



STAFF REPORT ACTION REQUIRED

2014 Capital Budget Technical Adjustments

Date:	May 27, 2015
To:	TTC Board
From:	Chief Executive Officer

Summary

This report seeks approval for the technical adjustments to the 2014 Capital Budget and funding sources to allow for optimum utilization of the funding available for use in future years of the approved capital plan.

Recommendations

It is recommended that the Board:

1. approve the technical budget adjustments as outlined in Appendix A to reflect the deferral of \$27.561 million in the approved 2014 TTC Capital to future year cash flow commitments (including related funding impacts) with zero impact to project approval and debt;
2. approve 2014 funding source modifications outlined in Appendix A as follows: an increase of \$0.265 million in Provincial Gas Tax Funding (PGT) Reserve Funds XR3018; an increase of \$4.068 in 2014 Metrolinx-Move Ontario Reserve Funds XR3025; a reduction in the Federal Gas Tax (FGT) by \$2.166 million; the deferral of Provincial Canadian Strategic Infrastructure Fund (CSIF) Reserve Funds XR3020 of \$15.330 million and TTC Depreciation of \$16.158 million to future years;
3. approve an amendment to the Transit Priority Project (Program 9.2) by adding back the 2014 cash flow and project approval of \$1.760 million to be fully funded by Development Charges Reserve Funds (XR2024 and XR2110) as shown in Appendix A attached; and,
4. forward this report to the City of Toronto for Council approval.

Financial Summary

Funding for the TTC's Capital Budget is sourced from various funding programs and debt is channelled through the City of Toronto in accordance with the funding included in the TTC 2014-2023 Capital Budget as approved by City of Toronto Council on January 29-30, 2014. The budget and funding adjustments requested in this report addresses the changes to the 2014 approved funding to support the funding requirements that have been incorporated into the TTC's approved 2015-2024 Capital Budget. The purpose of the requested adjustments is to align the 2014 Capital Budget to the actual expenditures in 2014.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

Decision History

On August 25, 2011, the City of Toronto introduced a new by-law which amended the City of Toronto Municipal Code Chapter 279, Toronto Transit Commission that carried certain requirements for addressing budget changes at the capital project level. Furthermore, the detailed application of funding to each project as requested by City staff have created additional requirements to maintain the integrity of project budget and funding. TTC staff has monitored changes in project cash flows and deliverables as well as changes to funding programs and other revenue sources which requires technical amendments to project cash flows, commitments and funding sources to ensure compliance with budget constraints and City By-law requirements for capital projects.

Issue Background

This report seeks approval for the appropriate changes to budget and funding sources in 2014 to allow for the optimum utilization of the funding available for use in future years of the approved capital plan. A further impact to be considered is that updates to the 2014 budget were not approved by the City as part of the 2015–2024 Capital Budget which was approved by Council on March 10-11, 2015. Each year the TTC reassesses its capital needs and incorporates their updated requirements into a refreshed capital plan. In the preparation of the TTC's 2015-2024 Capital Budget submission, staff incorporated project adjustments into the future years, however subsequent refinements to projected expenditures in 2014 require approval, and this report seeks that approval. The technical adjustments to the 2014 approved budget are summarized in Appendix A.

There is a need to address project variances not only to minimize the incremental carry forward into the 2015 Capital Budget but to also maximize the funding sources available to the approved capital plan. With the 2014 Carry Forward approved by Council on March 10-11, 2015 and in conjunction with the year-end variance report approved by Council on May 6, 2015, the distribution of the majority of 2014 under spending to future year cash flows have already been addressed. This report recommends a further redistribution of

unspent funds in the noted projects identified in Appendix A totalling \$27.561 million in the form of deferrals.

In order to maximize the use of available funding sources and in consideration of funding program constraints and eligible cost limitations (including but not limited to Federal Gas Tax, CSIF and Development Charges), flexibility in the allocation of City reserve funding is consistent with the principal benefits of the Provincial and Federal Gas Tax funding allocation programs. This will ensure that TTC is able to fully utilize these funding sources in the coming years as well as justify the pursuit of further government funding for transit capital.

Approval of the funding adjustments outlined in Appendix A is required to ensure that application of the funding sources apportioned by project can be fully applied at year end. This will help ensure that the Provincial Gas Tax, Federal Gas Tax and Metrolinx -Move Ontario 2020 reserve balances are appropriately utilized based on the 2014 year to date balances (including accrued interest).

In addition, included in Appendix A is an increase of \$1.760 million to the 2014 cash flow and project approval for the Transit Priority project. As agreed with City Finance staff, this will re-establish funding in 2014 that was previously reduced from the TTC capital budget during the 2014 budget process. This will reallocate the 2014 Development Charges Funding of \$1.760 million from the City Transportation Program to the TTC's 2014 Capital Budget which will allow TTC to continue work on this project on an annual basis. The 2015 – 2024 Capital Budget approved by Council on March 10-11, 2015 already includes the future component of this project (Program 9.2 – WO 6391 Transit Priorities).

Comments

The approval of the requested project and funding adjustments will allow TTC to optimize the utilization of available funding from various funding sources in 2014 while also adhering to the City's financial requirements. This will also align the reporting and budgeting of 2014 with the 10-year capital budget and funding sources as submitted and approved by the City Council in March 2015.

Contact

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Attachment

Appendix A – 2014 Capital Budget Technical Adjustment



Toronto Transit Commission
 2014 Capital Budget Technical Adjustment
 Accelerations / Deferrals, Funding & Other Adjustments
 (\$000s)

Appendix A

SAP	Project Description	2014 Approved Budget	Funding Sources								
			Debt	FGT	Federal Subsidy	Provincial Subsidy			Asset Monetization	Reserve Funds/DC	Depreciation
					CSIF	PGT	CSIF	Metrolinx-Move Ontario 2020			
<i>A1 2014 In Year Budget Re-allocation</i>											
CTT110	Other Buildings & Structures Projects	3,611	3,611								
CTT015	Yards and Roads	536	536								
CTT006	Communications - Transit Back up Control Centre	(3,611)	(3,611)								
CTT141	Fare System	(536)	(536)								
	Sub-Total 2014 In Year Budget Re-allocation	-	-	-	-	-	-	-	-	-	-
<i>B1 2014 Accelerations / Deferrals *</i>											
CTT015	Yards and Roads	292,366	292,366								
CTT018	On-Grade Paving Rehabilitation Program	1,420,426	1,420,426								
CTT024	Fire Ventilation Upgrade	789,349	789,349								
CTT028	Easier Access	967,009	967,009								
CTT038	Birchmount Garage Renovation	17,268	17,268								
CTT049	SRT Car Overhaul Program	36,653	36,653								
CTT050	Streetcar Overhaul Program	644,493	644,493								
CTT116	Queensway Bus Garage Renovations	77,227	77,227								
CTT124	Commuter Parking Expansion	5,710	5,710								
CTT131	Islington Station Improvements	9,367	9,367								
CTT132	Warden Station Improvements	149	149								
CTT145	Leslie Barns Maintenance & Storage Facility	23,857,189	23,857,189								
CTT148	McNicoll Bus Garage Facility	1,136,357	1,136,357								
CTT062	Furniture & Office Equipment	114,532	(78,000)								192,532
	Sub-Total - Accelerations / Increases	29,368,095	29,175,563								192,532
CTT001	Subway Track	(601,046)	(601,046)								
CTT003	Traction Power	(3,113,048)	(3,113,048)								
CTT006	Communications	(4,000,000)	(4,000,000)								
CTT020	Bridges & Tunnels	(2,000,000)	(2,000,000)								
CTT045	Replacement Wheel-Trans Vehicles	(1,208,174)	(1,208,174)								
CTT051	Subway Car Overhaul Program	(2,970,191)	(2,970,191)								
CTT058	Environmental Programs	(3,000,000)	(3,000,000)								
CTT064	Transit Shelters & Loops	(800,000)	(800,000)								
CTT122	Purchase of Streetcars	(8,965,670)	(8,965,670)								
CTT142	YUS ATC Resignalling Project	(2,317,434)	(2,317,434)								
CTT144	Wilson Complex - Modification for Toronto Rocket	(200,000)	(200,000)								
CTT113	Other Maintenance Equipment	(192,532)									(192,532)
	Sub-Total - Deferrals / decreases	(29,368,095)	(29,175,563)	-	-	-	-	-	-	-	(192,532)
<i>C1 2014 Deferrals and Related Funding Sources **</i>											
CTT001	Subway Track	(9,961,755)	(9,961,755)								
CTT052	Automotive Non-Revenue Vehicles	(3,479,790)	1,535,000								(5,014,790)
CTT055	Tools & Shop Equipment	(1,867,850)	1,370,780								(3,238,630)
CTT056	Fare Handling Equipment	(1,633,704)	1,380,000								(3,013,704)
CTT061	Information Technology - Infrastructure	(10,661,933)	(7,486,749)								(3,175,184)
CTT113	Other Maintenance Equipment	(1,715,808)									(1,715,808)
CTT002	Surface Track		3,615,648				(3,615,648)				
CTT046	Subway Car Purchases		11,714,206				(11,714,206)				
	Sub-Total 2014 Deferrals and Related Funding Sources	(29,320,840)	2,167,130				(15,329,854)				(16,158,116)



Toronto Transit Commission
2014 Capital Budget Technical Adjustment
Accelerations / Deferrals, Funding & Other Adjustments
(\$000s)

Appendix A

SAP	Project Description	2014 Approved Budget	Funding Sources							Asset Monetization	Reserve Funds/DC	Depreciation
			Debt	FGT	Federal Subsidy	Provincial Subsidy						
						CSIF	PGT	CSIF	Metrolinx-Move Ontario 2020			
DI 2014 Budget Increase												
CTT063	Other Service Planning **	1,760,000									1,760,000	
FI Other Funding Adjustments												
CTT001	Subway Track		14,475,321			(6,284,000)					(8,191,321)	
CTT002	Surface Track		7,338,476		4,643,524	(11,982,000)						
CTT003	Traction Power		(1,920,213)			(1,348,854)					3,269,067	
CTT005	Power Distribution Electric Systems		(6,110,762)			6,110,762						
CTT006	Communications		(9,746,696)			9,746,696						
CTT008	Signal Systems		(5,241,543)			5,241,543						
CTT010	Finishes		6,247,506			(6,247,506)						
CTT012	Equipment		(3,772,534)			3,597,534					175,000	
CTT015	Yards and Roads		(2,355,435)			661,435					1,694,000	
CTT018	On-Grade Paving Rehabilitation Program		(5,920,084)			5,920,084						
CTT020	Bridges & Tunnels		(5,385,162)			5,385,162						
CTT028	Easier Access		10,927,908		(3,334,908)	(7,593,000)						
CTT046	Subway Car Purchases		(52,302,446)	41,896,856	(1,308,616)				11,714,206			
CTT049	SRT Car Overhaul Program		(1,879,891)			1,879,891						
CTT050	Streetcar Overhaul Program		857,655			(857,655)						
CTT051	Subway Car Overhaul Program		20,769,316			(20,769,316)						
CTT053	Rail Non-Revenue Vehicle Overhaul		341,469			(341,469)						
CTT058	Environmental Programs		(896,168)			896,168						
CTT110	Other Buildings & Structures Projects		(42,511)			42,511						
CTT111	Replace 40' Diesel Buses or Equivalent		(2,954,294)	2,954,294								
CTT112	Bus Heavy Rebuild Program - 18 Year/Mid Life		(11,052,247)	(18,123,000)		16,207,247					12,968,000	
CTT122	Purchase of Legacy LRVs		67,475,855	(13,442,855)							(54,033,000)	
CTT142	YUS ATC Resignalling Project		26,898,000								(26,898,000)	
CTT145	Leslie Barns Maintenance & Storage Facility		(46,405,767)	(13,285,000)		(265,233)					59,956,000	
CTT142	YUS ATC Resignalling Project		12,751,604	(5,105,000)					(7,646,604)			
CTT145	Leslie Barns Maintenance & Storage Facility		(3,204,233)	2,939,000		265,233						
CTT146	Toronto Rocket Yard & Storage Track Accommodation		(11,060,254)								11,060,254	
	<i>Sub-Total - Other Funding Adjustments</i>		<i>(2,167,130)</i>	<i>(2,165,705)</i>		<i>265,233</i>			<i>4,067,602</i>			
Total Adjustment Impact on 2014 Capital Budget			(27,560,840)	(2,165,705)		265,233	(15,329,854)	4,067,602		1,760,000	(16,158,116)	

Note: * 2014 Acceleration - to 2014 from 2015 to 2023
 ** 2014 Deferral - from 2014 to 2016 to 2024
 *** 2014 Deferrals as a result of funding constraints (TTC Depreciation and CSIF)
 **** Transfer budget and DC funding from Transportation Program to Transit Priority Project for \$1.760M