

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: October 19, 2011

SUBJECT: TTC Capital Budget Technical Amendments

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

1. Approve technical amendments to the TTC 2011-2015 Capital Program as outlined in this report, noting that these changes can be accommodated within the approved 2011 capital budget cashflow through project under expenditures; and
2. Forward this report to the City of Toronto's Budget Committee for approval.

FUNDING

There are no funding implications resulting from approval of this report. In accordance with the City requirements, project amendments are applied utilizing like-funded projects with no resultant net funding impacts on the city debt portion in current or future years. These amendments have no impact on the projected level of funding to be provided under any program specific contribution funding agreement or any allocation-based funding agreement.

BACKGROUND

At its meeting of August 25, 26 and 27, 2010, City Council adopted report EX46.24: Budgetary and Financial Management Approval Process and Protocols for the TTC. Upon approval of this report, Council also enacted City of Toronto By-Law No. 1155-2010. Under this bylaw (Section 279-4 c. (1)), Council Approval is required for any changes to the Ten Year Capital Budget and Plan resulting from changes including over expenditures, accelerations, deferrals, changes in scope which exceed the lesser of 10 percent of the project cost or \$500,000. This is the first report to address project budget adjustment requirements under the new city bylaw.

Staff have been reviewing the projected 2011 capital expenditures through the development of the 2012-2021 Capital Budget review process as well as through the CGM report updates. The 2011 expenditures for TTC base capital are currently projected to be \$770.8 million against an approved budget allocation of \$870.4 million. This results in a variance of \$99.6 million, which in conjunction with the city approved 2010 carry forward amount of

\$43.9 million, provides a projected current year budget under spending of almost \$143.5 million. This variance is in addition to the anticipated under spending of \$137 million on the Toronto-York Spadina Subway Extension project. While this under spending will provide the room to accommodate all project changes within 2011 funding and debt availability, approval of the specific project cash flow amendments as outlined in Appendix 1 needs to be sought to formally authorize transfer of these available funds between projects. The reallocation will have a zero net impact on the City's capital plans.

Staff are currently preparing the City's Appendix 2 "2011 Capital Budget and Plan In-Year Adjustment Request" form, which provides the cashflow, project commitment and funding details for these respective project amendments, for submission to City Financial Planning.

DISCUSSION

In prior years, the TTC had the flexibility to manage its capital program plans and requirements in response to changing priorities, contract schedule and cost variations, resource availability and the impacts of other external and internal conditions. As long as the TTC could accommodate such capital project changes within the current year approved budget cashflow (corporately) and on the condition that project cashflows and commitments were within the available project cost approvals, TTC staff was able to manage and report out on these capital project variances. Adjustments to plans and approvals were addressed through the annual approval of the capital budget and multi-year capital plans. With the adoption of the new city bylaw, the tracked approval of specific project adjustments must be submitted for approval by council.

This report outlines the reallocation for 2011 cashflows of six projects in the amount of \$13.160 million, with zero gross and net impact overall. Essentially, the current year variation in project cashflow and project commitment is being accommodated through adjustments in future year cashflows and commitments on the identified projects. To accommodate these current year project changes, reductions in the approved cashflow for three projects with identified 2011 under expenditures have been proposed, noting that the expenditures adjustments will be offset in future year cashflows to hold the total project cost constant. Appendix 1 provides the details by project of the cashflow impacts, the project(s) to be used to accommodate the change, and the reasons for the requested changes. The allocation of funding sources in these three projects is also sufficient to accommodate the required adjustments on these six projects as directed by City Finance. Further, it should also be noted that these project amendments are based on the latest projections available for 2011 cash flows, and that further project impacts between now and the end of this year may necessitate additional adjustments.

There are currently six other minor project adjustments (i.e. < \$500,000 each) which fall within the financial control bylaw and which will be addressed through the City's quarterly capital variance report. The remainder of capital project items include variances which have capacity to accommodate these adjustments but for which the approval of Council is

required under the new City bylaw.

JUSTIFICATION

This report seeks approval of current year project variances as required to address the City of Toronto By-Law No. 1155-2010 rules under Section 279-4 Adherence to budget policies, practices and approvals. This report has been reviewed with City Financial Planning staff and they are in agreement with the financial impact information.

October 19, 2011

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Attachment: Appendix 1

**SUMMARY BY CITY PROJECT - CAPITAL BUDGET AMMENDMENTS OCTOBER 2011
ADJUSTMENTS UNDER CITY BYLAW NO. 1155-2010**

APPENDIX 1

				CITY AMMENDMENT REQUESTS					
2011 Full Year Budget	2010 Carry Forward	Current Probable Actual *	REVISED 2011 Variance	Comments	2011 CASHFLOW	FUTURE YEAR CASHFLOW	TOTAL PROJECT		
AVERAGE FUNDED PROJECTS:									
CTT001	Subway Track	13,137.0	17,362.0	4,225.0	Due to Ballast Replacement Program deferred from 2010, slippage of the installation of the College Crossover from 2010, prioritized work on S-59 at St. George and additional work on the SRT Track work to ensure SOGR (pending decisions on Scar LRT replacement), have all been offset by the reassessment of future year work.	4,225.0	(4,225.0)	-	
CTT005	Power Distribution/Electric Systems	6,738.0	140.0	8,058.0	1,180.0	Slippage of engineering work, installation work and material purchases from 2010 for various projects.	1,180.0	(1,180.0)	-
CTT028	Easier Access Phase II & III	13,661.0	(145.0)	14,465.0	949.0	Schedule adjustment based on reassessment of work.	949.0	(949.0)	-
CTT144	Wilson Complex - Modifications for the Toronto rocket	11,300.0	(1,900.0)	15,000.0	5,600.0	Advanced funds for trackwork and power supply based on refinement of scope.	5,600.0	(5,600.0)	-
CTT002	Surface Track	38,452.0	(108.0)	21,973.0	(16,371.0)	Mainly due to Tangent/Special project deferrals to 2012 due to coordination with other City work; Russell Yard and Queensway track work deferred to 2012.			
					TOTAL ADJUSTMENTS ACCOMMODATED BY AVERAGE FUNDED PROJECTS - SURFACE TRACK	(11,954.0)	11,954.0	-	
SPECIFIC FUNDED PROJECTS:									
CTT111	Replacement 40' Diesel Buses or Equivalent	18,889.0	19,527.0	638.0	Slippage of contact cost from 2010 for Training and Manuals.	638.0	(638.0)	-	
CTT045	198 Future Wheel-Trans Vehicles	21,564.0	9,480.0	(12,084.0)	Delayed delivery to address manufacturing changes.				
					TOTAL ADJUSTMENTS ACCOMMODATED BY SPECIFIC FUNDED PROJECTS - BUSES	(638.0)	638.0	-	
TTC FUNDED PROJECTS:									
CTT052	Automotive Non-Revenue Vehicles	8,033.0	250.0	8,851.0	568.0	Variance due to slippage/timing of Non-revenue purchases.	568.0	(568.0)	-
CTT055	Shop Equipment & Major Tools	5,128.0	400.0	4,681.0	(847.0)	Mainly due to timing and scope changes.			
					TOTAL ADJUSTMENTS ACCOMMODATED BY TTC FUNDED PROJECTS - SHOP EQUIPMENT	(568.0)	568.0	-	
SUBTOTAL COUNCIL AMMENDMENTS		136,902	(1,363)	119,397	(16,142)		13,160	(13,160)	-

* Current projections may reflect more recent updates that figures reflected in the CGM report.

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