TORONTO

STAFF REPORT
ACTION REQUIRED

Capital Variance Report for the Five Month Period Ended May 31, 2014

Date:	July 21, 2014
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\Fp\Bc14017Fp (AFS #19346)

SUMMARY

The purpose of this report is to provide Council with the 2014 Capital Variance Report for the five month period ended May 31, 2014 as well as projected actual expenditures to December 31, 2014. Furthermore, the report seeks Council's approval for 2014 in-year budget adjustments.

This report also provides for information the cancellation of one capital project for Courts Services that will be closed, with funding of $0.140 million to be returned to Court Services Stabilization Reserve.

Capital expenditures for the five months ended May 31, 2014 totalled $628.339 million or 14.8% of the 2014 Approved Capital Budget of $4.258 billion (see Table 1). This spending pattern is consistent with prior years as the City's capital activities tend to accelerate in the second part of the year. As detailed by City Program and Agency in Appendix 1, actual expenditures to year-end are expected to reach $3.248 billion or 76.3% of the total 2014 Approved Capital Budget; 24 of 33 City Programs and Agencies are projecting spending in excess of 70% by year-end: Tax Supported Programs project a spending rate of 75.9% to year-end; while Rate Supported Programs project year-end spending rate of 78.1%.

Table 1 Corporate Capital Variance Summary for the Period Ended May 31, 2014 ($000s)					
	2014 Approved Budget	Actual Expenditures - January 1 to May 31, 2014		Projected Actual Expenditure at Year-End	
		$000s	%		
City Operations	1,343,121	164,514	12.2	995,257	74.1
Agencies	2,126,386	323,676	15.2	1,636,848	77.0
Sub Total - Tax Supported	**3,469,506**	**488,190**	**14.1**	**2,632,106**	**75.9**
Rate Supported Programs:	788,464	140,149	17.8	615,979	78.1
TOTAL	**4,257,970**	**628,339**	**14.8**	**3,248,084**	**76.3**

The rate of spending in the first five months was driven largely by expropriation process delays for the acquisition of various sites, poor weather conditions, longer than planned timelines to obtain necessary approvals or required permits; delays in securing funds from cost-sharing partners; design issues and difficulty in securing necessary resources for project delivery.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the following adjustments to the 2014 Approved Capital Budget and 2015-2023 Capital Plan for Shelter, Support and Housing Administration to ensure proper funding is in place to tender and award a contract to hire a project manager to complete the feasibility analysis for the Shelter Development / Redevelopment Project:

    a) Adjust the 2014 Approved Capital Budget for Shelter, Support and Housing Administration by reallocating $0.651 million gross and debt, with cash flow in 2014, from the Capital Repairs/ Replacement City Project to the Shelter Development/Redevelopment project;

    b) Amend the 2015-2023 Capital Plan for the Shelter Development/ Redevelopment project by approving a 2015 cash flow commitment of $1.000 million which is currently approved in 2015 as a future year plan estimate.

2. The Toronto Transit Commission identify either scope reductions or reallocations from other projects to ensure cash flow for *Toronto Rocket Yard and Storage Tract Accommodation* and *Leslie Barns LRT Maintenance and Storage Facility* do not exceed the 2014 Approved Capital Budget and report back prior to year-end with any changes that require Council authority.

3. Council approve in-year budget adjustments to the 2014-2023 Approved Capital Budget and Plan detailed in Appendix 2 with no incremental impact on debt funding.

4. Council receive for information Appendix 3 which lists 1 capital project for Court Services that has been cancelled and will be closed.

5. Council authorize and direct the appropriate City Officials to take the necessary action to give effect thereto.

Financial Impact

As shown in Table 2 below, Tax Supported Programs and Agencies reported capital expenditures of $488.190 million representing 14.1% of their collective 2014 Approved Capital Budget of $3.470 billion; Rate Supported Programs reported capital spending of $140.149 million or 17.8% of their collective 2014 Approved Capital Budget of $788.464 million.

Table 2
Corporate Capital Variance Summary
for the Period Ended May 31, 2014
($000s)

	2014 Approved Budget	Actual Expenditures - January 1 to May 31, 2014		Projected Actual Expenditure at Year-End	
		$000s	%	$000s	% of Plan
Tax Supported Programs:					
Citizen Centred Services - "A"	285,236	30,055	10.5	208,591	73.1
Citizen Centred Services - "B"	497,883	69,960	14.1	374,209	75.2
Internal Services	444,809	60,471	13.6	311,336	70.0
Other City Programs	115,194	4,029	3.5	101,122	87.8
Sub Total City Operations	**1,343,121**	**164,514**	**12.2**	**995,257**	**74.1**
Agencies	**2,126,386**	**323,676**	**15.2**	**1,636,848**	**77.0**
Sub Total - Tax Supported	**3,469,506**	**488,190**	**14.1**	**2,632,106**	**75.9**
Rate Supported Programs:					
Toronto Parking Authority	71,009	5,909	8.3	36,494	51.4
Solid Waste Management	103,942	9,546	9.2	53,852	51.8
Toronto Water	613,513	124,694	20.3	525,633	85.7
Sub Total Rate Supported	**788,464**	**140,149**	**17.8**	**615,979**	**78.1**
Total	**4,257,970**	**628,339**	**14.8**	**3,248,084**	**76.3**

- **City Operations** reported capital expenditures of $164.514 million or 12.2% of their collective 2014 Approved Capital Budget of $1.338 billion as of May 31, 2014; and spending is projected to be $995.257 million or 74.1 % by year-end.

- **Agencies** reported capital expenditures of $323.676 million or 15.2% of their collective 2014 Approved Capital Budget of $2.126 billion, for the five months ended May 31, 2014; and spending is projected to be $1.636 billion or 77% at December 31, 2014.

- **Rate Supported Programs** reported capital spending of $140.149 million or 17.8% of their collective 2014 Approved Capital Budget of $788.464 million, for the five months ended May 31, 2014; and spending is projected to be $615.979 million or 78.1% by year end.

Recommended in-year adjustments will increase Fleet Services' 2014 Approved Capital Budget by $0.414 million gross, $0 net fully from the *Corporate Vehicle and Equipment Reserve*. This adjustment will provide funding required to enable the issuance of a Request for Quotation in 2014 for the delivery of vehicles in 2015, to provide the lead time required to purchase a replacement bookmobile and 3 delivery vans that are past their economic life cycle.

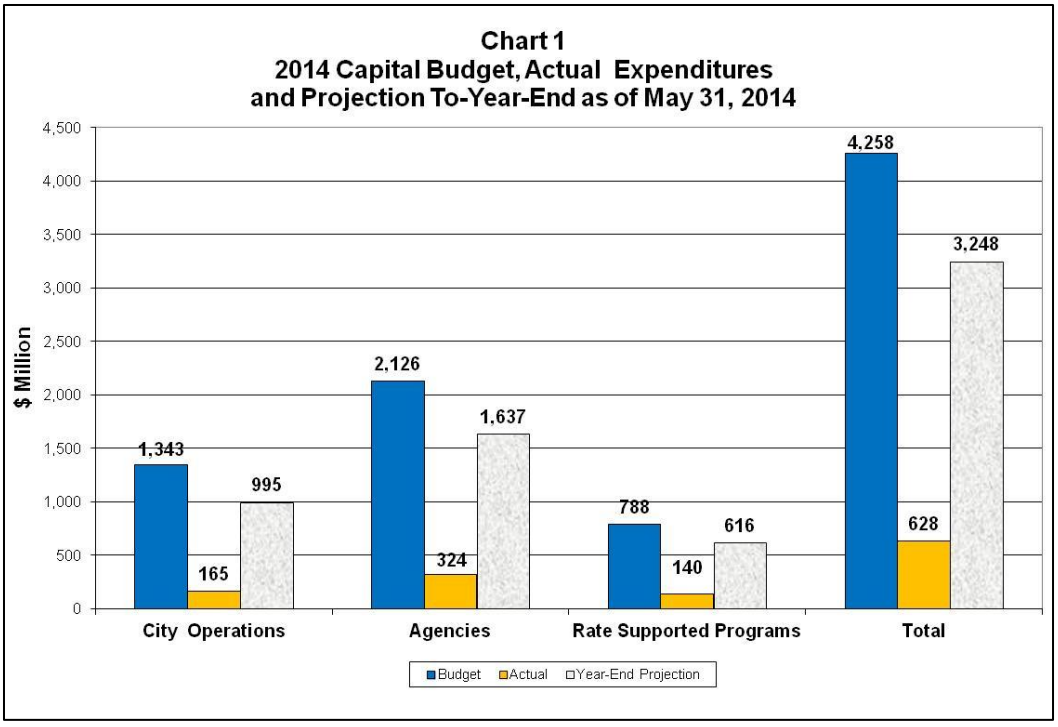
Closure of the 1 project for Court Services will result in the decrease of the Program's 2014 Approved Capital Budget from $0.351 million to $0.211 million gross and reduce the contribution of an equivalent value from the Court Services Stabilization Reserve.

ISSUE BACKGROUND

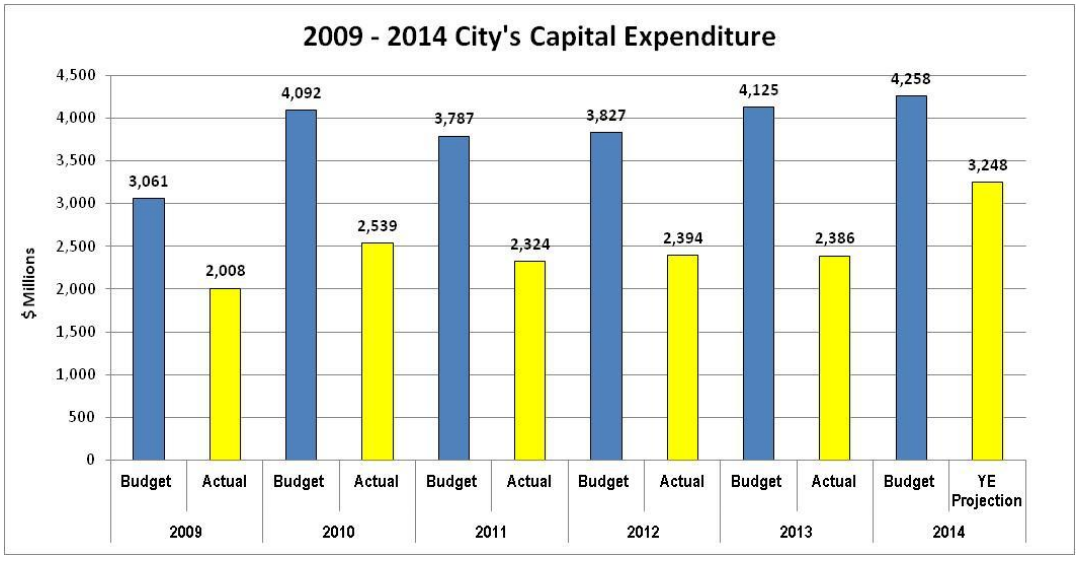
This report is provided pursuant to good business practices and budgetary control. As part of the City's accountability framework, capital variance reports are submitted to Committees and Council on a periodic basis in order to provide information on how the implementation of approved capital programs is progressing, and on an exception basis, to identify issues that require direction and/or decisions from Council.

COMMENTS

At its meetings of December 16-17, 2013, Council approved a 2014 Rate-Supported Capital Budget of $602.191 million; and at its meetings of January 29-30, 2014, Council approved a 2014 Tax Supported Capital Budget of $2.212 billion for a total of $2.814 billion. The 2014 Rate-Supported Capital Budget consists of $476.713 million for Toronto Water, $49.001 million for Toronto Parking Authority and $76.477 million for Solid Waste Management Services. Including additional 2013 carry forward funding and 2014 in-year budget adjustments for all City Tax and Rate Programs and Agencies, the 2014 Adjusted Capital Budget is $4.258 billion (see Chart 1).



Spending for the first five months ended May 31, 2014 totalled $628.339 million or 14.8% of the 2014 Approved Capital Budget of $4.258 billion. Tax Supported Programs incurred capital expenditures of $488.190 million, representing 14.1% of their collective 2014 Approved Capital Budget of $3.470 billion. Rate Supported Programs incurred capital expenditures of $140.149 million, representing 17.8% of their collective 2014 Approved Capital Budget of $788.464 million. The City's capital work tends to accelerate in the latter part of the year. This is evident in the increased spending projections to 2014 year-end, which indicate total spending of $3.248 billion or 76.3% of the 2014 Approved Capital Budget.



As detailed in Appendix 4, under-spending for the first five months of 2014 was primarily experienced in Parks, Forestry & Recreation, Transportation Services, Facilities Management & Real Estate, Information and Technology, Toronto Transit Commission, Toronto Police Services, Toronto Parking Authority and Solid Waste Management Services. These Programs and Agencies account for $3.148 billion or 74% of the total 2014 Approved Capital Budget and $389.329 million or 62% of total under-spending for the first five months of 2014.

Notwithstanding the above spending rate, a number of projects are on track and planned for completion in 2014 with 100% spending projected by year-end. As well, a portion of the reported under spending is attributable to savings from completed projects coming in under budget.

Tax Supported Programs

City Operations

For the five months ended May 31, 2014, actual capital expenditures for City Operations totalled $164.514 million or 12.2% of their collective 2014 Approved Capital Budget of $1.343 billion. The projects that are on track and scheduled for completion as planned in 2014 accounted for $548.418 million of the total 2014 approved cash flow. The remainder of the 2014 approved cash flow funding will be utilized to carry out multi-year or multi-phased capital projects. City Operations' year-end spending is projected to be $995.257 million or 74.1 % of their total 2014 Approved Capital Budget. The major contributors to the current and projected year-end spending are attributable to the following programs:

- ***Parks, Forestry and Recreation (PF&R)*** incurred capital expenditures of $12.121 million or 6.4% of its 2014 Approved Capital Budget of $188.759 million as of May 31. $41.599 million of 2014 approved cash flow is allocated for projects that are on track. Spending for these projects is expected to be $38.775 million or 93.2% by year-end and include:

    - The *Facility Components* project ($3.563 million)
    - The *Park Service Plan* project ($2.0 million)
    - Various *Park Development* projects ($$22.036 million)
    - The *Playground and Waterplay* projects ($3.789 million)

    The projected underspending for this Program is mainly due to expropriation process delays, land transfer issues, environmental approvals, extended community consultations, programming constraints and poor weather conditions. The Program forecasts a year-end spending of $128.133 million or 67.9% of its 2014 Approved Capital Budget.

- ***Long-Term Care Homes & Services (LTCHS)*** spent $6.405 million or 18.8% of its 2014 Approved Capital Budget of $34.118 million for the period ended May 31, 2014. The projects that are on track include the *Redevelopment* project with 2014 approved cash flow of $24.189 million and the *Capital Maintenance* project with 2014 approved cash flow of $9.929 million. Spending is projected to be 100% by year-end.

- ***Transportation Services*** had spending of $28.194 million or 7.5% of its 2014 Approved Capital Budget of $377.809 million for the period ended May 31, 2014. Of the funds spent, $24.760 million incurred are for projects that are on track and anticipated year-end spending for these projects is $266.621 million or 72.3% of their collective 2014 approved cash flow of $368.633. These are ongoing capital programs with annual projects and include:

    - The *Major Roads* program ($64.825 million)
    - The *Local Road Rehabilitation* program ($52.327 million)
    - The *Sidewalk Rehabilitation* ($14.154 million)
    - The *Infrastructure Enhancement* project ($82.052 million)
    - The *City Bridge Rehabilitation* project ($38.771 million)
    - The *F. G. Gardiner Expressway* project ($62.165 million).

    Most of the projected underspending is anticipated in Road Rehabilitation projects and capital projects that require third party coordination and/or funding, community consultation or are development/transit dependant. However, some of the underspending is attributable to estimated savings of $49.570 million. Cumulatively year-end spending is projected to reach $271.978 million or 72.0% of the 2014 Approved Capital Budget of $377.809 million. With anticipated savings taken into account, year-end spending rate for Transportation Services is 85%.

- ***Waterfront Revitalization Initiative*** incurred capital expenditures of $36.4 million or 43.2% of the 2014 Approved Capital Budget of $84.4 million for the period ended May 31, 2014. Construction of the second subway platform at Union Station and associated concourse improvements are forecasted to be on schedule and it is estimated that the entire 2014 approved cash flow of $13.6 million will be spent by year-end. Overall, the Program's spending is projected to be $77.9 million or 92.3% by year-end with underspending mainly due to the delay in the execution of funding agreements in East Bayfront.

- ***Facilities Management & Real Estate (FM&RE)*** incurred expenditures of $40.099 million or 13.8% of its 2014 Approved Capital Budget of $291.443 million for the period ended May 31, 2014. FM&RE will address State of Good Repair (SOGR) projects of varying size with a 2014 approved cash flow of $42.544 million and estimated spending of $31.929 million or 75.1% by year-end. A number of new SOGR sub-projects are currently in the procurement phase for

either design or construction work. 121 SOGR projects are on track towards completion in 2014 and will address numerous backlog issues across the portfolio of facilities.

The projected year-end underspending for FM&RE is mainly due to the need to address unanticipated site conditions, design changes, re-tendering and change in contractors and weather conditions. Capital expenditures for FM&RE are anticipated to be $191.574 million or 65.7% of 2014 Approved Capital Budget of $291.443 million at year-end.

City Agencies

For the five months ended May 31, 2014, actual capital expenditures for City Agencies totalled $323.676 million or 15.2% of their collective 2014 Approved Capital Budget of $2.126 billion. Of the total 2014 approved cash flow, $66.962 million is for the projects that are on track and scheduled for completion as planned in 2014. The reminder of the 2014 approved cash flow funding is provided for the ongoing capital work, with a substantial amount allocated to multi-phase TTC capital projects that will be completed in future years. City Agencies' year-end spending is projected to be $1.637 billion or 77% of their total 2014 Approved Capital Budget. The Agencies that significantly contribute to the completion of capital work in 2014 are:

- ***Toronto Police Services (TPS)*** which spent $9.291 or 16.4% of its 2014 Approved Capital Budget of $56.639 million for the period ending May 31, 2014. Of the funds spent, $7.608 million was for projects that are on track and scheduled for completion by year-end that have a total 2014 approved cash flow of $17.314 million and include *Parking East Facility* project, *Vehicle Replacement* project, *Workstation, Laptop and Printer – Lifecycle Plan* and *Radar Unit Replacement* project. The projected underspending is mainly due to staffing shortages and the need to provide considerable support to the IRIS project. Anticipated saving of $1.408 million realized in the *Property and Evidence Management Facility* project and the *Parking East Facility* project due to lower than anticipated construction costs will be returnd to the City after the closure of the projects at year-end. Capital spending for TPS is projected to be $45.438 million or 80.2% by year-end.

- ***Toronto Public Library (TPL)*** spent $12.132 million or 38% of its 2014 Approved Capital Budget of $31.900 million for the five months ending May 31, 2014. Of the funds spent, $8.209 million was for projects that are on track, representing 41% of their collective 2014 approved cash flow of $19.635 million and projected to be fully spent by year-end. These include:

    - The *Scarborough Civic Centre Neighbourhood Construction* project ($4.936 million)
    - The *Fort York Library Construction* project ($2.679 million

- The *Self Service Circulation* project ($1.431 million)
- The *Library Processing Centre Relocation* project ($6.361 million)
- The *Multi Branch Minor Renovation* project ($4.228 million)

The year-end underspending is due to issues in securing site approval for *Albion Library Renovation* project. Capital spending for TPL is projected to be $29.983 million or 94% by year-end.

- ***Toronto Transit Commission (TTC)*** (including *Toronto-York Spadina Subway Extension (TYSSE)* and *Scarborough Subway Extension)* capital expenditures for the four month period ended May 3, 2014 totalled $272.049 million or 13.8% of the 2014 Approved Capital Budget of $1.974 billion. Majority of the TTC projects are planned to be completed in future years. These projects include:

  - The *Easier Access* project ($22 million)
  - The *Fire Ventilation Upgrade* project ($32.0 million)
  - The *Toronto Rocket Yard and Storage Accommodation* project ($37.0 million)
  - The *Leslie Barns LRT Maintenance and Storage Facility* project ($123.2 million)

  The year-end underspending is due to Computer Based Interlocking contract which may be deferred into 2015, revised vehicle delivery schedule and behind schedule construction work on the Toronto-York Spadina Subway stations. TTC capital spending is projected to be $1.506 billion or 76.3% by year-end.

Rate Supported Programs

For the five months ended May 31, 2014, actual capital expenditures for Rate Supported Programs totalled $140.149 million or 17.8% of their collective 2014 Approved Capital Budget of $788.464 million. The majority of the 2014 approved cash flow funding is for large multi-year projects. Rate Supported Programs' year-end spending is projected to be $615.979 million or 78.1 % of their total 2014 Approved Capital Budget. The following highlight the capital achievements for the first five months of 2014 and projected year-end spending rate for Rate Programs:

- ***Solid Waste Management's*** capital expenditures for the 5 months ending May 31, 2014 totalled $9.546 million or 9.2% of the 2014 Approved Capital Budget of $103.942 million included $6.461 million spent on projects that are generally on-track for planned completion in 2014 and 2015, with total 2014 approved cash flow of $30.799 million. These projects include:

  - *Disco SSO Processing Facility (*$11.848 million)
  - The *Transfer Station Asset Management* project ($13.873 million)

- The *Diversion Systems* projects ($4.057 million) for the *Replacement Waste Bins-Single Family, Multi-Unit SSO bins and Recycling Upgrades* project; and *TCHC SSO Implementation project.*

The projected underspending at year-end is due to reissuance of Request for Proposal, design revisions, weather conditions, legal dispute and unanticipated delays to meet contractual obligations. It is projected that $53.852 million or 51.8% of the 2014 Approved Capital Budget will be spent by year-end.

- ***Toronto Water*** spent $124.693 million or 20.3% of the 2014 Approved Capital Budget of $613.513 million for the period ended May 31, 2014 and will continue to make significant progress on state of good repair projects to address infrastructure renewal such as *Watermain and Sewer Rehabilitation*; the *Highland Treatment Plant* upgrades; and implementation of the *Wet Weather Flow Master Plan and Basement Flooding Relief* project. These projects are expected to meet or exceed the targeted spend rate of 85%. Toronto Water will continue to facilitate the *New Service Connections* projects for development projects and is on schedule with the *Water Meter Replacement Program*. These projects are expected to have a spend rate of 100%. Overall, Toronto Water spending at year- end is projected to be $525.633 million or 85.7% of the 2014 Approved Capital budget of $613.513. This level of spending meets the budgeted completion rate target for 2014.

  A detailed explanation on the progress of the capital work for each City Program and Agency can be found in Appendix 4 of this report.

In-Year Budget Adjustments

In-year budget and technical adjustments to the 2014 - 2023 Approved Capital Budget and Plan require approval by Council.

An amendment to the 2014-2023 Approved Capital Plan for ***Shelter, Support and Housing Administration (SSHA)*** is requested to ensure proper funding is in place to tender and award a contract to hire a project manager to complete the feasibility analysis for the Shelter Development/ Redevelopment project.

This analysis will be used to inform the report due in the second quarter of 2015 that will advise Council of the status, development and associated costs and financing plans of the Shelter Development/ Redevelopment initiative.

Subsequent to the receipt of Council direction, Council will be requested to approve the second phase of the project manger's services, which will include overseeing all phases of the construction of the George Street Redevelopment, envisioned as a multi-purpose facility that will provide an emergency shelter, a long-term care home, a service hub and affordable housing.

The 2014 Approved Capital Budget for the Shelter Development/ Redevelopment project includes cash flow commitments of $0.600 million for the feasibility analysis which is insufficient to cover the estimated project management costs for phase I of this project. To support the increased funding requirements in 2014 for this project, approval is requested to reallocate 2014 unspent cash-flows from the Capital Repairs/ Replacements for City Operated/Leased Shelters project to the Shelter Development/ Redevelopment project. Further, approval is requested to amend the 2015-2023 Capital Plan for the Shelter Development/Redevelopment project by approving a 2015 cash flow commitment of $1.000 million which is included in the current approved plan as a future year plan estimate.

As per Recommendation 1a), adjustment is being requested to the 2014 Approved Capital Budget for the Shelter Development/ Redevelopment project by $0.651 million gross and debt, with cash flow commitments of $0.651 million in 2014, offset by reducing the 2014 cash flow commitment of the Capital Repairs/ Replacement project by $0.651 million.

As per Recommendation 1b) approval is requested to amend the 2015-2023 Capital Plan for the Shelter Development/Redevelopment project by approving a 2015 cash flow commitment of $1.000 million which is included in the current approved plan as a future year plan estimate (refer to Appendix 2).

Budget adjustments for ***Facilities Management & Real Estate (FM&RE)*** and ***Toronto Police Services (TPS)*** are recommended to transfer $0.050 million from Toronto Police Services 2014 Capital Budget to FM&RE 2014 Capital Budget for work related to a pond infill project at 40 College (Toronto Police Services HQ). TPS has agreed to contribute an additional $0.50 million towards this project, to ensure there is sufficient funding to complete the work. This adjustment will increase the FM&RE Approved Capital Budget for 2014, and a corresponding reduction in TPS' 2014 Approved Capital budget will be made to offset this, resulting in $0 increase in the overall 2014 City's Capital Budget and no debt impact.

A budget adjustment is recommended for ***Financial Services*** to transfer cash flow funding between projects in order to hire an external expertise to conduct an assessment in preparation for the Public Budget Formulation (PBF) 8.1 upgrade as part of the *Financial Planning Analysis and Reporting System (FPARS)* project.

The City currently uses the SAP module - Public Budget Formulation (PBF) release 8.0 and its functionality to prepare, analyze and report on budget information for all City Divisions and Agencies. The FPARS project implemented the most recent version 8.0 in 2013 and has been used for two budgeting cycles (2014, 2015).

In late 2013, SAP released an upgrade to PBF (version 8.1) that would provide additional automation capabilities and enhancements to the module. In fact, the ability to upload data into PBF from source systems is a new capability established directly as a result of SAP working closely with the City of Toronto on its requirements. It was hoped that this

upgrade could be implemented in advance of the start of the 2015 Budget process to take advantage of the new functionality. Since there is a significant amount of time and resources required to plan, configure and install the upgrade in the face of the 2015 Budget process timelines, outstanding vendor and quality issues and limited resource expertise in PBF, in fact globally, it has now been recommended that the upgrade to version 8.1 cannot occur until the next available business opportunity in January/February 2015.

In preparation for the upgrade, Information and Technology staff are recommending that an SAP review occur prior to any upgrade to assess the current system configuration against the upgrade requirements to identify any possible impacts and risks the upgrade could have on the operability of the current PBF tool. As a result, staff are considering to engage SAP in a single source contract to undertake this assessment in 2014 (at a cost of $0.280 million) and are developing plans for the upgrade in early 2015. It is recommended that funding of $0.280 million be reallocated from the FPARS project underspending for the assessment and the upgrade, a sustainment activity, would be included in the Financial Services 2015 – 2024 Capital Plan submission.

A budget adjustment is recommended for ***Fleet Services*** to provide significant lead time required to purchase a replacement bookmobile and 3 delivery vans that are past their economic life cycle and to have funding in place from the *Corporate Vehicle and Equipment Reserve* to issue a Request for Quotation in 2014 for the delivery of vehicles in 2015.

Toronto Public Library (TPL) requested a budget adjustment to re-allocate cash flow funding between the *Albion Library Renovation* project that has been delayed until the beginning of 2015 and the *Multi-Branch Renovation* project that is ahead of schedule. The 2014 cash flow funding re-allocation have no incremental impact on project costs or debt funding.

In 2014, ***Toronto Parking Authority (TPA)*** identified a need to provide additional parking in the Bathurst/Lawrence West area and the Mimico/Lakeshore Boulevard area, as well as to offset lost on-street parking spaces along Eglinton Avenue due to the construction of the Eglinton Light Rapid Transit line. The additional funding of $3.6 million will be reallocated from underspent projects with no incremental impact on the 2014 Approved Capital Budget.

A budget adjustment for ***Solid Waste Management Services (SWMS)*** is recommended in order to award a contract to ORBIS Canada Limited for the supply, delivery of Organic Waste Storage and Collecton Containers with castors, to provide funding for the Dufferin SSO Processing Facility emergency digestive tank repair and water testing as well as various collection yard projects. These recommended reallocations of funding between sub-projects, totalling $1.020 million, have no incremental impact on 2014 Approved Capital Budget.

Closed Capital Projects

The City's Financial Control By-Law stipulates that Chief Financial Officer must "submit a report to Council on an annual basis detailing all capital projects closed during the year". Appendix 4 details completed projects for various City Programs and Agencies that will be closed

A capital project is considered fully closed when all its subsidiary projects/subprojects are completed. Capital project financing may have various funding sources. Projects are normally funded based on actual expenditures in the following order: third-party funding, reserves or reserve funds, and lastly debt. In accordance with the Finance Control By-Law, after a project is fully completed and closed, the unspent funding, if any, will be treated as follows:

- Third party funding will be returned to the source as they are generally for specific purposes and can only be used for the specific projects
- Reserve funds are drawn based on actual expenditure within the Council approved limit. Any undrawn portion will remain in the same reserve or reserve fund
- Debt is applied only lastly and for the purposes for which the debt was issued. The unspent debt portion will generally not be issued.

As detailed in Appendix 3, at the end of the first five months of 2014, 1 capital project is cancelled by Court Services based on the result of the assessment conducted in early 2014 and will be closed. Project funding of $0.140 million will be returned to the Court Services Stabilization Reserve.

Closing of completed capital projects in a timely manner identifies savings and allows staff to redirect and return funding to their original source. This then frees scarce funds for re-use in future budgets. It is also noted that the closure of projects / subprojects enable staff to focus attention only on active projects, and supports better, more efficient and accurate variance reporting. Accounting Services staff will ensure that all expenditures for the identified capital projects/sub-projects are fully funded prior to closure and their project costs are adjusted accordingly.

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SIGNATURE

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Roberto Rossini
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Appendix 1 - 2014 Consolidated Capital Variance Report for the Five months Ended May 31, 2014
Appendix 2 - In-Year Adjustments for the Five months Ended May 31, 2014
Appendix 3 - Capital Project to be Closed
Appendix 4 - Capital Variance Explanation - Programs/Agencies