

Subject: Capital Adjustments and Closing of Projects - City Tax and Rate Supported

File Number: ACS2023-FCS-FSP-0008

**Report to Finance and Corporate Services Committee on 6 June 2023
and Council 14 June 2023**

Submitted on May 26, 2023 by Cyril Rogers, General Manager and Chief Financial Officer (A), Finance and Corporate Services Department

Contact Person: Suzanne Schnob, Manager (A), Financial Service, Finance and Corporate Services Department

613-580-2424 extension 13788, Suzanne.Schnob@ottawa.ca

Ward: Citywide

Objet : Ajustement du budget des immobilisations et cessation de projets soutenus par les impôts fonciers et les redevances

Dossier : ACS2023-FCS-FSP-0008

**Rapport au Comité des finances et des services organisationnel
le 6 juin 2023**

et au Conseil le 14 juin 2023

Soumis le 26 mai 2024 par Cyril Rogers, Directeur général et chef des finances (T), Direction générale des finances et des services organisationnels

Personne ressource : Suzanne Schnob, Gestionnaire (T), Service financier, Direction générale des finances et des services organisationnels

613-580-2424 poste 13788, Suzanne.Schnob@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Finance and Corporate Services Committee recommend that Council:

- 1. Authorize the closing of capital projects listed in Document 1;**

2. Approve the budget adjustments as detailed in Document 2;
3. Return to source or (fund) the following balances and eliminate debt authority resulting from the closing of projects and budget adjustments:
 - Municipal drain revenue: \$177,400
 - Capital supported reserves: \$7,233,038
 - Development Charge reserves: (\$1,643,030)
 - Debt Authority: \$1,150,023
4. Permit those projects in Document 3 that qualify for closure to remain open;
5. Receive the budget adjustments in Document 4 undertaken in accordance with the *Delegation of Authority By-law 2023-067*, as amended, as they pertain to capital works; and
6. Authorize staff to perform the necessary financial adjustments as detailed in Documents 1 and 2.

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil:

1. d'autoriser la cessation des projets d'immobilisations énumérés dans le document 1;
2. d'approuver les rajustements budgétaires indiqués dans le document 2;
3. de rembourser les soldes de financement ou (de financer) les soldes suivants et de supprimer le pouvoir d'endettement résultant de la cessation des projets et des rajustements budgétaires:
 - Recettes des drains municipaux : 177 400 \$
 - Fonds de réserve financés par les immobilisations : 7 233 038 \$
 - Réserves relatives aux redevances d'aménagement : (1 643 030 \$)
 - Pouvoir d'endettement : 1 150 023 \$
4. d'autoriser le maintien des projets du document 3 même s'ils répondent aux critères de cessation;

5. **de prendre acte des rajustements budgétaires décrits dans le document 4, apportés aux termes du Règlement municipal sur la délégation de pouvoirs (no 2023-067), dans sa version modifiée, lesquels ont trait aux travaux d'immobilisations;**
6. **d'autoriser le personnel à apporter les ajustements financiers nécessaires, indiqués dans les documents 1 et 2.**

BACKGROUND

Each year, Financial Strategies, Planning and Client Services prepares separate capital budget adjustment and closure reports for the Finance and Corporate Services Committee and for the Transit Commission. Each report contains recommendations on projects that fall within the respective mandates of the Committee or the Commission.

When a capital project is approved by Council, a projected year of completion date is established for the project. Projects are to be closed the year following the projected year of completion and require Council approval to be closed.

Capital projects that are recommended to be closed are listed in Document 1. In closing these projects, surplus capital reserve funds are first applied to those projects being closed that are in deficit and the remaining net surplus is returned to source. Additional reserve funds may also be used to refinance projects to reduce previously approved debt authority.

Budget adjustments involving capital projects can be processed under the limits established by Council under the *Delegation of Authority By-law 2023-067*. Those 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 By-law, as amended, specifies those parameters in which budget adjustments may be made if authorized by the Chief Financial Officer/Treasurer. Those 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 10 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 those capital budget adjustments that require specific Council approval (Document 2) as well as those that have been made as a result of delegated authority provisions (Document 4). The latter is provided for the information of the Committee and Council, while adjustments in the former document are being recommended for approval.

DISCUSSION

The recommended project closures and amendments will remove \$6.917 million in previously approved net spending budgets, \$7.233 million to be returned to capital supported tax and rate reserve funds, \$1.643 million to be funded by the Development Charge accounts and a reduction in debt financing requirements of \$1.150 million.

The projects recommended for closure (Document 1) have been completed and are \$11.062 million under the net expenditure budget approved by Council. The budget adjustments that require Council approval (Document 2) propose a \$4.145 million increase to the previously approved net expenditure budget authority. These budget adjustments are being leveraged to manage the continued risks associated with the ongoing supply chain challenges, material cost increase, inflationary pressures and construction price escalations stemming from the impacts of the pandemic.

To continue to proactively manage the risk associated with these impacts, staff have leveraged the capital closure process as a risk mitigation strategy against these price escalations driven by inflation and supply chain challenges. Staff will continue to proactively manage the risks associated with higher costs during all stages of a project as staff continues to closely monitor, track and report on budgets. Project schedules are

also monitored and reported, and monthly Project Status Reports provide Council with current information about schedules, risks and issues.

Recommendation 1 - Capital Projects Recommended for Closure

All capital projects recommended for closure are listed in Document 1, which shows the net budget authority established for these projects, the actual spending incurred to deliver and complete the project, and any resulting surplus or deficit.

Projects totaling \$327.798 million in net approved budget authority have been completed and are recommended for closure. Actual funding required is \$11.062 million less than budget, which will result in \$2.459 million being returned to capital tax and other reserves, \$5.389 million being returned to rate reserve funds, \$2.064 million being returned to the development charge accounts along with a reduction of \$1.150 million of debt authority that is not needed to fund these projects.

Recommendation 2 - Budget Adjustments Requiring Council Approval

Document 2 separates the budget adjustments requested by project managers (departmental requests) from those that are administrative adjustments.

Unlike those requested by departments, administrative adjustments do not have an impact on the scope or the nature of work, nor do they involve transfers between projects. Generally, they revise the financing of a project and require Council approval because they either involve debt financing or exceed the Chief Financial Officer/Treasurer's delegated authority limits.

The overall impact of the departmental budget adjustments to existing and new projects is a net increase of \$4.145 million in the previously approved net budget authority for the projects listed in Document 2. This resulted in a capital funding decrease from municipal drain revenue of \$177.4 thousand, \$1.845 million decrease in funding from tax and other reserves, \$2.459 million increase in funding from rate supported reserves and a \$3.707 million increase in funding from development charges. As listed in Document 2, \$2 million was transferred from existing capital budgets to convert sidewalk repair to capital works for better tracking and management. Based on historic pricing, it is estimated that the additional \$2 million in funding will result in approximately 2000 metres of sidewalks renewed to maintain in a state of good repair.

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

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

Table 1: Tax and Rate Financial Implications

Tax & Rate Financial Implications	Document 1 Closures Return to Source / (Funding Required)	Document 2 Budget Adjustments Return to Source / (Funding Required)	Total Returned to Source / (Funding Required)
Revenue			
General Revenue	0	177,400	177,400
Total Revenue	0	177,400	177,400
Tax and Other Reserves			
City Wide Capital Reserve	1,998,719	1,858,535	3,857,254
Housing Reserve	25,779	0	25,779
Library Capital Reserve	714	(13,849)	(13,135)
Cash-in-Lieu of Parkland - City Wide	185,895	0	185,895
Cash-in-Lieu of Parkland - Ward 1	9,891	0	9,891
Cash-in-Lieu of Parkland - Ward 3	4,240	0	4,240
Cash-in-Lieu of Parkland - Ward 4	3,247	0	3,247
Cash-in-Lieu of Parkland - Ward 5	(3,960)	0	(3,960)
Cash-in-Lieu of Parkland - Ward 6	19,854	0	19,854
Cash-in-Lieu of Parkland - Ward 8	25,317	0	25,317
Cash-in-Lieu of Parkland - Ward 9	5,253	0	5,253
Cash-in-Lieu of Parkland - Ward 12	1,759	0	1,759
Cash-in-Lieu of Parkland - Ward 13	1,563	0	1,563
Cash-in-Lieu of Parkland - Ward 15	108,943	0	108,943
Cash-in-Lieu of Parkland - Ward 16	2,200	0	2,200
Cash-in-Lieu of Parkland - Ward 17	(18)	0	(18)
Cash-in-Lieu of Parkland - Ward 18	11,902	0	11,902
Cash-in-Lieu of Parkland - Ward 19	1,300	0	1,300
Cash-in-Lieu of Parkland - Ward 20	(35)	0	(35)
Cash-in-Lieu of Parkland - Ward 21	37,478	0	37,478

Tax & Rate Financial Implications	Document 1 Closures Return to Source / (Funding Required)	Document 2 Budget Adjustments Return to Source / (Funding Required)	Total Returned to Source / (Funding Required)
Cash-in-Lieu of Parkland - Ward 23	19,245	0	19,245
Total Tax and Other Reserves	2,459,285	1,844,686	4,303,971
Rate Reserves			
Water Capital Reserve	2,150,073	(1,097,845)	1,052,228
Wastewater Capital Reserve	1,997,885	(997,845)	1,000,040
Stormwater Capital Reserve	1,221,597	(363,845)	857,752
Solid Waste Compensation	272	0	272
Solid Waste Rate	18,775	0	18,775
Total Rate Reserves	5,388,602	(2,459,535)	2,929,067
Total Reserves	7,847,887	(614,849)	7,233,038
Development Charge	2,064,191	(3,707,221)	(1,643,030)
Debt Financing			
City Wide Debt	297,111	0	297,111
Water Funded Debt	290,268	0	290,268
Sewer Funded Debt	162,644	0	162,644
Stormwater Funded Debt	400,000	0	400,000
Total Debt Financing	1,150,023	0	1,150,023
Grand Total	11,062,101	(4,144,670)	6,917,431

*Some totals rounded

Recommendation 4 - Capital Project Date Changes Requiring Council Approval

As directed, capital projects will be considered for closure in 2023 if the stated completion date as established by the project manager is 2022.

Capital projects that qualify for closure and are recommended to remain open based on the rationale provided by the project managers are listed in Document 3. Upon Council approval of this recommendation, the year of completion for these projects will be revised from a completion date of 2022 to its new completion date accordingly.

Recommendation 5 - Capital Budget Adjustments Processed Under Delegated Authority

Those capital budget adjustments processed between May 1, 2022, to May 11, 2023, under the authority delegated to the Chief Financial Officer/Treasurer as per the *Delegation of Authority By-law* are provided in Document 4 for the information of Committee and Council.

Document 5 – Reserve Fund Status

Document 5 Reserve Fund Status presents a continuity schedule of the City's reserves and reserve funds. The schedule reflects the impact on reserve balances of the recommendations as presented in this report and the Transit Commission's upcoming Capital Adjustment and Closing of Projects 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

There are no accessibility impact implications associated with this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with the recommendations of this 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 on-going commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – Capital Projects Recommended for Closure

Document 2 – Budget Adjustments Requiring Council Approval

Document 3 – Projects Requiring Council Approval to Remain Open

Document 4 – Budget Adjustments Processed Under Delegated Authority

Document 5 – Reserve Fund Status

DISPOSITION

Upon approval of this report Finance will process the necessary adjustments.