

**Subject: Capital Adjustments – Transit Commission**

**File Number: ACS2024-FCS-FSP-0002**

**Report to Transit Commission on 8 February 2024**

**and Council 21 February 2024**

**Submitted on January 30, 2024 by Isabelle Jasmin, Deputy City Treasurer,  
Corporate Finance, Finance and Corporate Services Department**

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**Ward: Citywide**

**Objet : Ajustement du budget des immobilisations – Commission du  
transport en commun**

**Numéro de dossier : ACS2024-FCS-FSP-0002**

**Rapport présenté au Commission du transport en commun le 8 février 2024**

**et au Conseil le 21 février 2024**

**Soumis le 30 janvier 2024 par Isabelle Jasmin, Trésorière municipale adjointe,  
Finances municipales, Direction générale des services des finances**

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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATION(S)**

**That the Transit Commission recommend that Council:**

- 1. Approve the budget adjustments as detailed in Document 1;**
- 2. Approve the closing of the capital project identified in Document 2;**

3. **Return to source or (fund) the following balances and eliminate debt authority from the budget adjustments and capital account closure:**
  - **Transit Capital Supported Reserve: \$20,232,778**
  - **Development Charges: (\$378,000)**
  - **Debt Authority: \$6,635,000**
4. **Authorize staff to perform the necessary financial adjustments as detailed in Documents 1 and 2.**

### **RECOMMANDATION(S) DU RAPPORT**

**Que la Commission du transport en commun recommande ce qui suit au Conseil:**

1. **Approuver les rajustements budgétaires, comme l'indique le document 1;**
2. **Autoriser la clôture d'un projet d'immobilisation répertorié dans le document 2;**
3. **Rembourser les soldes de financement (ou financer) les soldes suivants et supprimer le pouvoir d'endettement résultant de la cessation des projets et des rajustements budgétaires:**
  - **fonds de réserve pour les immobilisations de transport en commun : 20 232 778 \$**
  - **redevances d'aménagement : (378 000) \$**
  - **autorisation d'emprunter : 6 635 000 \$**
4. **Autoriser le personnel à appliquer les rajustements financiers nécessaires indiqués dans les documents 1 et 2.**

### **BACKGROUND**

Budget adjustments involving capital projects can be processed under the limits established by Council under the Delegation of Authority By-law. The adjustments that exceed these limits require Council approval.

Generally, budget adjustments to capital projects are required to:

- Adjust for increases or decreases in project costs,
- Consolidate similar accounts to facilitate issuing of contracts,
- Create separate accounts to facilitate project tracking,

- Account for the receipt of revenues not previously anticipated or for the over/underestimation of revenues; and,
- Adjust project financing.

The Delegation of Authority By-law 2023-067 as amended, specifies the parameters in which budget adjustments may be made if authorized by the Chief Financial Officer/Treasurer. The capital budget adjustment requests that do not meet the delegated authority limits of the Chief Financial Officer/Treasurer require the approval of City Council. Generally, Council authority is required for those capital budget adjustments involving:

- Transfers between programs or internal orders in excess of ten per cent or \$200,000 whichever is the lesser;
- Transfers of debt authority between programs with previously approved debt authority, regardless of amount;
- Establishment of new projects outside the budget process;
- A reduction of or increase in funding authority; and,
- Project closures.

This report includes the capital budget adjustments that require specific Council approval (Document 1).

## **DISCUSSION**

This report recommends an overall reduction of \$26.490 million in previously approved capital budget authority the majority of which will be used to cover the projected 2023 Transit Services operating deficit. As noted within the 2023 Capital Adjustments and Closing of Projects ([ACS2023-FCS-FSP-0009](#)) and the 2024 Draft Operating and Capital Budgets ([ACS2023-FCS-FSP-0016](#)), in light of financial challenges due to reduced ridership and inflationary pressures, the return of funds to the reserves is one of the mitigation strategies to help offset any shortfalls in 2023. The amount to be transferred to operating reserves will be finalized as part of the disposition report. This includes the return of \$20.233 million to the Transit Capital Reserve and \$6.635 million of transit debt plus funding increases of \$378,000 for development charges. Additional information on each recommendation is provided below:

### **Recommendation 1 - Budget Adjustments Requiring Council Approval**

Document 1 presents the budget adjustments requiring Council approval.

The overall impact of the departmental budget adjustments is a net decrease of \$27.731

million in the previously approved net budget authority for the projects listed in Document 1. This resulted in capital funding decreases from Transit Capital reserves of \$21.474 million and \$6.635 million of transit debt plus funding increases of \$378,000 for development charges. Included is a transfer of capital authority in support of 2024 costs to recruit, train and onboard additional operating staff to maintain service reliability, open O-Train Lines 2 and 4 in 2024 and be ready to test and open the eastern extension of O-Train Line 1 in 2025. The reduction in capital accounts from which the transfers would be made will not have an effect on transit service quality. The return of funds to reserves will provide funding and mitigation, to help offset any 2023 shortfall.

### **Recommendation 2 – Capital Project Recommended for Closure**

One capital project listed for closure is listed in Document 2, which presents the net budget authority established, the actual spending incurred to deliver and complete the project, and any resulting surplus or deficit.

The project, totaling \$109.929 million in net approved budget authority, has been completed and recommended for closure. Actual funding required is \$1.241 million from the Transit Capital Reserve.

### **Recommendation 3 – Return to Source Funding or (Funding Required)**

The details of the return to source funding or (funding required) are outlined below in Table 1.

**Table 1: Return to Source Funding**

<b>Transit Financial Implications</b>	<b>Document 1 Budget Adjustments Return to Source / (Funding Required)</b>	<b>Document 2 Closures Return to Source / (Funding Required)</b>	<b>Total Returned to Source / Funding Required</b>
<b>Capital Discretionary Reserves</b>			
Transit Capital Reserve	21,473,679	(1,240,901)	<b>20,232,778</b>
<b>Total Capital Discretionary Reserves</b>	<b>21,473,679</b>	<b>(1,240,901)</b>	<b>20,232,778</b>
<b>Development Charges</b>	<b>(378,000)</b>	<b>0</b>	<b>(378,000)</b>
<b>Debt Financing</b>			
Transit Debt	6,635,000	0	<b>6,635,000</b>
<b>Total Debt Financing</b>	<b>6,635,000</b>	<b>0</b>	<b>6,635,000</b>

Transit Financial Implications	Document 1 Budget Adjustments Return to Source / (Funding Required)	Document 2 Closures Return to Source / (Funding Required)	Total Returned to Source / Funding Required
<b>Grand Total</b>	<b>27,730,679</b>	<b>(1,240,901)</b>	<b>26,489,778</b>

### **Document 3 – Reserve Fund Status**

Document 3 presents a continuity schedule of transit related reserves and reserve funds. The schedule reflects the impact on reserve balances as a result of the recommendations presented in this report.

### **FINANCIAL IMPLICATIONS**

The impact of the closing of capital projects are outlined in this report.

### **LEGAL IMPLICATIONS**

There are no legal impediments to approving the recommendations in this report.

### **COMMENTS BY THE WARD COUNCILLOR(S)**

This is a citywide report.

### **ACCESSIBILITY IMPACTS**

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

### **ASSET MANAGEMENT IMPLICATIONS**

There are no asset management implications associated with the recommendations of the report.

### **RISK MANAGEMENT IMPLICATIONS**

There are no risk impediments to implementing the recommendations in this report.

### **RURAL IMPLICATIONS**

There are no rural implications associated with this report.

### **TERM OF COUNCIL PRIORITIES**

This report supports the City's ongoing commitments to the current Term of Council Priorities of: a city that has affordable housing and is more livable for all; a city that is more connected with reliable, safe and accessible mobility options; a city that is green and resilient; and a city with a diversified and prosperous economy. The report also promotes the City's commitment to financial sustainability and transparency.

### **SUPPORTING DOCUMENTATION**

Document 1 – Budget Adjustments Requiring Council Approval

Document 2 – Capital Projects Recommended for Closure

Document 3 – 2024 Transit Reserve Fund Status

### **DISPOSITION**

Upon Council approval of this report, the Finance and Corporate Services Department will process the necessary adjustments.