

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

File Number: ACS2024-FCS-FSP-0009

**Report to Finance and Corporate Services Committee on 4 June 2024
and Council 12 June 2024**

Submitted on May 24, 2024 by Cyril Rogers, Interim General Manager and Chief Financial Officer, Finance and Corporate Services Department

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Ward: Citywide

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

Numéro de dossier : ACS2024-FCS-FSP-0009

Rapport présenté au Comité des finances et des services organisationnels

Rapport soumis le 4 juin 2024

et au Conseil le 12 juin 2024

Soumis le 24 mai 2024 par Cyril Rogers, Directeur général par intérim et chef des finances, Direction générale des finances et des services organisationnels

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

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 increase debt authority resulting from the closing of projects and budget adjustments:**
 - **General revenue: \$417,000**
 - **Tax, Rate and other supported reserves: \$22,198,304**
 - **Transit Capital reserve commitment release: \$105,946,011**
 - **Development Charge reserves: \$3,960,514**
 - **Debt Authority: (\$103,038,758)**
- 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.**

RECOMMANDATIONS 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: 417 000 \$**

- **Fonds de réserve financés par les immobilisations : 22 198 304 \$**
- **Fonds de réserve pour immobilisations du Service de transport en commun (débloqués dans le cadre de l'engagement) : 105 946 011 \$**
- **Réserves relatives aux redevances d'aménagement : 3 960 514 \$**
- **Pouvoir d'endettement : (103 038 758 \$)**

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

Capital Adjustments and Closing of Projects

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 with no overall budget impact.

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 different programs or stand-alone capital projects in excess of ten per cent or \$200,000 whichever is the lesser;
- 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 \$29.483 million in previously approved net spending budgets, \$417 thousand of general revenue not required, \$128.144 million to be returned and/or cash commitment removed from the various tax and rate supported reserve funds, \$3.961 million in Development Charge funding being returned and an increase in debt financing requirements of \$103.039 million.

The projects recommended for closure (Document 1) have been completed and are \$17.598 million under the net expenditure budget approved by Council. The budget adjustments that require Council approval (Document 2) propose a \$11.886 million decrease to the previously approved net expenditure budget authority.

Staff continue to proactively manage the risks associated with 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 \$571.892 million in net approved budget authority have been completed and are recommended for closure. Actual funding required is \$17.598 million less than budget, which will result in \$4.829 million being returned to capital tax and other reserves, \$11.557 million being returned to rate reserve funds, \$0.435 million being returned to the development charge accounts along with a reduction of \$0.777 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. Adjustments requested may result in an increase/decrease in expenditure authority, new scope of works, and/or an increase/decrease of a specific funding type. Adjustments marked with an account number of "9XXXXX" will be created upon Committee and Council approval.

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.

As per Motion No. 2023-28-15, staff were requested to report back through the 2024 capital closure process on the feasibility of an additional \$1 million one-time allocation to the minor sidewalk program bringing the total investment over the term to \$10 million. Project 911302 2024 Minor Sidewalk Repairs in document 2 reflects an additional \$1

million one-time contribution to the minor sidewalk program bringing the total investment over the term to \$10 million.

The overall impact of the departmental budget adjustments to existing and new projects is a net decrease of \$11.886 million in the previously approved net budget authority for the projects listed in Document 2. This resulted in a capital funding decrease from general revenue of \$417.0 thousand, \$2.6 million decrease in funding from federal gas tax, \$102.276 million decrease in funding from tax and other reserves, \$6.883 million decrease in funding from rate supported reserves, a \$3.526 million decrease in funding from development charges, and a \$103.816 million increase in debt required.

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)/Cash Commitment removed (Transit Capital Reserve)	Total Returned to Source / (Funding Required)
Revenue			
General Revenue	-	417,000.00	417,000.00
Total Revenue	-	417,000.00	417,000.00
Capital Discretionary Reserves			
City Wide Capital Reserve	2,838,951.38	(1,857,439)	981,512.38
Transit Capital Reserve*	45,542.49	106,583,011.00	106,628,553.49
Corporate Fleet	775.91	(1,500,000)	(1,499,224.09)
Housing Reserve	28,000.00	-	28,000.00
Shenkman Arts Centre Reserve	(251.65)	-	(251.65)
Cash-in-Lieu of Parkland - City Wide	14,932.06	-	14,932.06
Cash-in-Lieu of Parkland - Ward 1	30,256.92	-	30,256.92
Cash-in-Lieu of Parkland - Ward 2	1,600.00	-	1,600.00
Cash-in-Lieu of Parkland - Ward 3	33,160.00	-	33,160.00
Cash-in-Lieu of Parkland - Ward 6	4,972.85	-	4,972.85
Cash-in-Lieu of Parkland - Ward 9	33,968.39	-	33,968.39
Cash-in-Lieu of Parkland - Ward 11	15,000.00	-	15,000.00

Tax & Rate Financial Implications	Document 1 Closures Return to Source / (Funding Required)	Document 2 Budget Adjustments Return to Source / (Funding Required)/Cash Commitment removed (Transit Capital Reserve)	Total Returned to Source / (Funding Required)
Cash-in-Lieu of Parkland - Ward 14	(4,800.00)	-	(4,800.00)
Cash-in-Lieu of Parkland - Ward 17	13,592.00	-	13,592.00
Cash-in-Lieu of Parkland - Ward 21	40,000.00	-	40,000.00
Cash-in-Lieu of Parkland - Ward 23	2,035.29	-	2,035.29
Total Capital Discretionary Reserves	3,097,735.64	103,225,572.00	106,323,307.64
Combined Operating & Capital Reserves			
Water Reserve	3,893,913.47	239,000	4,132,913.47
Wastewater Reserve	7,375,902.22	1,152,000	8,527,902.22
Stormwater Reserve	259,403.88	5,492,000	5,751,403.88
Solid Waste Reserve	27,498.52	-	27,498.52
Parking Reserve	1,718,017.57	(950,000)	768,017.57
Ottawa Public Library Reserve	13,272.04		13,272.04
Total Combined Operating & Capital Reserves	13,288,007.70	5,933,000.00	19,221,007.70
Restricted Reserves			
Federal Gas Tax	-	2,600,000.00	2,600,000.00
Total Restricted Reserves	-	2,600,000.00	2,600,000.00
Development Charge	434,514.33	3,526,000.00	3,960,514.33
Debt Financing			
City Wide Debt	46,097.00	-	46,097.00
Water Funded Debt	216,500.59	-	216,500.59
Sewer Funded Debt	347,055.00	-	347,055.00
Stormwater Funded Debt	50,000.00	-	50,000.00
Transit Debt	-	(104,716,011.00)	(104,716,011.00)
Stage 2 BP Debt		900,000.00	900,000.00
Development Charge Debt	117,600.00	-	117,600.00
Total Debt Financing	777,252.59	(103,816,011.00)	(103,038,758.41)
Grand Total	17,597,510.26	11,885,561.00	29,483,071.26

*Document 2 adjustments to the Transit Capital reserve includes a transit cash commitment decrease of \$106 million. As consistently reported for the light rail projects which span a number of years only the forecasted cashflows have been applied.

Recommendation 4 - Capital Project Date Changes Requiring Council Approval

As directed, capital projects will be considered for closure in 2024 if the stated completion date as established by the project manager is 2023.

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 2023 to its new completion date accordingly.

Recommendation 5 - Capital Budget Adjustments Processed Under Delegated Authority

The capital budget adjustments processed between May 12, 2023, to May 16, 2024, under the authority delegated to the Chief Financial Officer/Treasurer as per the Delegation of Authority By-law, Schedule B, Section 9, 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 IMPLICATION

The impact of the closing of capital projects is 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 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 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 – 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 and policy updates.