

## Background

Governments at all levels own, lease or control an array of assets in order to deliver services to citizens. The amounts and timing of capital investments are among the most important decisions a governing body will make. A policy for informing decisions about capital spending decisions increase the assurance they reflect transparent, consistent steps that reflect community priorities, financial plans and reliable performance data.

As investments are being made, information about the progress of capital projects is also desirable so that adjustments or changes to planned activities can be made in a timely fashion.

## Analysis

In January 2019, Council approved a new Capital Budget Policy which aligned capital budgeting practices with the principles described in the Asset Management Strategy and the long-term perspective anticipated by the Long Term Financial Plan. The Policy provides City Council with more, and more direct, control over capital project selection and increases transparency and accountability for results.

The new policy enhances information about project spending and the attached report is a result of the approval of the new policy.

The Capital Budget Policy states:









*The CFO will provide the Finance and Administration Committee or Council with a Capital Status Updates Report annually. This report is projected to be completed prior to the end of March and provided to the Committee in April. This report will include the following:*

- 1. Detail all outstanding capital projects and a brief comment on status (when completion is anticipated, expected final surplus/deficit, etc.).*
- 2. For larger projects (over \$3.0 Million for Roads, Water and Wastewater and over \$1.0 Million for all other Departments), a complete commentary is required that will detail project highlights, accomplishments, expected timeline to completion, funding sources, etc.*
- 3. Provide a summary of all projects completed from the prior Capital Status Update Report, including information on surpluses and deficits.*
- 4. Update the balances remaining in the Holding Account and the transactions since the last report.*

As this is the inaugural annual Capital Status Update Report, item 3, the summary of all projects completed from the prior Capital Status Update Report will not be included in this report. The Completed Capital Projects Report for December 2018 will be included

with the other year-end reports and presented in June 2019. There will also not be an update on the balances remaining in the Holding Account and the transactions since the last report, since there was no last report.

## Summary as of December 31, 2018

Department 	Project Actuals	Project Budget	Remaining Budget	Projected Surplus/Deficit
 <b>CAO's Office</b>	<b>1,376,838</b>	<b>1,876,838</b>	<b>500,000</b>	-
Economic Development	1,376,838	1,876,838	500,000	-
 <b>Community Development</b>	<b>17,582,096</b>	<b>125,675,051</b>	<b>108,092,955</b>	<b>401,822</b>
CD Facilities	1,621,937	3,651,087	2,029,150	5,555
Cemetery	81,245	408,569	327,325	-
Event Center	1,538,024	99,574,140	98,036,116	-
HCI	258,658	1,252,251	993,593	-
Leisure Services	3,566,141	7,281,719	3,715,578	165,276
Library	300,790	767,345	466,556	14,592
Pioneer Manor	428,179	595,276	167,097	1,585
Social Services	-	410,000	410,000	200,000
The Junction	451,016	655,000	203,984	-
Transit Services	9,336,107	11,079,662	1,743,555	14,814
 <b>Community Safety</b>	<b>1,571,095</b>	<b>6,170,855</b>	<b>4,599,760</b>	<b>40,613</b>
Fire Services	540,316	4,370,045	3,829,729	-
Paramedic Services	1,030,779	1,800,810	770,031	40,613
 <b>Corporate Services</b>	<b>20,026,268</b>	<b>29,443,073</b>	<b>9,416,805</b>	<b>289,655</b>
199 Larch	736,692	1,929,467	1,192,774	184,963
Administration	318,173	1,230,613	912,440	100,000
Assets	1,941,411	3,581,619	1,640,208	4,274
Fleet Services	1,095,019	1,572,867	477,849	418
Information Technology	2,122,526	4,265,924	2,143,398	-
Parking	51,624	311,076	259,452	-
Tom Davies Square	13,760,823	16,551,508	2,790,684	-
 <b>Growth &amp; Infrastructure</b>	<b>166,149,966</b>	<b>323,600,081</b>	<b>157,450,116</b>	<b>3,801,771</b>
Bridge Rehabilitation	25,160,449	38,616,984	13,456,535	512,948
Drains	11,252,785	26,969,095	15,716,311	-
Environmental Services	3,295,181	4,914,936	1,619,754	(174,376)
Planning	592,411	1,246,116	653,705	111,269
Roads	125,849,140	251,852,950	126,003,810	3,351,930
 <b>Wastewater</b>	<b>54,253,825</b>	<b>107,361,041</b>	<b>53,107,216</b>	<b>229,588</b>
Wastewater Linear	14,834,443	32,302,761	17,468,317	125,153
Wastewater Plants	39,419,382	75,058,281	35,638,899	104,435
 <b>Water</b>	<b>24,830,650</b>	<b>66,833,378</b>	<b>42,002,728</b>	<b>1,055,671</b>
Water Linear	18,667,037	43,402,095	24,735,058	827,162
Water Plants	6,163,613	23,431,283	17,267,670	228,510
<b>Grand Total</b>	<b>285,790,738</b>	<b>660,960,317</b>	<b>375,169,579</b>	<b>5,819,121</b>

Please note the report shows total budget, total remaining budget and projected/surplus deficit based on all funding sources including grants, contributions and debt financing.

The summary report provides a high level view of the projects by Department.

**The CAO's Office** has one project in progress

- the Farmer's Market with a budget remaining of \$500,000

**Community Development** - \$108 million in remaining budget including larger projects:

- The Event Centre - \$98 million
- Playground Revitalization - \$1.8 million
- Transit Projects –\$1.7 million
- Work continues on facilities totaling \$2.0 million

**Community Safety** has \$4.6 million in remaining budget with a focus on:

- Vehicle replacement totaling \$2.9 million
- Safety and prevention equipment total \$1.3 million

**Corporate Service** has \$9.4 million in remaining budget including:

- Building related projects - \$5.6 million including \$1.5 million for the elevator and courtyard projects
- Information Technology \$2.1 million to support ongoing initiatives

**Growth and Infrastructure** has \$157 million in remaining budget including:

- Major bridge rehabilitation initiatives - \$13.5 million
- Stormwater management improvements - \$15.7 million
- Road network investments - \$126 million – over 100 projects including \$37.5 million for MR 35, \$30.3 million for the completion of the Maley Drive project and \$3.0 million in cycling infrastructure

**Water/Wastewater** has \$95 million of remaining budget including:

- Linear work totals \$52 million
- Lift station projects of \$14.8 million
- Wastewater treatment plant work of \$16.0 million
- Projects at the two water treatment plants total \$4.3 million

The projected surplus amount presented is based on the best information as of the time of this report. The ultimate realization of the surplus may differ. Any surpluses may be available to return to reserves and will be subject to the reserve financing strategy which is in development.

## **Project Details**

This report includes the following:

1. Capital Projects Status Update (Appendix A) which detail all outstanding capital projects and a brief comment on status (when completion is anticipated, expected final surplus/deficit, etc.).

2. Large Capital Projects Status Update (Appendix B) for larger projects (over \$3.0 million for Roads, Water and Wastewater and over \$1.0 million for all other Departments), a complete commentary is presented that details project highlights, accomplishments, expected timeline to completion, funding sources, etc. The format used follows the presentation for capital projects in the 2019 Budget Document.

The budget amount shown on this report will be used in all future reports to Council to determine surplus or deficit. The project budget amounts will not change unless funded from the respective Holding Account or reserve fund. Due to the approval of the new Capital Budget Policy staff will no longer have the ability to transfer funds between projects.

## **Reserves**

The new Capital Budget Policy included the creation of Holding Accounts as reserves that are to be funded by surpluses on capital projects and will be used to fund over-expenditures on other capital projects, subject to limits. With the creation of these new reserves, the initial funding of these reserves at their target balances will be as follows:

- Capital General Holding Account Reserve of \$4 million from the Capital Financing Reserve Fund – General
- Water Rate Holding Account Reserve of \$1.5 million from the Capital Financing Reserve Fund – Water
- Wastewater Rate Holding Account Reserve of \$1.5 million from the Capital Financing Reserve Fund – Wastewater

With the elimination of the capital envelopes system, many of the existing Capital Financing Reserve Funds will be consolidated into the Capital Financing Reserve Fund – General as when they were created they had a separate capital envelope and any project surplus was transferred to these reserve funds for funding sources for future capital projects. The consolidation of these reserve funds is required to align with the revised Capital Budget Policy including the funding of the three Holding Account Reserves noted above. The Reserve and Reserve Fund By-Law will be revised to create these three Holding Account Reserves including funding to its target balances, as well as consolidation of several Capital Financing Reserve Funds as listed below.

Specifically, the reserves and reserve funds that will be consolidated into the Capital Financing Reserve Fund (CFRF) – General are:

- CFRF – Information Technology
- CFRF – Transit
- CFRF – Environmental Services
- CFRF – CLELC (Lionel E Lalonde Centre)
- CFRF – Peoplesoft/ERP
- CFRF – Planning

- CFRF – Corporate Infrastructure
- CFRF – Buildings
- CFRF – Emergency Management
- CFRF – Roads
- CFRF – Health and Social Services
- CFRF – Fire Services
- CFRF – Leisure Services
- CFRF – Administration
- CFRF – Recycling Equipment

The consolidation does not include the following: Water, Wastewater, HCI Fund, City Fleet, Parking, Parks Equipment, Paramedic Services and Police. These exceptions will retain their existing reserve funds as the nature of their operations/purchases are self-funding with no funding from the annual property tax levy.

## **Conclusion**

This report summarizes the status of capital projects as of December 31, 2018 and provides the increased transparency and accountability offered in the new Capital Budget Policy.

## **Relevant Links for Further Information:**

1. City Council meeting of January 15, 2019

Staff report: Capital Budget Policy

<http://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&id=1303&itemid=15907&lang=en>