adjusted 2018 Budget	Pay-as-you-go Tax Levy	Debt Reduction Reserve	Asset Repl. Reserves	Program Specific Reserves	DC Reserves	Federal Gas Tax Reserve	Other Recoveries	Debt - DC	Approved 2018 CSA	Change	Revised 2018 CSA	Pay-as-you-go Tax Levy	Debt Reduction Reserve	Asset Repl. Reserves	Program Specific Reserves	DC Reserves	Federal Gas Tax Reserve	Other Recoveries	Debt - DC	
Environmental Services																								
79885	New Waste Management Initiatives	200	(120)	80	-	-	-	(120)	-	-	-	-	200	(120)	80	-	-	-	(120)	-	-	-	-	-
71365	Markham Household Hazardous Waste & Electronic Recycling Depot Relocation	340	(288)	52	-	-	-	(288)	-	-	-	-	3,340	(288)	3,052	-	-	-	(288)	-	-	-	-	-
71355	Asset Management Equipment Upgrade/Replacement - Waste Management Center	374	6,308	6,682	-	-	-	6,308	-	-	-	-	374	6,308	6,682	-	-	-	6,308	-	-	-	-	-
78420	Aurora PS West FM Cleaning	2,400	(2,100)	300	-	-	(2,100)	-	-	-	-	-	8,470	(2,100)	6,370	-	-	(2,100)	-	-	-	-	-	-
78515	Pumping Rehabilitation	7,091	(3,800)	3,291	-	-	(3,800)	-	-	-	-	-	10,881	(3,800)	7,081	-	-	(3,800)	-	-	-	-	-	-
Sub-total		10,405	-	10,405	-	-	(5,900)	5,900	-	-	-	-	23,265	-	23,265	-	-	(5,900)	5,900	-	-	-	-	-
YRP																								
P29042	Radio Sytem	310	220	530	-	170	-	-	50	-	-	-	310	220	530	-	170	-	-	50	-	-	-	-
P29014	Specialized Equipment - Support Services	182	33	215	-	26	-	-	7	-	-	-	182	33	215	-	26	-	-	7	-	-	-	-
P29050	Air Operations	289	51	340	-	40	-	-	11	-	-	-	289	51	340	-	40	-	-	11	-	-	-	-
P29033	Renovations to Existing Facilities	250	150	400	-	-	150	-	-	-	-	-	250	150	400	-	-	150	-	-	-	-	-	-
P29023	Specialized Equipment - Technical Investigations	1,100	(454)	646	-	(352)	-	-	(102)	-	-	-	1,100	(454)	646	-	(352)	-	-	(102)	-	-	-	-
P29051	Community Safety Village Expansion & Renovations	1,500	230	1,730	-	23	-	-	207	-	-	-	1,500	230	1,730	-	23	-	-	207	-	-	-	-
P29043	Renovations #4 District	1,850	(230)	1,620	-	-	(23)	-	(207)	-	-	-	1,850	(230)	1,620	-	-	(23)	-	(207)	-	-	-	-
Sub-total		5,481	-	5,481	-	(93)	127	-	(34)	-	-	-	5,481	-	5,481	-	(93)	127	-	(34)	-	-	-	-
Total Category 2		137,270	-	137,270	467	(493)	(7,273)	5,900	(471)	437	(3,722)	5,155	211,532	-	211,532	467	(493)	(7,273)	5,900	(40)	6	(3,722)	5,155	-

Category #3 - Requests without an expenditure offset

(\$000's)		Gross Expenditures - 2018			Funding Sources Adjustments - 2018				Change in 2018 CSA			Funding Sources Adjustments - CSA				
Project Number	Project Name	Approved 2018 Budget	Change	Adjusted 2018 Budget	DC Reserves	Federal Gas Tax Reserve	Grants & Subsidies	Other Recoveries	Approved 2018 CSA	Change	Revised 2018 CSA	DC Reserves	Federal Gas Tax Reserve	Grants & Subsidies	Other Recoveries	Debtenture - DC
YRRTC																
90992	Bus Rapid Transit Facilities & Terminals	21,380	-	21,380	-	-	-	-	23,920	14,960	38,880	7,102	4,544	2,699	615	-
Sub-total		21,380	-	21,380	-	-	-	-	23,920	14,960	38,880	7,102	4,544	2,699	615	-
Environment																
74270	Upper York Sewage Servicing	6,450	-	6,450	-	-	-	-	70,629	90,000	160,629	-	-	-	-	90,000
Sub-total		6,450	-	6,450	-	-	-	-	70,629	90,000	160,629	-	-	-	-	90,000
Total Category 3		27,830	-	27,830	-	-	-	-	94,549	104,960	199,509	7,102	4,544	2,699	615	90,000