

TO:	CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON DECEMBER 12, 2011
FROM:	M. HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2011 CAPITAL BUDGET STATUS - THIRD QUARTER REPORT

RECOMMENDATION

That on the recommendation of the City Treasurer and Chief Financial Officer, the 2011 Capital Budget Status - Third Quarter Report **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

2010 Capital Budget Status - Fourth Quarter Report (Finance & Admin Committee - April 13, 2011)
<http://council.london.ca/meetings/FAC%20Agendas/2011-04-13%20Agenda/Item%203.pdf>

2011 Capital Budget Status – Second Quarter Report (Finance & Admin Committee – Sept 14, 2011)
<http://sire.london.ca/cache/0/oyohsr452j53quqvthiblav/509011032011104312814.PDF>

BACKGROUND

Life-to-Date Project Budget Status

At the end of the third quarter 2011, no project was over budget by more than \$50,000. A summary of the capital budget status as at the third quarter is provided in **Table One**. This is the life-to-date status and therefore includes active projects approved in 2011 and prior years.

(\$ millions)	Approved Budget	Committed	Uncommitted or pending (1)
Tax Supported	777.0	612.2	164.8
Wastewater	362.3	228.1	134.2
Water	167.6	138.4	29.2
Total	1,306.9	978.7	328.2

Totals above are for active projects only; projects closed during the course of the year are deducted from this table.

Note (1) - Once a capital project has an approved budget, spending or commitments may not be made for several years, for example the Police Headquarters expansion. Ongoing review and monitoring of capital projects will identify projects that should be closed, because the project is completed and/or the project is no longer required due to a scope change. A detailed (project by project) listing of the capital budget status at the end of the third quarter is available upon request.

Capital Cash Flow

The following information for Capital Spending, Capital Funding and Working Capital for interim financing provides relevant information for investment and debt issuance decisions.

Capital Spending

Spending on capital projects can extend several years after the budget is approved by Council. Spending within a given year is therefore a layering of several capital projects approved in various years and at various stages. Capital spending in a given year is not necessarily the same as the capital budget for that year. In any given year, total capital spending tends to be greater during the latter part of the year as construction invoices are received, approved and paid.

At the end of the third quarter for 2011, the total **capital spending** was **\$116.3 million** compared to \$180.7 million in 2010. The decrease is primarily related to the end of the economic stimulus funding programs (ISF and RiNC). These programs accounted for \$50.3 million of spending in 2010 but only \$9.7 million in 2011. These amounts exclude capital spending by the Joint Water Boards.

Capital Funding (Sources of Financing)

The funds or sources of financing that will support the capital budget are approved at the same time as the capital expenditure. The main sources of capital funding include capital levy, reserve funds (rate and DC), debentures, and government grants. Capital funding sources such as debentures and grants often lag behind project spending. Debt is not issued until the project is completed.

Use of Working Capital for Interim Financing

Unfinanced capital is when actual spending temporarily exceeds funding that is approved but not yet received. Funding is financed in the short term by “borrowing” cash from working capital, either the general fund or reserve funds. Most of the unfinanced amount is associated with debenture financing. At the end of the third quarter of 2011, **unfinanced capital** totalled **\$132.1 million** (compared to \$130.2 million in 2010). This level of unfinanced capital has proven to be manageable given the short term financing available from the general and reserve funds. These amounts exclude capital spending by the Joint Water Boards and non-cash items.

Civic Administration is completing its 2011 debt issuance through the capital markets and the Ontario Infrastructure and Lands Corporation (OILC). This in effect will reduce the amount of unfinanced capital from \$132.1 million (identified above) to \$49.8 million.

Debt Status

This table details the City's overall debt level projection for the end of 2011.

3RD QUARTER 2011								
Net Debt Level (Forecast \$ millions)	Dec 31 2010	Issued 2011	To Be Retired 2011	Dec 31 2011	To be Issued 2011	Total Projected	Authorized 2011*	Total Potential
General Property Taxes	158.5	6.5	24.0	141.0	47.8	188.8	106.7	295.5
Wastewater	63.6	7.3	6.9	64.0	22.5	86.5	42.7	129.2
Water	0.1	2.0	0.0	2.1	0.0	2.1	2.3	4.4
Reserve Funds Supported	43.1	0.0	6.4	36.7	0.0	36.7	24.1	60.8
Subtotal	265.3	15.8	37.3	243.8	70.3	314.1	175.8	489.9
Joint Water Boards - City's Share	2.8	0.0	0.3	2.5	0.0	2.5	21.7	24.2
City Services Reserve Funds	9.1	0.0	1.1	8.0	12.0	20.0	56.8	76.8
Net Debt Levels Total	277.2	15.8	38.7	254.3	82.3	336.6	254.3	590.9

2011 Capital Budget – Capital Budget Revisions

Summaries of the 2011 General, Wastewater, and Water Capital Budget revisions as at the end of the third quarter are provided in **Appendix A**.

The General Capital Budget increased from \$100.2 million to \$106.5 million at the end of the third quarter, mainly due to:

- \$2.7 million for the purchase of Foxfield Park
- \$1.6 million for the building and brownfield remediation costs for the London Sports Optimist Centre
- \$1.1 million for the purchase of 1602 Sunningdale Rd
- \$0.8 million additional funding for bus replacements.

The Wastewater Capital Budget increased from \$56.7 million to \$58.1 million due to developer upgrades related to the Southland Pollution Control Plant and revisions related to the Biosolids Disposal and Optimization Plan.

The 2011 Water Capital Budget at \$23.3 million did not change.

Acknowledgements

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