

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

File Number: ACS2022-FSD-FSP-0009

**Report to Finance and Economic Development Committee on 7 June 2022
and Council 22 June 2022**

Submitted on May 27, 2022 by Cyril Rogers, Deputy City Treasurer (A), Financial Strategies, Planning and Client Services

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Ward: Citywide

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

Dossier : ACS2022-FSD-FSP-0009

Rapport au Comité des finances et du développement économique

le 7 juin 2022

et au Conseil le 22 juin 2022

Soumis le 27 mai 2022 par Cyril Rogers, Trésorier municipal adjoint (T), Les services financiers, la planification financière et la budgétisation et les stratégies financières

Personne ressource : Nouny Munelith, Gestionnaire de Programme (T), Planification et Budgétisation, Direction générale des services des finances

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Economic Development 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. Approve the \$1 million one-time funding allocation to fund the Climate Change Master Plan as detailed in Document 2;**
- 4. Return to source or (fund) the following balances and eliminate debt authority resulting from the closing of projects and budget adjustments:**
 - Municipal drain revenue: (\$87,000)**
 - Capital supported reserves: \$10,355,969**
 - Development Charge reserves: \$4,070,076**
 - Debt Authority: \$43,208,653**
- 5. Permit those projects in Document 3 that qualify for closure to remain open;**
- 6. Receive the budget adjustments in Document 4 undertaken in accordance with the *Delegation of Authority By-law 2022-29*, as amended, as they pertain to capital works; and**
- 7. Authorize staff to perform the necessary financial adjustments as detailed in Documents 1 and 2.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique 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. d'approuver l'allocation unique d'un million de dollars pour financer le Plan directeur sur les changements climatiques, comme l'indique le document 2;**
- 4. 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 : (87 000 \$)**
 - **Fonds de réserve financés par les immobilisations : 10 355 969 \$**
 - **Réserves relatives aux redevances d'aménagement : 4 070 076 \$**
 - **Pouvoir d'endettement : 43 208 653 \$**
- 5. d'autoriser le maintien des projets du document 3 même s'ils répondent aux critères de cessation;**
 - 6. de prendre acte des rajustements budgétaires décrits dans le document 4, apportés aux termes du *Règlement municipal sur la délégation de pouvoirs (n° 2022-29)*, dans sa version modifiée, lesquels ont trait aux travaux d'immobilisations;**
 - 7. d'autoriser le personnel à apporter les ajustements financiers nécessaires, indiqués dans les documents 1 et 2.**

BACKGROUND

Each year, Corporate Finance prepares separate capital budget adjustment and closure reports for the Finance and Economic Development Committee (FEDCo) and for the Transit Commission. Each report contains recommendations on projects that fall within the respective mandates of FEDCo 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 2022-29*. 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 FEDCo and Council, while adjustments in the former document are being recommended for approval.

DISCUSSION

The recommended project closures and amendments will remove \$57.548 million in previously approved net spending budgets, \$10.356 million to be returned to capital supported tax and rate reserve funds, \$4.070 million to be returned to the Development Charge accounts and a reduction in debt financing requirements of \$43.209 million.

The projects recommended for closure (Document 1) have been completed and are \$24.145 million under the net expenditure budget approved by Council. The budget adjustments that require Council approval (Document 2) propose a \$33.402 million decrease 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 \$447.870 million in net approved budget authority have been completed and are recommended for closure. Actual funding required is \$24.145 million less than budget, which will result in \$9.3 million being returned to capital tax and other reserves, \$6.365 million being returned to rate reserve funds, \$4.421 million being returned to the development charge accounts along with a reduction of \$4.060 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 decrease of \$33.402 million in the previously approved net budget authority for the projects listed in Document 2. This resulted in a capital funding increase from municipal drain revenue of \$87 thousand, \$4.714 million increase in funding from tax and other reserves, \$594.745 thousand increase in funding from rate supported reserves, \$351 thousand increase in funding from development charges and a \$39.149

million reduction in the tax and rate debt requirement. As listed in Document 2, \$1 million was transferred from existing operating budgets to convert sidewalk repair to capital works for better tracking and management.

Recommendation 3 - \$1 million Funding Allocation to Fund the Climate Change Master Plan

During the [2022 Budget adoption](#) Council directed staff to allocate \$1 million in one-time funding through the annual capital close review, should the Chief Financial Officer/ Treasurer determine there are sufficient funds, to fund the Climate Change Master Plan to catalyze emission reductions, support ongoing climate adaptation work, leverage federal funding. Staff have identified the funding source which was made available through the closure of capital projects as referenced in Document 2 (budget adjustment #10) and have allocated \$1 million towards the Climate Change Master Plan projects.

Recommendation 4 – 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	(87,000)	(87,000)
Total Revenue	0	(87,000)	(87,000)
Tax and Other Reserves			
City Wide Capital Reserve	4,988,526	(4,714,000)	274,526
Transit Capital Reserve	83,000	0	83,000
Parking Reserve	3,832,000	0	3,832,000
Housing Reserve	(44,513)	0	(44,513)
Library Capital Reserve	23,930	0	23,930
Cash-in-Lieu of Parkland - City Wide	325,942	0	325,942
Cash-in-Lieu of Parkland - Ward 1	29,732	0	29,732
Cash-in-Lieu of Parkland - Ward 2	(162)	0	(162)

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 3	14,613	0	14,613
Cash-in-Lieu of Parkland - Ward 5	1,362	0	1,362
Cash-in-Lieu of Parkland - Ward 9	1,227	0	1,227
Cash-in-Lieu of Parkland - Ward 11	4,576	0	4,576
Cash-in-Lieu of Parkland - Ward 14	12,319	0	12,319
Cash-in-Lieu of Parkland - Ward 15	10,265	0	10,265
Cash-in-Lieu of Parkland - Ward 16	6,562	0	6,562
Cash-in-Lieu of Parkland - Ward 19	10	0	10
Cash-in-Lieu of Parkland - Ward 20	3,437	0	3,437
Cash-in-Lieu of Parkland - Ward 21	6,792	0	6,792
Total Tax and Other Reserves	9,299,617	(4,714,000)	4,585,617
Rate Reserves			
Water Capital Reserve	1,262,630	(286,280)	976,350
Wastewater Capital Reserve	3,459,592	(272,640)	3,186,952
Stormwater Capital Reserve	1,642,581	(35,825)	1,606,756
Solid Waste Rate	296	0	296
Total Rate Reserves	6,365,098	(594,745)	5,770,353
Total Reserves	15,664,714	(5,308,745)	10,355,969
Development Charge	4,421,076	(351,000)	4,070,076
Debt Financing			
City Wide Debt	510,000	0	510,000
Transit Debt	1,987,782	433,000	2,420,782
Stage 2 BP Debt - Tax	0	18,716,000	18,716,000
Stage 2 BP Debt-Rate	0	20,000,000	20,000,000
Water Funded Debt	80,767	0	80,767

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)
Sewer Funded Debt	1,481,105	0	1,481,105
Total Debt Financing	4,059,653	39,149,000	43,208,653
Grand Total	24,145,444	33,402,255	57,547,698

*Some totals rounded

Recommendation 5 - Capital Project Date Changes Requiring Council Approval

As directed, capital projects will be considered for closure in 2022 if the stated completion date as established by the project manager is 2021.

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 2021 to its new completion date accordingly.

Recommendation 6 - Capital Budget Adjustments Processed Under Delegated Authority

Those capital budget adjustments processed between May 11, 2021, to April 30, 2022, 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 FEDCo 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.