



Report to: General Committee

Meeting Date: November 16, 2020

SUBJECT: Status of Capital Projects as of September 30, 2020
PREPARED BY: Lisa Chen – Senior Manager, Financial Planning & Reporting (Ext. 3880)
Veronica Siu – Senior Financial Analyst (Ext. 2232)
Asif Aziz – Senior Financial Analyst (Ext. 2432)

RECOMMENDATION:

- 1) That the report dated November 16, 2020 titled “Status of Capital Projects as of September 30, 2020” be received; and,
- 2) That the Projects Completed within Scope with Surplus Funds and the Projects Completed within Scope without Surplus Funds, as identified on Exhibit B, be approved for closure and funds in the amount of \$3,891,898 be transferred to the original sources of funding as identified on Exhibit B; and
- 3) That the Projects Closed and Deferred to a Future Year and the Projects Closed and Not or Partially Initiated, as identified on Exhibit C, be approved for closure and funds in the amount of \$2,099,287 be transferred to the original sources of funding as identified in Exhibit C; and
- 4) That the Non-Development Charge Capital Contingency Project be topped up from the Life Cycle Replacement and Capital Reserve Fund by \$431,780 to the approved amount of \$250,000; and,
- 5) That the following new capital projects, initiated subsequent to the approval of the 2020 capital budget, be received:
 - 20302 – Royal Orchard/Bayview Transportation Improvements – Budget of \$175,000 funded from Developer Fees.
 - 20303 – Residential Water Service Connections – Budget of \$401,105 funded from External Revenues (home owners).
 - 20306 – Seasonal Tennis Bubble - Lighting Upgrade (South Court) – Budget of \$111,936 funded from the Non-Development Charge Capital Contingency.
- 6) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

The Status of Capital Projects report is compiled based on a comprehensive analysis of all open capital projects and is split into the following four categories:

Section I: Projects Completed Within Scope With/Without Surplus Funds

Exhibit B provides details of these projects. Details are provided for projects with surplus funds of more than 50% of the approved budget or in excess of \$100,000.

Section II: Projects Closed and Deferred to a Future Year

The top section of Exhibit C provides details of these projects.

Section III: Projects Closed and Not or Partially Initiated

The bottom section of Exhibit C provides details of these projects.

Section IV: Capital Contingency Projects

This section details the projects and rationale for the draws from the capital contingency projects.

Section V: Status of Open Capital Projects

This section identifies that there are 566 open capital projects with a budget of \$573.0M (\$466.7M committed, \$106.3M uncommitted).

PURPOSE:

The purpose of this report is to provide an update on the status of capital projects as of September 30, 2020, and advise Council of the net transfer of funds to reserves.

OPTIONS/ DISCUSSION:

In an effort to promote timely closure of projects and the return of surplus funds, Staff conducted a status review of all open capital projects as of September 30, 2020.

A detailed listing of projects to be closed and the funding amounts to be transferred are included in the following exhibits:

Exhibit A – Summary of surplus funds from closed projects

Exhibit B – Projects completed within scope with/without surplus funds

Exhibit C – Projects closed and deferred/not or partially initiated

SECTION I: PROJECTS COMPLETED WITHIN SCOPE WITH/WITHOUT SURPLUS FUNDS

94 capital projects completed within scope are listed in Exhibit B with/without return of surplus funds. 56 of the 94 projects have surplus funds remaining in the amount of \$3,891,898 and the remaining 38 projects were fully spent. The following section provides

details of capital projects completed within scope with surplus funds of more than 50% of the approved budget or in excess of \$100,000 that will be returned to the applicable funding sources. The list is sorted by percentage of budget remaining.

a) Recreation

Project 20104 – Centennial C.C. Gas Monitors Replacement – Budget of \$10,000 with remaining funds of \$6,356 (64% of project budget). The project was completed at a lower cost than budget due to favourable market conditions.

b) Operations - Roads

Project 19183 – Storm Water Retention Pond Maintenance Program – Budget of \$27,000 with remaining funds of \$16,365 (61% of project budget). Based on the condition assessment performed by the consultant, fewer locations were serviced than budgeted.

c) Operations - Parks

Project 20205 – Goal Posts Replacement – Budget of \$20,200 with remaining funds of \$12,212 (60% of project budget). Based on the condition assessment two goal posts were replaced instead of the budgeted three. For improved safety and at a lower cost, permanent posts and nets were installed instead of the originally budgeted portable anchors and nets.

d) Recreation

Project 20134 – Milliken Mills C.C. Arena Heater Replacement – Budget of \$24,400 with remaining funds of \$14,257 (58% of project budget). The project was completed at a lower cost than budget due to favourable market conditions.

e) Sustainability Asset Management – Facility Assets

Project 19083 – Recycling Depot Improvements – Budget of \$20,600 with remaining funds of \$11,146 (54% of project budget). Based on the condition assessment, the Zamboni room beside Markham Recycling Depot was not painted.

f) Planning

Project 14006 – Future Urban Areas - Phase 2 of 5 – Budget of \$868,069 with remaining funds of \$225,296 (26% of project budget). This project is funded 52% through the Development Charge Reserve, 42% External/Developer Funded and 6% Development Fee. Original funds approved no longer required as unanticipated external funding was received.

g) Engineering

Project 13033 – Official Plan & Secondary Plan Engineering Studies – Budget of \$744,381 with remaining funds of \$131,786 (18% of project budget). The cost of the studies required were lower than anticipated.

h) ES – Waterworks

Project 18300 – Sanitary Sewers - Rehabilitation – Budget of \$1,040,600 with remaining funds of \$112,693 (11% of project budget). The use of contingency and provisional items was lower than anticipated.

i) Engineering - Hwy 404 Ramp Extension & Mid-Block Crossing, North of Hwy 7

Project 10050 – Budget of \$1,936,052 with remaining funds of \$332,209 (17% of project budget).

Project 12406 – Budget of \$2,552,543 with remaining funds of \$94,604 (4% of project budget).

Project 15049 – Budget of \$5,026,000 with remaining funds of \$222,762 (4% of project budget).

Project 16040 – Budget of \$929,800 with remaining funds of \$927,564 (99.8% of project budget).

Project 16041 – Budget of \$14,890,170 with remaining funds of \$976,665 (7% of project budget).

The five projects had a combined budget of \$25,334,565 with remaining funds of \$2,553,804 (10% of project budget). The budget was based on a tri-party agreement with York Region and Richmond Hill, and final costs based on reduced use of contingency funds were favourable to the budget.

SECTION II: PROJECTS CLOSED AND DEFERRED TO A FUTURE YEAR

The following section provides details of 7 capital projects that are closed and to be deferred to a future year with a return of surplus funds in the amount of \$1,700,602 as listed in the top section of Exhibit C.

a) Engineering

Project 18061 – Yorktech Drive Extension (Design) – Budget of \$931,800 with remaining funds of \$931,800 (100% of project budget). The project is postponed, pending the outcome of the Markham Centre Secondary Plan which is anticipated to be completed in 2021. Budget will be re-requested in a future year.

b) Recreation

Project 18180 – Thornhill C.C. Compressor Replacement – Budget of \$283,104 with remaining funds of \$254,845 (90% of project budget). Only the initial assessment was completed for this project. The compressor component of the refrigeration system was put on hold as it has been included in the department's larger review of converting all ice pad refrigeration systems from ammonia to opteon. Opteon provides greater safety for public and is deemed to be more energy efficient resulting in potential operating savings to the City.

c) Theatre

Project 18011 – New Theatre Complex Study – Budget of \$167,900 with remaining funds of \$167,900 (100% of project budget). The project was not initiated. The project was initially postponed due to the provincially led Regional Government Review. It is now being closed in light of the COVID-19 pandemic and may be re-requested in the future once the situation has stabilized.

d) Operations - Fleet

Project 18247 – Corporate Fleet Replacement - Non-Fire – Budget of \$1,099,612 with remaining funds of \$122,957 (11% of project budget). This project is 97.3% funded through the Life Cycle Replacement & Capital Reserve Fund and 2.7% funded through the Development Charges Reserve. Based on the shift to working from home, the replacement of three pool vehicles was not required in 2020. The requirement for these vehicles will be re-evaluated in the future.

e) Operations - Fleet

Project 19208 – Green Fleet Study – Budget of \$101,800 with remaining funds of \$101,800 (100% of project budget). The project was not initiated. The project was initially postponed due to the provincially led Regional Government Review. It is now being closed in light of the COVID-19 pandemic and may be re-requested in the future once the situation has stabilized.

f) Operations - Parks

Project 20204 – Decorative Fountain Replacement at Swan Lake Park – Budget of \$84,300 with remaining funds of \$84,300 (100% of project budget). The project was not initiated. The decorative fountain cannot be installed until the water quality study of Swan Lake is complete.

g) Recreation

Project 20108 – Centennial C.C. Surge Drum Replacement – Budget of \$37,000 with remaining funds of \$37,000 (100% of project budget). The project was not initiated. The surge drum component of the refrigeration system was put on hold as it has been included in the department's larger review of converting all ice pad refrigeration systems from ammonia to opteon. Opteon provides greater safety for public and is deemed to be more energy efficient resulting in potential operating savings to the City.

SECTION III: PROJECTS CLOSED AND NOT OR PARTIALLY INITIATED

The following section provides details of 5 capital projects that are closed and not initiated with a return of surplus funds in the amount of \$398,685 as listed in the bottom section of Exhibit C.

a) Engineering

Project 15055 – Markham Centre - Parking Business Plan – Budget of \$185,867 with remaining funds of \$150,968 (81% of project budget). The project is being

closed due to parking demand and parking rates assessment as part of the separate project for Markham Centre Secondary Plan.

b) Museum

Project 20003 – Museum - Strickler Barn Phase 2 of 2 – Budget of \$91,800 with remaining funds of \$91,800 (100% of project budget). The project was not initiated. The project was to renovate the facility to allow for weddings and other special events. Upon inspection by the Building department it was determined that the space was not sufficient to allow for such events.

c) Operations - Roads

Project 18203 – City Owned Fence Replacement Program – Budget of \$105,500 with remaining funds of \$74,916 (71% of project budget). The fence on Bullock Drive was delayed due to York Region's watermain project on the street and will be replaced as part of the 2020 project.

d) Recreation

Project 20148 – Pan Am Centre Lighting Automation – Budget of \$60,600 with remaining funds of \$60,600 (100% of project budget). The project was completed at a much reduced cost through the operating budget.

e) Planning

Project 20020 – Ontario Heritage Conference Host May 2020 – Budget of \$20,400 with remaining funds of \$20,400 (100% of project budget). The project was not initiated. The conference was cancelled due to the COVID-19 pandemic.

Return of Funds to the Life Cycle Replacement & Capital Reserve Fund

In addition to the above list, contract awards greater than \$25,000 with surplus funds are returned to the original funding source(s) at time of award.

Since the last Status of Capital Projects report tabled at General Committee in July 2020, \$997,473 has been returned to the Life Cycle Replacement & Capital Reserve Fund from contract awards.

SECTION IV. CAPITAL CONTINGENCY PROJECTS

In accordance with the Capital Budget Control Policy, the five capital contingency projects are topped up to the maximum approved funding amount through the semi-annual Status of Capital Projects Report to Council.

Non-DC Capital Contingency

The Non-DC Capital Contingency Project was approved to a maximum of \$250,000. Currently, the account has a negative balance of (\$181,780). Thereby a top-up of \$431,780 is required from the Life Cycle Replacement & Capital Reserve Fund.

Of the \$431,780 drawn from the Non-DC Capital Contingency Project 100% was related to the following non-emergency projects:

- a) Sustainability Asset Management – Facility Assets
Project 20306 – Seasonal Tennis Bubble - Lighting Upgrade (South Court) - \$111,936 – The light fixtures in the South court are due for replacement in year 2033, however, replacing them at the same time as the North court (anticipated to occur in Q1 of 2021) will ensure similar appearance, lighting levels and savings resulting from energy, consulting fees, mobilization and demobilization costs.
- b) Sustainability Asset Management – Facility Assets
Project 20069 – Civic Centre Repair and/or Replacement Projects – \$41,835 – Additional funds required mainly due to accelerated deterioration of the ramp, as well as some specialized products required for repairs based on condition assessment.
- c) Operations – Roads
Project 20186 – Guide Rail - Install/Repair – \$32,256 – Vehicular accidents occurred resulting in additional guide rail repairs. Repairs are required in order to meet Ontario Provincial Standards.
- d) Operations – Fleet
Project 19207 – Corporate Fleet Replacement - Non-Fire – \$32,621 – Additional funds required primarily due to an unfavourable change in the CAD/USD exchange rate. The City procured this purchase in Canadian dollars, however, the pricing from the vendor was impacted by an unfavourable CAD/USD exchange rate as the chassis is procured from the U.S. and accounts for approximately 70% of the cost of this unit. In 2018, the CAD/USD exchange rate was at \$1.29 whereas at the time of purchase it was \$1.36.
- e) Sustainability Asset Management – Facility Assets
Project 19072 – Civic Centre Improvements - Concrete paving at Markham Civic Centre – \$31,598 – Additional funds were required to install tactile plates along with staircase railings in order to meet changes in health and safety code requirements.
- f) Operations – Roads
Project 20185 – Emergency Repairs - \$11,961 – Additional funds required due to an increased number of road and storm sewer repairs.

Of the remaining draws of \$169,573, \$105,207 were for draws under \$11,000 and \$64,366 was for a land acquisition.

No additional top up is required on the Engineering, Planning, Urban Design and Waterworks Capital Contingency projects.

SECTION V: STATUS OF OPEN CAPITAL PROJECTS

After the closure of 106 projects, there are 566 open capital projects with a total budget of \$573.0M as of September 30, 2020. The term “open” refers to approved projects that have not started, or are at various stages of project completion.

In comparison, the December 2019 status update, reported 546 open projects with a total budget of \$743.4M.

Of the 566 open capital projects as at September 30, 2020, 79% of the projects were approved in 2018 to 2020. **(Refer to TABLE A).**

TABLE A

Project approval year	# of open projects	% of open projects	Unencumbered \$ in M	% of Unencumbered \$
2020	259	46%	\$38.0	36%
2019	122	22%	\$38.9	37%
2018	64	11%	\$9.2	9%
2017	41	7%	\$5.1	5%
2016 and prior	80	13%	\$15.1	14%
	566	100%	\$106.3	100%

The following summarizes the status of open capital projects:

TABLE B

(in millions)	Q3 2020		Q3 2019	
Encumbered/Committed	\$ 466.7	81%	\$ 580.3	78%
Unencumbered/Uncommitted	\$ 106.3	19%	\$ 163.1	22%
Total Open Capital	\$ 573.0		\$ 743.4	

Encumbered/Committed

The total 2020 encumbered amount of \$466.7M includes expenditures of \$363.8M (78%) and commitments of \$102.9M (22%). (Expenditures refer to payments issued for goods/services received and commitments refer to purchase orders on file with the Procurement Department).

Unencumbered/Uncommitted

Major projects, defined as multi-year, one-time projects account for \$84.2M (79% of \$106.3M) of the total unencumbered amount which includes the following projects:

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- Miller Pond Site Preparation and Property
 - Miller Avenue - CN to Kennedy Road - Phase 4 PA
 - Streetlights and Illumination
 - Hwy 404 Midblock Crossing, N of 16th Ave & Cachet Woods
 - Box Grove Community, Kirkham Drive, Cornell Community, Park Improvements, and Wismer Community park construction
 - Official Plan and Secondary Plan engineering studies
 - Sidewalk program, multi-use pathways and intersection improvements
 - Enterprise Asset Management and Digital Markham Strategic implementation

FINANCIAL CONSIDERATIONS

The net amount of \$5,559,405, as summarized in the following table, will be transferred to Reserves and Reserve Funds as a result of closing capital projects, return of surplus funds from open projects and top-up of capital contingency projects.

	Funding Returns from Closed Projects (A)	Contingency Projects Top up from Reserves (B)	Net Change to Reserves (C)=(A)+(B)
Life Cycle Replacement & Capital Reserve	\$1,473,681	(\$431,780)	\$1,041,901
Development Charge Reserves	\$4,265,751	-	\$4,265,751
Waterworks Stabilization / Capital Reserve	\$154,367	-	\$154,367
Other Reserves	\$97,386	-	\$97,386
Net Change to Reserves & Reserve Funds	\$5,991,185	(\$431,780)	\$5,559,405

Since the last report on Status of Capital Projects tabled at General Committee in July 2020, \$997,473 has been returned to the Life Cycle Replacement & Capital Reserve Fund from contract awards.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

All business units managing capital projects have been consulted in the development of this report.

RECOMMENDED BY:

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

Exhibit A – Summary of funding from closed capital projects to be returned to original funding sources as of September 30, 2020

Exhibit B – Details of capital projects to be closed and completed within scope with/without surplus funds as of September 30, 2020

Exhibit C – Summary of capital projects to be closed and deferred / not or partially initiated as of September 30, 2020