

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 7, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2014 CAPITAL BUDGET STATUS – FOURTH QUARTER REPORT

RECOMMENDATION

That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the 2014 Capital Budget Status - Fourth Quarter Report **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

2014 Capital Budget Status – Third Quarter Report (Corporate Services Committee – December 16, 2014) <http://sire.london.ca/agdocs.aspx?doctype=agenda&itemid=30334>

BACKGROUND

On a quarterly basis, starting with the second quarter, Financial Planning & Policy (FP&P) presents a report on the status of the capital budget. This quarterly report includes an update on life-to-date approved capital spending, capital cash flow, debt status and year to date capital budget revisions. Once a year, FP&P also reports out on capital projects that were closed during the year, with a recommendation to transfer back or draw down additional funds from reserve funds, capital receipts (pay-as-you-go) or debt.

Life-to-Date Project Budget Status

A summary of the capital budget status as at the fourth quarter is provided in Table One below. The chart represents the life to date approved capital budget (2014 and prior years), committed expenditures to date and uncommitted or pending expenditures.

Table One			
(\$ millions)	Life to Date Approved Budget	Committed	Uncommitted or pending (1)
Tax Supported	794.6	615.2	179.4
Wastewater	418.7	273.9	144.8
Water	161.3	134.4	26.9
Total	1,374.6	1,023.5	351.1
Totals above are for active projects only; projects closed during the course of the year are deducted from this table. Numbers subject to rounding.			

Note (1) - Once a capital project has an approved budget, spending or commitments may not be made for several years, for example the Multi-purpose Recreation Centres. 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 fourth quarter is available upon request.

At the end of the fourth quarter 2014, there were no projects over budget by more than \$50,000.

Capital Cash Flow

The following information for Capital Spending, Capital Funding and Debt Status 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. Also, 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 fourth quarter for 2014, the total **capital spending** was **\$200.2 million** compared to \$157.8 million in 2013. 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 supported), debentures, and government grants. Capital funding sources such as debentures and grants often lag behind project spending. Debentures are not issued until the project is substantially completed.

Debt Status

The table below details the City's overall debt level projection for the end of 2014.

4th QUARTER Debt Level Projection for 2014 (\$ millions)						
	Dec 31, 2013 (A)	Issued in 2014	To Be Retired 2014	Dec 31, 2014 (B)	Authorized 2014	Total Potential
General Property Taxes	202.5	16.3	28.0	190.8	86.3	277.1
Wastewater	79.1	3.5	8.3	74.3	27.3	101.6
Water	2.7	-	0.3	2.4	0.5	2.9
Rate Supported Reserve Funds	30.0	4.4	3.9	30.5	16.6	47.1
Subtotal	314.3	24.2	40.5	298.0	130.7	428.7
Joint Water Boards - City's Share	9.8	-	1.1	8.7	22.5	31.2
City Services Reserve Funds	28.3	5.8	3.3	30.8	74.3	105.1
Total	352.4	30.0	44.9	337.5	227.5	565.0
Note A: Outstanding debt level is net of unamortized debenture discount and agrees to audited financial statements.						
Note B: Outstanding debt level at Dec 31, 2014 is subject to completion of 2014 financial statement audit.						
Amounts are subject to rounding.						

2014 Capital Budget – Capital Budget Revisions

Summaries of the 2014 General, Wastewater, and Water Capital Budget revisions as at the end of the fourth quarter are provided in **Appendix A**.

The General Capital Budget increased from \$116.0 million to \$144.5 million (up \$28.5 million) during 2014, mainly due to:

- \$10.0 million to establish a budget for the Medical Innovation Network
- \$ 6.1 million to establish a budget for Ontario Works Decentralization-South
- \$ 3.1 million to establish a budget for the property purchase at 1060/1066 Byron Baseline
- \$ 2.9 million to establish a budget for the Normal School
- \$ 2.6 million to establish a budget for demolition at Old Victoria Hospital lands
- \$ 1.3 million to establish a budget for the purchase of Sherwood Forest School
- \$ 1.3 million to establish a budget for Service London
- \$ 0.7 million to establish a budget for Cat Adoption and Veterinarian Services

- \$ 0.5 million for other projects

The 2014 Wastewater Capital Budget increased from \$65.7 million to \$67.2 million mainly due to budget increases from private drain connections and local improvements (homeowner's share) (\$1.1 million) and developer contributions to establish budgets for three storm water projects (\$1.5 million), offset by substituting owner's share with rate supported funding with respect to the Hyde Park Industrial Park (-\$1.1 million).

The 2014 Water Capital Budget increased from \$27.7 million to \$27.8 million mainly due to HELP funding in the amount of \$1.6 million being reallocated to the SE Reservoir, offset by a reduction to the rate supported budget (-\$1.1 million), establishing a budget for the Watermain internal oversizing subsidy \$0.1 million, and the deferral of the Highbury Ave watermain budget (-\$0.5 million).

Acknowledgements

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