

2017 Capital Budget Adjustments for Carry Forward Funding

Date: March 13, 2017

To: Budget Committee

From: Deputy City Manager & Chief Financial Officer

Wards: All

SUMMARY

The purpose of this report is to seek Council's approval for additional carry-forward funding adjustments of \$426.534 million to the 2017 Approved Capital Budget. The recommended carry forward funding adjustments are in compliance with the City's Carryforward Policy and have no impact on the City's approved debt for 2017.

RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer recommends that:

1. Council approve additional carry forward funding of \$426.534 million from unspent capital projects funding as detailed in Appendix 1, in order to continue work on previously approved capital projects, and that the 2017 Approved Capital Budget for respective City Programs and Agencies be adjusted accordingly with no incremental impact on debt.

FINANCIAL IMPACT

Approval of the additional carry forward funding of \$426.534 million recommended in this report will increase the total 2016 carry forward funding from \$1.213 billion approved by council with the 2017 Capital Budget to \$1.639 billion with no incremental impact on 2017 approved debt funding. Recommended carry forward funding adjustments total \$394.596 million for 2016 approved capital projects and \$31.938 million for 2015 and prior year capital projects.

The total 2016 carry forward funding of \$1.639 billion represents 34.6% of the 2016 Approved Capital Budget. Approval of the incremental carry forward funding recommended in this report will increase the 2017 Approved Capital Budget from \$5.082 billion to \$5.507 billion.

DECISION HISTORY

This report is provided pursuant to good business practices and budgetary control. As part of the City's financial management and accountability framework, 2016 carry forward funding requests are submitted to Committee and Council to ensure the appropriate spending authorities are in place to continue capital work.

COMMENTS

With the approval of the 2017 Capital Budget by Council in February, it is critical to ensure appropriate cash flow authorities are in place to enable City Programs and Agencies to continue capital works on previously approved projects. With the 2016 fiscal year near closure, City Programs and Agencies can now finalize 2016 actual project expenditures and associated under expenditures that require to be carried forward and added to the 2017 Approved Capital Budget to complete previously approved capital projects.

Recommended 2017 Additional Carry Forward Funding

The City's Carry Forward Policy permits City Programs and Agencies to adjust their prior year carry forward requirements based on updated year-end information.

Due to the timing of the budget process, Programs and Agencies are not able to precisely calculate the carry-forward funding needed for the completion of 2016 and prior years' capital projects before approval of the 2017 Capital Budget. With the 2016 year-end closing process almost complete, Programs and Agencies are now able to conclude the carry forward funding required to complete prior year projects. It is essential that these adjustments now be made to provide necessary cash flow spending authorities to continue capital project delivery in 2017.

In accordance with the City's Carry Forward Policy, approval is being sought to carry forward funding for uncompleted 2016 projects with no incremental impact on debt. Additional carry forward funding requests of \$0.864 million that are funded by debt for cash flow approved in 2015 and prior years are offset by 2017 approved cash flow deferrals that have an equivalent debt value in order not to impact approved debt funding levels.

Table 1 below summarizes the recommended funding to be carried and added to the 2017 Tax and Rate Capital Budgets City Programs and Agencies total requested carry forward funding.

Table 1: Total Carry Forward Funding

	2017 Council Approved Budget	Council Approved Carry Forward Funding		Additional Rec'd Carry Forward funding		Total Carry Forward Funding	Debt Offset for 2015 & PY carry	Total 2017 Budget
		2016	2015 & Prior	2016	2015 & Prior			
Tax	2,776	992	60	358	29	1,440	-1	4,215
Rate	1,093	161	0	36	3	200	0	1,292
Total	3,869	1,153	60	395	32	1,639	-1	5,507
		1,213		427				

Approval of these incremental carry forward funding adjustments will increase already approved carry forward of \$1.213 billion to \$1.639 billion representing 34.6% in unspent funding of the 2016 Approved Capital Budget being added to the 2017 Capital Budget.

The 2017 Tax Approved Capital Budget will increase from \$3.828 billion to \$ 4.215 billion; and 2017 Rate Approved Capital Budget will increase from \$1.253 billion to \$1.292 billion overall.

City's 2017 Approved Capital Budget of \$5.082 will increase by \$0.427 million to \$5.507 billion.

It is noted that reductions included in Appendix 1 are to adjust for overestimated carry forward funding estimates that were included in the 2017 Council Approved Capital Budget.

The City is constantly experiencing average spending rate of 62% and carry forward approximately one third or \$1 billion of Approved Capital Budget annually. Over the last 6 years carry forward funding has increased steadily, as shown in Table 2. This trend results in overall low spending rate for the City's and has a significant impact on Programs /Agencies capacity to spend.

Table 2: 2011 - 2016 Capital Budget, Spending and Carry Forwards

(\$000's)	Year-End 2011-2016				
	Approved Budget \$	Spent \$ (Actual)	Spent %	CFWD \$ (Total)	Spent %
2011 Tax & Rate Supported Program	3,767,289	2,304,485	61%	1,200,185	32%
2012 Tax & Rate Supported Program	3,807,138	2,374,440	62%	1,042,199	27%
2013 Tax & Rate Supported Program	4,153,987	2,366,379	57%	1,448,064	35%
2014 Tax & Rate Supported Program	4,272,182	2,677,190	63%	1,417,216	33%
2015 Tax & Rate Supported Program	4,198,841	2,868,417	68%	1,063,632	25%
2016 Tax & Rate Supported Program*	4,736,068	3,096,688	65%	1,639,380	35%
2011-2016 Tax & Rate Supported Program	20,199,438	12,590,912	62%	6,171,296	31%

*Preliminary Estimates. 2017 Final Year End Estimates not available at this time

Given this experience, the 2017 Budget process focused on a thorough review of cash flow funding to better align funding requirements to project activities and timelines. This resulted in freeing up \$134 million in debt room that was redirected to other capital priorities. Capital spending will be closely monitored throughout 2017 and additional review of projects timelines and capital funding will be done during the 2018 Budget process

Further strategic measures will be implemented and project timelines will be realigned to minimize carry forward funding requests, especially in the first 5 years of the City's capital funding.

CONTACT

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SIGNATURE

Roberto Rossini
Deputy City Manager & Chief Financial Officer

ATTACHMENTS

Appendix 1a - Additional Carry Forward Funding by Program/Agency
Appendix 1b - Additional Carry Forward Funding by Project