

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 12, 2016</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>2015 CAPITAL BUDGET STATUS – FOURTH QUARTER REPORT</b>

<b>RECOMMENDATION</b>
-----------------------

That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the 2015 Capital Budget Status - Fourth Quarter Report **BE RECEIVED** for information.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
--

**2015 Capital Budget Status - Third Quarter Report** (Corporate Services Committee – December 1, 2015) <http://sire.london.ca/agdocs.aspx?doctype=agenda&itemid=38022>

<b>BACKGROUND</b>
-------------------

On a quarterly basis, 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

At the end of the fourth quarter 2015, no projects were over budget by more than \$50,000.

A summary of the capital budget status as at the fourth quarter is provided in **Table One** (see below). The chart represents the life to date approved capital budget (2015 and prior years), committed expenditures to date and uncommitted or pending expenditures.

<b>Table One</b>			
(\$ millions)	Life to Date Approved Budget	Committed	Uncommitted or pending (1)
Tax Supported	754.4	559.8	194.6
Wastewater	441.9	327.7	114.1
Water	163.1	130.4	32.7
<b>Total</b>	<b>1,359.4</b>	<b>1,018.0</b>	<b>341.4</b>

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.

## Capital Cash Flow

The following information for Capital Spending and Capital Funding 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 fourth quarter for 2015, the total **capital spending** was **\$205.5 million** compared to \$201.2 million in 2014. 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 for the end of 2015.

Debt Level for 2015 (\$ millions)						
	Dec 31, 2014 (A)	Issued in 2015	Retired in 2015	Dec 31, 2015 (B)	Authorized 2015	Total Potential
General Property Taxes	191.7	19.6	26.8	184.5	83.2	267.7
Wastewater	74.5	4.0	8.0	70.5	17.6	88.1
Water	2.4	-	0.3	2.1	0.5	2.6
Rate Supported Reserve Funds	30.7	-	3.9	26.8	10.7	37.5
<b>Subtotal</b>	<b>299.3</b>	<b>23.6</b>	<b>39.0</b>	<b>283.9</b>	<b>112.0</b>	<b>395.9</b>
Joint Water Boards - City's Share	8.7	7.3	1.2	14.8	15.0	29.8
City Services Reserve Funds	31.0	8.3	3.9	35.4	86.7	122.1
<b>Total</b>	<b>339.0</b>	<b>39.2</b>	<b>44.1</b>	<b>334.1</b>	<b>213.7</b>	<b>547.8</b>
<b>Note A:</b> Agrees to audited financial statements.						
<b>Note B:</b> Outstanding debt level is subject to completion of 2015 financial statement audit.						
<b>Amounts are subject to rounding.</b>						

### 2015 Capital Budget – Capital Budget Revisions

Summaries of the 2015 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 \$128.4 million to \$142.8 million at the end of the fourth quarter, mainly due to:

- \$2.4 million to establish budget for demolition at Old Victoria Hospital Lands Phase 2
- \$8.4 million to establish budget for renovation work at the Normal School
- \$6.0 million to establish budget for the installation of LED Street Light Upgrade
- \$1.3 million to increase budget for the One Voice project
- \$2.1 million increase to the roadway maintenance and bus expansion capital program from assessment growth
- (\$3.3) million reduction for eliminating the 2/3 Senior Government funding for the Industrial Land Development Strategy
- (\$2.5) million budget reductions for other projects

The 2015 Wastewater Capital Budget decreased from \$77.6 million to \$72.2 million due to budget increases from private drain connections and local improvements (homeowner's share)

(\$1.4 million) and other projects (\$0.8 million) offset by the elimination of the 2/3 Senior Government funding for the Wastewater Industrial Land Development Strategy projects (-\$5.4 million) and the cancellation of the Dingman Creek SWM Facility project (-\$2.2 million).

The 2015 Water Capital Budget decreased from \$29.9 million to \$29.3 million mainly due to the elimination of the 2/3 Senior Government funding for the Water Industrial Land Development Strategy projects.

**Acknowledgements**

This report was prepared with support from Annette Ripepi from Financial Planning & Policy.

<b>Prepared By:</b>	<b>Reviewed By:</b>
<b>Marta Semeniuk, Capital Budget Officer</b>	<b>Alan Dunbar, Manager, Financial Planning &amp; Policy</b>
<b>Concurred By:</b>	<b>Recommended By:</b>
<b>Larry Palarchio, Director of Financial Planning &amp; Policy</b>	<b>Martin Hayward, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer</b>