

**3. CAPITAL ADJUSTMENTS AND CLOSING OF PROJECTS – ECONOMIC STIMULUS FUND (ESF) PROGRAM**

**AJUSTEMENT DU BUDGET DES IMMOBILISATIONS ET CESSATION DE PROJETS FINANCÉS PAR RECETTES FISCALES – PROGRAMME DU FONDS DE STIMULATION ÉCONOMIQUE**

**COMMITTEE RECOMMENDATIONS**

**That 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. Receive the budget adjustments in Document 2 undertaken in accordance with the Delegation of Authority By-law No. 2012-109, as amended, as they pertain to capital works.**

**RECOMMANDATIONS DU COMITÉ**

**Que le Conseil :**

- 1. approuve 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. prenne connaissance des ajustements budgétaires décrits dans le document 2, apportés aux termes du Règlement municipal 2012-109 sur la délégation de pouvoirs, modifié, et ayant trait aux travaux d'immobilisation.**

**DOCUMENTATION**

- 1. Marian Simulik, City Treasurer report dated 26 February 2013 (ACS2013-CMR-FIN-0006) / Rapport du Greffier municipal et chef des contentieux daté du 26 février 2013 (ACS2013-CMR-FIN-0006).**

Report to/Rapport au :

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

and Council / et au Conseil

February 26, 2013  
26 février 2013

Submitted by/Soumis par : Marian Simulik, City Treasurer/Trésorière municipale

*Contact Person / Personne ressource: Tom Fedec, Manager, Budget and Financial  
Planning, Finance Department/ Gestionnaire, Planification budgétaire et financière,  
Services des finances  
613-580-2424 ext./poste 21316, Tom.Fedec@ottawa.ca*

---

CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2013-CMR-FIN-0006

---

SUBJECT: CAPITAL ADJUSTMENTS AND CLOSING OF PROJECTS –  
ECONOMIC STIMULUS FUND (ESF) PROGRAM

OBJET : AJUSTEMENT DU BUDGET DES IMMOBILISATIONS ET CESSATION  
DE PROJETS FINANCÉS PAR RECETTES FISCALES –  
PROGRAMME DU FONDS DE STIMULATION ÉCONOMIQUE

### 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. Receive the budget adjustments in Document 2 undertaken in accordance with the Delegation of Authority By-law No. 2012-109, 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. de prendre connaissance des ajustements budgétaires décrits dans le document 2, apportés aux termes du Règlement municipal 2012-109 sur la délégation de pouvoirs, modifié, et ayant trait aux travaux d'immobilisation.**

## BACKGROUND

### Economic Stimulus Fund (ESF) Program

In June 2009 the City received approval for \$375.8 million of Infrastructure Stimulus Fund (ISF) projects comprised of transit, pedestrian and cycling related works that were both renewal and growth related initiatives (\$358.5 million) as well as cultural initiatives (\$17.3 million). Also in June 2009, the City received approval for \$25.6M of community recreational infrastructure projects under the Recreational Infrastructure Canada (RInC) Program. The ISF and RInC programs combined to form the initial \$401 million Economic Stimulus Fund (ESF) program, funded in partnership with the Federal and Provincial governments.

In 2010, staff were informed by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) that the City could apply for additional ISF projects by utilizing the savings resulting from under-budget delivery of the original ISF program. Staff submitted a Council approved list of additional ISF projects to the Federal and Provincial governments. An additional 16 projects totalling \$8.4 million were approved.

In 2011, staff were informed by OMAFRA that the City could apply for approval of scope changes to undertake additional work on projects under budget. The City received approval for scope changes for a total of \$26.2 million of additional work on 40 projects that were under budget.

As was reported by staff in the March 2012 report "Economic Stimulus Fund Program – Final Report", 99.85% of the ESF program was completed by the October 31, 2011 deadline even with the additional projects undertaken due to under-budget delivery and the additional work undertaken by approved scope changes on projects under budget.

In total, 131 ESF projects were approved and carried out with a total budget authority of \$408.1 million. Actual spending to deliver these works was only \$392.7 million or \$15.4 million under budget. All ESF projects are being recommended to be closed.

Although complete, 2 projects have outstanding commitments of approximately \$165,000 which will be resolved in the next few months. For administrative purposes, these funds have been transferred to the Pre / Post Infrastructure Stimulus project account in order to facilitate the closure of these 2 projects.

In addition, on 4 projects, the final settlement on required land purchases has not been finalized. In order to facilitate closure of these projects, the estimated cost of these acquisitions has been recorded in the projects. Once finalized, the final transactions will be processed through the Pre / Post account. Once all the remaining outstanding

expenditures have been processed, the Pre / Post account will be closed and included in a future “Capital Adjustments and Closing of Projects” report.

All claims for payment on all projects have been submitted to the Province for processing. However, on the Hunt Club Road Extension project, an estimate of the funding from the Federal and Provincial governments has been reflected. At present the project has been completed however there is an outstanding issue that requires resolution. In recognition of this situation, an extension to March 31, 2014 has been sought in order to finalize these issues. Formal approval of this request is expected to be received in the next few weeks.

After applying the funding received from the Federal and Provincial governments on eligible costs, the total shortfall requiring additional City funding is only \$308,644 which reflects the projected outstanding commitments, estimated land purchase costs and estimated claim settlement on the Hunt Club Extension.

The majority of the projects were under budget as can be seen in Document 1. Those projects that exceeded budget were as a result of costs not being eligible for cost sharing by the Federal and Provincial governments. As was indicated in the March ESF update report, some of these ineligible costs incurred in the completion of the capital works were related primarily to property and staff costs plus minor work done after the October 31, 2011 deadline. A large share of the ineligible costs was comprised of property costs associated with growth projects. As these are eligible to be funded by Development Charge (DC) funds, the financing adjustments have been made on these projects. To the extent possible, other ineligible costs have been offset by the reduced spending in other ESF projects.

## DISCUSSION

### **Recommendation 1 – ESF Projects Recommended For Closure**

All projects recommended for closure are listed in Document 1. Also provided is information related to the adjustments required that will return excess funds to source or fund project deficits. 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. Only 2 projects meet this criterion.

Southwest Transitway Extension (Fallowfield – Jockvale) - \$871,427 shortfall

Although the project was completed under budget, there were substantial ineligible costs incurred, mainly property, that were not cost shareable with the Federal and Provincial governments. Approximately \$4.572 million of costs were deemed ineligible, resulting in an increased City financing requirement of \$871,247.

Extension of Terry Fox Drive - \$2,497,772 shortfall

Although the Terry Fox Drive Extension project was completed under budget by \$1.9

million, there were substantial ineligible costs incurred, mainly property, that were not cost shareable with the Federal and Provincial governments. Approximately \$5.1 million of costs were deemed ineligible resulting in an increased City financing requirement of \$2.498 million.

A number of projects were delivered significantly under budget. The following lists the projects that had savings of over \$0.2 million

Sussex Drive Reconstruction (George to St. Patrick) – \$369,293.

Project completed under budget due to favourable tender prices compared to estimated cost.

Baseline Station Tunnel \$200,323

Project completed under budget due to favourable tender prices compared to estimated cost.

Earl Armstrong Widening \$1,439,423

Project completed under budget due to favourable tender prices compared to estimated cost, and recoveries from adjacent developments.

Mer Bleue Widening (Innes –Hydro Corridor) - \$412,366

Project completed under budget due to favourable tender prices compared to estimated cost.

The actual net funding (expenditures less all cost sharing and other revenues) required to finance the City portion of the projects is \$131.239 million which is \$0.309 million over the budget amount established by Council. This shortfall will be funded from the various funding sources as summarized in the Financial Implications section of the report. To the extent possible, the City funding that is not required to finance any ESF project has been “re-cycled” and used to finance other ESF projects that require additional funding.

Due to the fact that these ESF projects have multiple City funding sources (various tax and rate reserves, development charges accounts and debt financing types), additional funds will need to be transferred from the City Wide Reserve Fund (\$0.3 million), Transit Capital Reserve Fund (\$0.4m) and the Development Charges accounts (\$0.3 million). Funds are available in these reserves to complete the financing of the ESF program.

**Table 1**

	<b>Budget</b>	<b>Actual</b>	<b>Surplus / (Deficit)</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Expenditures	408,063	392,656	15,407
Federal / Provincial Cost Sharing	(264,257)	(242,546)	(21,711)
Federal Gas Tax Funds	(6,264)	(6,264)	-
Federal Capital Revenues	(3,697)	(4,054)	357
Other Revenues	(2,915)	(8,553)	5,638
<b>Net City Financing Requirement</b>	<b>131,095</b>	<b>131,239</b>	<b>(309)</b>

**Recommendation 2 - Capital Budget Adjustments Processed Under Delegated Authority**

As per Council direction given to the City Treasurer in June 2009, the City Treasurer was authorized to process any funding corrections or adjustments to the stimulus projects as required and report these to Council. All adjustments have been reported to Council in the Quarterly Status reports and in the annual Capital Adjustments and Closing of Projects report.

The adjustment in Document 2 transfers the outstanding commitments of \$165,000 from the Hazeldean Road Widening project (\$110,000) and from the Southwest Transitway (\$55,000) to the Pre / Post Infrastructure Stimulus project. This is an administrative adjustment which will allow the 2 projects to close and allow the remaining projected outstanding expenditures to be recorded against the Pre / Post account.

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

As stated previously, due to the fact that these ESF projects have multiple City funding sources (various reserves, development charges accounts and debt financing types), additional funds will need to be transferred from the City Wide Reserve Fund (\$0.3 million), Transit Capital Reserve Fund (\$0.4m) and the Development Charges accounts (\$0.3 million). Funds are available in these reserves to complete the financing of the ESF program.

Funds not required to finance the rate portion of the ESF projects (\$0.3 million) will be returned to the respective Water and Sewer capital reserve funds. Debenture authority of \$0.4 million on transit related ESF projects will not be required.

The funding implications of closing the ESF capital projects (per Document 1) as recommended in the report and the budget adjustments in Document 2 are summarized in Table 2.

Table 2

<b>Project Closures – Funding Impacts</b>	<b>Funding Required / (Return to Source)</b>
<b>Tax Reserves</b>	
City Wide Capital	302,617
Transit Capital	435,157
Ottawa Public Library Capital	(1,284)
<b>Total Tax Reserves</b>	<b>736,490</b>
<b>Rate Reserves</b>	
Water Capital	(148,832)
Sewer Capital	(142,756)
<b>Total Rate Reserves</b>	<b>(291,588)</b>
<b>Total DC's</b>	<b>272,494</b>
<b>Total Debt - Transit Tax Funded Debt</b>	<b>(408,752)</b>
<b>Total Funding Required / (Return to Source)</b>	<b>308,644</b>

**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 technical implications associated 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 Processed Under Delegated Authority

**DISPOSITION**

Upon approval of this report, Financial Services will process the necessary adjustments.