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MANAGER'S REPORT NO.	30
COUNCIL MEETING	1983 04 25

RE: 1983-1987 CAPITAL BUDGET

MUNICIPAL MANAGER'S RECOMMENDATION:

1. *THAT the 1983-1987 Capital Budget be received, approved, and the necessary budget by-law be brought forward.*

REPORT

The 1983-1987 Capital Budget is presented for the consideration of the Municipal Council. The budget details were distributed to Council members on 1983 April 19.

The attached Letter of Transmittal and the Budget Overview documents provide further details.

Municipal Council should keep in mind that the Capital Budget must be adopted by by-law on or before 1983 May 15. The last regular Council meeting date by which the budget by-law may be passed is therefore May 09. This means that three readings need to be given on May 02 in order to meet the statutory deadline.

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EXECUTIVE SUMMARY

His Worship, the Mayor
and Members of Council

Lady and Gentlemen:

Recommendation

1. THAT the 1983-1987 Capital Budget be received, approved, and the necessary budget by-law be brought forward.

Attached for the consideration of the Municipal Council is the Overview for the proposed 1983-1987 Capital Budget.

Section 266 of the Municipal Act states:

(1) On or before May 15 in each year the council shall direct preparation of and adopt by-law a capital expenditure program for a period of not less than 5 years, showing estimates of the proposed source and application of funds for capital purposes for each year of the program.

(2) An adopted capital expenditure program, including amendments, remains in force until a new program is adopted in the following year.

(3) Where the Inspector has approved the borrowing of money for a proposed expenditure, then without his approval, a capital expenditure program may not be varied for that expenditure.

With May 15 being a Sunday this year, the last regular Council meeting on which Council can adopt the budget by-law is 1983 May 09.

Unlike the Operating Budget, the Capital Budget is unrelated to a taxing by-law. Authority to spend capital moneys raised from general revenue comes from the adoption of the Operating Budget. In any event, no major work can proceed without final, specific approval by Council by virtue of acceptance of tenders, passage of loan authorization by-laws, passage of construction by-laws, authorization of work orders, etc.

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This longer term budget is a continuing document that is revised annually. A good degree of accuracy is built into the program for 1983 and a progressively lesser degree each year thereafter, except for those projects which are well defined.

The whole purpose of the program is defeated if it is not adopted as a total plan. We are therefore asking for approval of all of the 1983 work, as well as approval for planning purposes of the programs for the subsequent years.

The Municipal Manager expresses his deep appreciation to all employees involved in the development and preparation of this budget.

Respectfully submitted,

Melvin J. Shelley

MELVIN J. SHELLEY
MUNICIPAL MANAGER

OVERVIEW

1983-1987 HIGHLIGHTS

It is proposed to expend \$116,526,742 for capital programs and projects for the five year period 1983-1987 as follows:

Year	Amount
1983	\$ 43,509,892
1984	18,278,100
1985	20,138,800
1986	18,251,500
1987	16,348,450
	=====
	\$116,526,742

The current five year program is \$7,163,596 less than that of the previous five year period, due primarily to the following reasons:

- spending curtailments due to poor economic conditions, and management policies
- curtailment of local improvement and street lighting programs for 1983
- reductions in the major road program

INPUT TO 1983-1987 PROGRAM

The overall five year program reflects the integrated longer term plan of the municipality. This longer term plan reflects the input of the various departments from the planning and acquisition of properties through the design and construction of municipal roadways, parks and other services, as well as the necessary equipment and machinery to maintain both new and current services and assets. While the longer term program, overall, reflects a shared departmental responsibility, the proposed capital expenditures related to the specific department are shown under each department's jurisdiction. Beginning in 1983, the Library's budget is grouped under Recreation and Cultural Services rather than Administrative and Community Services, reflecting the recent organizational reporting change.

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1983 PROPOSED SPENDING COMPARED TO EARLIER ESTIMATES

The 1983 proposed capital spending of \$43,509,892 is \$18,420,258 greater than that of the provisional estimate and \$17,939,168 greater than that of 1983 in the previous five year budget.

1983	1982-1986 capital budget	1983 provisional capital budget	1982-1986 capital budget
Spending	\$43,509,892	25,089,634	25,570,724
Variance to Current Budget	-	18,420,258	17,939,168

The increases of the current budget reflect mainly funds brought forward for projects budgeted in previous years, but also better estimates.

The increase in proposed spending over the provisional amount is mainly in three areas: \$14,080,434 in Engineering, \$2,301,450 in Planning and Building Inspection, and \$1,342,622 in Recreation and Cultural Services. The balance of the increase, \$695,752, is in other areas. Engineering increases are for brought forward funds for major roads, various road services, waterworks and sewer systems. Planning expenditure increases reflect added activity for land assembly and development; and Recreation and Cultural Services, for brought forward funds for major park development.

The increase over the year 1983 in the previous five year capital budget is due basically for the same reasons as outlined above. However, there are currently no planned expenditures for local improvements in 1983, whereas there was a provision for local improvements for 1983 in the previous five year budget.

1983 DETAILS BY DEPARTMENT AND HOW FINANCED

The proposed 1983 capital spending by department vs. 1982 is shown below with the portion to be financed by operating revenue.

Department	Spending - Gross Amount		Financed by General Revenue Funds	
	1983 Annual	1982 Actual	1983 Annual	1982 Annual
Administrative and Community Services	\$000 917	\$000 160	\$000 168	\$000 168
Engineering	30,118	61.0	1,145	1,820
Finance	137	0.6		
Planning and Building Inspection	8,831	2,167		
Recreation and Cultural Services	3,278	3,075	1,252	1,252
Contingency	229	0.5	200	200
Total	43,510	14,042	2,697	3,440
	%	%	%	%
	100.0	100.0	100.0	100.0

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The 1983 proposed capital spending is anticipated to be \$29,468,720 greater than that actually expended in 1982, basically because of the carry forwards in major roads, and increased activity in land assembly and development. Increases are also evident in all areas.

In 1983 again, the major portion, 69.3%, of the proposed capital spending will be for Engineering administered items: roads, utilities, and vehicles and equipment. Some 20.3% will be for land assembly and development; and 7.5% for parks development and various related items.

The 1983 capital program will be financed, in part, by \$2,697,451 of general revenue funds. In 1982, \$3,440,489 of general revenue funds were budgeted to finance the capital program.

The sources of funding the balance of the proposed 1983 spending and subsequent years' expenditures are discussed next.

FIVE YEAR PROGRAM FINANCING

The financing of the overall program by year is summarized as follows (all amounts in \$000):

Year	Gross Spending	Operating	Reserves	New Borrowing (1)	Other	Unknown Source	Utilities	% of total program
1983	43,510	2,697	31,727	227	7,602 (2)	-	1,257	100%
1984	18,278	4,013	8,550	3,100	100	1,200	1,315	15.7%
1985	20,139	3,849	2,417	3,100	100	9,358	1,315	41.0%
1986	18,252	3,962	2,400	3,100	100	7,375	1,315	10.8%
1987	16,348	3,716	2,718	3,100	100	5,399	1,315	6.9%
	116,527	18,237	47,812	12,627	8,002	23,332	6,517	20.0%
								5.6%

For the total program it is anticipated that 41% or the major portion of the funding will come from by-law reserves. A further 20% of funding for the latter years is not known at this time. Some 15.7% is from general revenue funds. Other financing of 6.9% is primarily brought forward funds from 1982. New borrowing is anticipated to be 10.8% of total requirements, and utility spending, 5.6% of the total.

Notes (1) New borrowing is for local improvements, and the amounts cover the total of the project to be initiated. However, based on past experience, only about half of the initiated amount is approved by the taxpayers.
 (2) Includes \$7,318,223 of funds brought forward from 1982.

For 1983, it is anticipated that almost 73% of the funding will come from reserves. The major sources are the Capital Works Financing Fund which will be used for major road projects, the Tax Sale Fund for land assembly and development, and Equipment Reserves for equipment replacement. The reserves designated for the B.N.R. grade separation on Kensington Avenue and the B.N.R. overhead on North Road also include contributions from the Federal and Provincial Governments, and for North Road from adjoining municipalities for cost sharing of these projects.

Also for 1983, some 17.4% will come from other sources, primarily funds brought forward, and 6.2% from general revenue operating funds.

For 1984 and future years, although the contribution from operating funds, utilities and new borrowing remains relatively stable, the proportion of contribution from other categories changes. The proportion from reserves declines as capital items financed by reserves decrease, and programs that are cost shared with other governments and municipalities decrease. The balance of the required funding will have to come either through borrowing, for which a vote of the electorate must be obtained, or by accumulation of sufficient money from operating budgets over a period of years prior to commencement of the work. Financing from such sources has, for now, been shown as "Source Unknown".

OTHER ITEMS

The 1984 to 1987 estimates have not been adjusted for inflation.

The capital budgets have been approved by the respective authorities: Parks and Recreation Commission, Library Board, and Century Park Museum Association.

The Provincial guidelines of 5% maximum spending increase for 1983 apply only to the operating budget and are discussed in the documentation related to the operating budget.

The proposed capital program for 1983 has been reviewed and approved by the Management Committee, and was presented to Council in provisional format on 1983 January 20. The program for 1984 through 1987 is for planning purposes only and is subject to continuous review.

This budget includes a contingency of \$229,822 in 1983 for unexpected items that may arise during the year. The Municipal Manager authorizes the use of this contingency account at his discretion and reports any significant transactions to Council.

APPRECIATION

The Director Finance expresses appreciation to all the staff who contributed their time and effort in the preparation of this capital budget.

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