

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
10 September 2019 / 10 septembre 2019**

**and Council
et au Conseil
25 September 2019 / 25 septembre 2019**

**Submitted on August 29, 2019
Soumis le 29 août 2019**

**Submitted by
Soumis par:
Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance Services
Department/ Trésorière municipale adjointe, Finances municipales, Direction
générale des services des finances**

**Contact Person
Personne ressource:
Cyril Rogers, Manager Financial Strategy, Planning and Budgeting, Corporate
Finance, Finance Services Department / Gestionnaire, Stratégie financière,
Planification et Budgétisation, Finances municipales, Direction générale des
services des finances
*613-580-2424, ext. / poste 21562, Cyril.Rogers@ottawa.ca***

**Ward: CITY WIDE / À L'ÉCHELLE DE
LA VILLE**

File Number: ACS2019-FSD-FIN-0002

**SUBJECT: CAPITAL BUDGET ADJUSTMENTS AND CLOSING OF PROJECTS –
CITY TAX AND RATE SUPPORTED**

**OBJET: AJUSTEMENT DU BUDGET DES IMMOBILISATIONS ET CESSATION
DE PROJETS SOUTENUS PAR LES IMPÔTS FONCIERS ET LES
REDEVANCES**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend 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 (funding required) the following funding balances and eliminate debt authority resulting from the closing of projects and budget adjustments:**
 - Capital reserves \$28.5 million,**
 - Development Charge revenues \$16.6 million, and**
 - Debt Authority \$11.3 million;**
- 4. Permit those projects in Document 3 that qualify for closure, to remain open; and**
- 5. Receive the budget adjustments in Document 4 undertaken in accordance with the Delegation of Authority By-law 2018-397, as amended, as they pertain to capital works.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil:

- 1. d'autoriser la cessation des projets d'immobilisations qui figurent au document 1;**
- 2. d'approuver les ajustements budgétaires décrits dans le document 2;**
- 3. en raison de la clôture des projets et des ajustements budgétaires, remboursement des soldes de financement suivants (financement requis) et élimination du pouvoir d'endettement:**
 - Fonds de réserve financés par les immobilisations de 28,5 millions de dollars;**
 - Redevances d'aménagement de 16,6 millions de dollars;**

- **Pouvoir d'endettement de 11,3 millions de dollars.**
- 4. d'autoriser le maintien des projets du document 3 qui remplissent les critères de cessation;**
- 5. de prendre connaissance des ajustements budgétaires décrits dans le document 4, apportés aux termes du Règlement municipal sur la délégation de pouvoirs (no 2018-397), dans sa version modifiée, et ayant trait aux travaux d'immobilisation**

BACKGROUND

Each year, Corporate Finance prepares separate capital budget adjustments 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 in order 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 as contained in the Delegated Authority By-law 2018-397. 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 City Treasurer. Those capital budget adjustment requests that do not meet the delegated authority limits of the City 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% or \$100,000 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 \$56.3 million in previously approved net spending budgets, \$28.5 million to be returned to capital reserve funds, \$16.6 million to be returned to the Development Charge accounts and a reduction in debt financing requirements by \$11.3 million.

The projects recommended for closure (Document 1) have been completed and are \$40.4 million under the net expenditure budget approved by Council. The budget adjustments that require Council approval (Document 2) propose a \$15.9 million decrease to the previously approved net expenditure budget authority.

The recommendations as proposed in this report to FEDCo and Council will eliminate \$11.3 million of previously approved debt financing requirements. Additional information on each recommendation is provided below.

Recommendation 1 - Capital Projects Recommended for Closure

All capital projects recommended for closure are listed in Document 1 and 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 totalling \$525.4 million in net approved budget authority have been completed and are recommended for closure. Actual funding required is \$40.4 million less than budget which will result in \$27.3 million being returned to capital reserve funds, \$5.1 million being returned to the development charge accounts along with a reduction of \$8 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 City Treasurer's delegated authority limits.

The overall impact of the departmental budget adjustments is a net reduction of \$15.9 million in the previously approved net budget authority for the projects listed in Document 2.

Recommendation 4 - Capital Projects Requiring Council Approval to Remain Open

As directed, capital projects will be considered for closure in 2019 if the stated completion date as established by the project manager is 2018.

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 2018 to its new completion date accordingly.

Recommendation 5 - Capital Budget Adjustments Processed Under Delegated Authority

Those capital budget adjustments processed between June 1, 2018 to Aug 2019 under the authority delegated to the City Treasurer as per the Delegation of Authority By-law are provided in Document 4 for the information of FEDCo and Council.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

ASSET MANAGEMENT IMPLICATIONS

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

FINANCIAL IMPLICATIONS

The impact of the closing of capital projects recommended in Document 1 and budget adjustments in Document 2 are summarized in Table 1 below and are as outlined in this report.

Table 1: Tax and Rate Closure Summary

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			
Provincial Revenue	-	1,000,000	1,000,000
Total Revenue	-	1,000,000	1,000,000
Capital Discretionary Reserves			
Cash-in-Lieu of Parkland - City Wide	271,652	(690,558)	(418,906)
City Wide Capital Reserve	459,329	(186,303)	273,026
Corporate Fleet Reserve	(7)	-	(7)
Transit Capital Reserve	172,967	(5,393,000)	(5,220,033)
Total Capital Discretionary Reserves	903,940	(6,269,862)	(5,365,921)
Combined Operating & Capital Reserves			
Water Capital Reserve	11,637,716	159,750	11,797,466
Wastewater Capital Reserve	7,854,485	58,000	7,912,485
Solid Waste Capital Reserve	6,216,723	4,728,000	10,944,723
Library Capital Reserve	10,599	-	10,599
Parking Capital Reserve	9,181	-	9,181

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)
Total Combined Operating & Capital Reserves	25,728,704	4,945,750	30,674,454
Restricted Reserves			
Provincial Gas Tax	649,000	1,525,000	2,174,000
Total Restricted Reserves	649,000	1,525,000	2,174,000
Total Capital Supported Reserves	27,281,644	1,200,888	28,482,533
Development Charge	5,125,286	11,454,112	16,579,398
Debt Financing			
City Wide Debt	712,097	925,600	1,637,697
Water Funded Debt	2,405,856	1,249,900	3,655,756
Sewer Funded Debt	2,308,823	173,500	2,482,323
Transit Debt	-	172,000	172,000
Provincial Gas Tax Debt	94,616	-	94,616
Federal Gas Tax Debt	1,000,000	-	1,000,000
O-OTM Tax Debt	421,113	-	421,113
O-OTM Water Debt	675,000	-	675,000
O-OTM Sewer Debt	237,443	-	237,443
Development Charge Debt	164,729	746,000	910,729

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)
Total Debt Financing	8,019,677	3,267,000	11,286,677
Grand Total	40,426,607	15,922,000	56,348,608

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the Term of Council priorities (FS2 “Maintain and enhance the City’s financial position”).

SUPPORTING DOCUMENTATION

Document 1 – Capital Projects Recommended for Closure

Document 2 – Budget Adjustments Requiring Council Approval

Document 3 – Capital 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, Corporate Finance will process the necessary adjustments.