

Report to/Rapport au :

**Finance and Economic Development Committee
Comité des finances et du développement économique**

and Council / et au Conseil

**June 26, 2012
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Submitted by/Soumis par : Marian Simulik, City Treasurer / Trésorière municipale

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

R Ref N°: ACS2012-CMR-FIN-0029

**SUBJECT: CAPITAL 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, the funding of deficits as identified and the return of balance of funds to funding sources;**
- 2. Approve the budget adjustments as detailed in Document 2;**
- 3. Permit those projects in Document 3 that qualify for closure, to remain open; and**
- 4. Receive the budget adjustments in Document 4 undertaken in accordance with the Delegation of Authority By-law 2009-231, 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'approuver la cessation des projets d'immobilisation énumérés dans le document 1, le financement des déficits indiqués et la remise des fonds restants aux sources de financement;**
- 2. d'approuver les ajustements budgétaires décrits dans le document 2;**
- 3. de permettre que, les projets mentionnés dans le Document 3 qui se qualifient pour une cessation, restent ouverts;**
- 4. de prendre connaissance des ajustements budgétaires décrits dans le document 4, apportés aux termes du Règlement municipal 2009-231 sur la délégation de pouvoirs, modifié, et ayant trait aux travaux d'immobilisation.**

BACKGROUND

Each year, staff prepares separate capital budget adjustments and closure reports for the Transit Commission and for the Finance and Economic Development Committee (FEDCo). Each report contains recommendations on projects that fall within the respective mandates of the Commission or FEDCo.

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. 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 Delegation of Authority By-law 2012-109, 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 Council, while adjustments in the former document are being recommended for approval.

DISCUSSION

The recommendations as proposed in this report to the Finance and Economic Development Committee and Council will result in the reduction of \$18.2 million in previously approved capital budget authority which will eliminate \$22.4 million of debt financing. 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. It also 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. As part of this process, explanations are required from project managers for those projects recommended for closure that had deficits in excess of \$100,000.

Projects totalling \$460 million in approved budget authority have been completed and are recommended for closure. Actual funding required is \$16.6 million less than budget which will result in \$3.8 million being returned to various Capital Reserve Funds and \$2.5 million to the development charge accounts plus a reduction of \$10.3 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 \$1.7 million in the previously approved budget authority for the projects listed in Document 2.

Some of the major projects contributing to this net lower project requirement are as follows:

- 903194 Riverside Drive (Hunt Club to Limebank) – The project is complete and the required funding is \$4.7 million less than originally estimated. It is recommended that \$2 million of these unspent funds be transferred to the Jockvale Road project (903178 - Jock River to Prince of Wales) in order to provide the additional funding required due to the increased complexity of Jock River crossings as determined through the completion of the detailed design.
- 906420 Environmental Assessments – Additional provincial funding of \$1m was received that will allow for additional studies to be under taken as outlined in the 2012 budget.
- 905515 Knoxdale Road (Woodroffe to Newhaven) – As a result of geotechnical difficulties encountered with the project which has resulted in additional road reconstruction and water main scope changes, an additional \$2 million is required to complete this project. Funds from project 904022 Preston Street (Spruce to Carling) are recommended to be transferred into this project.

There are two administrative adjustments being submitted for Committee and Council approval.

The first adjustment recommends refinancing a portion of the debt on the Lansdowne Park Stadium Parking project (905885) and the Lansdowne Urban Park project (905886). The Finance Department continually reviews project funding in an effort to minimize the amount of debt needed to be issued. The debt financing on the Stadium Parking project is to be reduced by \$6.1 million and funded by the Cash in lieu of Parking reserve fund. Similarly, the debt financing on the Urban Park project is proposed to be reduced by \$7.0 million and funded by the City Wide Cash in lieu of Parklands reserve fund. Funds are available in these two reserves to permit this refinancing and the use is in compliance with the reserve by-laws.

The second adjustment relates to funding adjustments between debt and reserve funding sources applied to the Ottawa River Action Plan – Rideau (Dalhousie-Chapel) project. These adjustments reflect the assumptions incorporated in the Rate Supported Long Range Financial Plan.

Recommendation 3 Capital Projects Requiring Council Approval to Remain Open

As directed by the Executive Committee, capital projects will be considered for closure in 2012 if the stated completion date as established by the project manager is 2011.

Capital projects that qualify for closure, but 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 2011 to its new completion date accordingly. Closing and adjustments of Infrastructure Stimulus Funded (ISF) projects will be addressed in its totality through a separate Council report however, are recommended to remain open to allow for completion of the financial components of the Stimulus program.

Recommendation 4 Capital Budget Adjustments Processed Under Delegated Authority

Those capital budget adjustments processed between June 2011 and May 2012 under the authority delegated to the City Treasurer (By-law 2009-231) are provided in Document 4 for the information of the Transit Commission and Council.

RURAL IMPLICATIONS

There are no rural implications.

CONSULTATION

The purpose of this report is administrative in nature and therefore no public consultation is required. All departments have been involved in its preparation.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications.

FINANCIAL IMPLICATIONS

In total, previously approved budget authority \$18.2 million will be reduced through the recommended closing of projects (Document 1) and the budgets adjustments (Document 2). The net impact of these closures and budget adjustments will reduce the debt financing requirement on tax and rate related projects by \$22.4million.

The impact of the closing of capital projects recommended in Document 1 and budget adjustments in Document 2 are summarized in the chart below.

	Document 1 - Project Closures Return to Source / (Funding Required)	Document 2 - Budget Adjustments Return to Source / (Funding Required)	Total Return to Source / (Funding Required)
Reserves			
City Wide Capital	1,339,654	(2,016,000)	(676,346)
Environmental Areas Capital	9,016	-	9,016
Transit Capital	213,736	353,000	566,736
Corporate Fleet	73,829	-	73,829
Solid Waste Compensation	(4,147)	-	(4,147)
Child Care	2,340	-	2,340
Solid Waste Rate	-	(52,000)	(52,000)
Cash-in-Lieu of Parkland	146,888	(7,030,000)	(6,883,112)
Ottawa Public Library Capital	6,450	273,000	279,450
Cash-in-Lieu - Parking	-	(3,465,000)	(3,465,000)
Housing	(59,413)	-	(59,413)
Building Code - Capital	74,208	-	74,208
Total Tax Reserves	1,802,560	(11,937,000)	(10,134,440)
Rate Reserves			
Water Capital	1,306,063	3,887,000	5,193,063
Sewer Capital	666,771	-	666,771
Total Rate Reserves	1,972,834	3,887,000	5,859,834
Total DC's	2,528,201	(2,433,796)	94,405
Debt			
Tax Funded Debt	934,063	13,300,296	14,234,359
Sewer Funded Debt	6,104,331	-	6,104,331
Water Funded Debt	2,587,494	(5,759,000)	(3,171,506)
Development Charge Debt	621,752	4,636,500	5,258,252
Total Debt	10,247,639	12,177,796	22,425,435
Total Financing to Return to Source	16,551,234	1,694,000	18,245,234

A Reserve Fund Status schedule is attached as Document 5, and provides an update to the forecasted reserve balances. The schedule reflects and incorporates the recommendations contained in this report.

ACCESSIBILITY IMPACTS

There are no accessibility implications with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications with this report.

TERM OF COUNCIL PRIORITIES

There are no impacts on the City's Strategic Plan.

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, Financial Services will process the necessary adjustments.