



Report to: General Committee

Meeting Date: May 28, 2024

SUBJECT: Status of Capital Projects as of March 31, 2024
PREPARED BY: Jay Pak – Senior Manager, Financial Planning and Reporting (Ext. 2514)
Jemima Lee – Manager, Capital Budgets (Ext. 2963)
Annie Wang – Senior Financial Analyst (Ext. 2015)

RECOMMENDATION:

- 1) That the report dated May 28, 2024, titled “Status of Capital Projects as of March 31, 2024” 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 recommended for closure, and funds associated with these projects in the amount of \$5,181,408 be transferred to the original sources of funding as identified in Exhibit B; and
- 3) That the Projects Not/Partially Initiated, as identified in Exhibit C, be recommended for closure and funds associated with these projects in the amount of \$888,561 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 \$300,858 to the approved amount of \$250,000; and,
- 5) That the Engineering Capital Contingency Project be topped up from the Development Charges - City-Wide Hard Reserve by \$21,422 to the approved amount of \$100,000; and,
- 6) That the Design Capital Contingency Project be topped up from the Development Charges – Parks Development Reserve by \$220,243 to the approved amount of \$100,000; and,
- 7) That the Staff approved draws from Other Reserves as part of the Capital Contingency process in the amount of \$586,541 be received; and,
- 8) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Capital projects are an integral part of the City’s operations to ensure City assets are maintained in good condition by performing timely and appropriate capital repairs, rehabilitation, replacements, and preventive maintenance. Capital projects play an important role in meeting the goals and objectives of the City’s Building Markham’s Future Together Strategic Plan.

On a semi-annual basis, Finance consolidates information received from Departments and reports to Council through the Status of Capital Projects report, providing an update on projects and how they are progressing.

This Status of Capital Projects report, as of March 31, 2024, is compiled based on a comprehensive analysis of all open capital projects and is organized into the following 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 more than \$100,000. 131 capital projects have been completed within scope. 81 of the 131 projects have surplus funds remaining, in the amount of \$5,181,408, and the remaining 50 project budgets were fully spent.

Section II: Projects Not/ Partially Initiated

Exhibit C provides details of these projects. 12 capital projects not/partially initiated are recommended for closure, with a return of surplus funds in the amount of \$888,561.

Section III: Draws from Capital Contingencies

At the conclusion of the procurement process and at the time of contract award, unanticipated costs, emergency purchases or approved scope changes may prompt the need for additional funding. Such top-ups are made per the Capital Budget Control Policy and drawn from contingency funds, which in turn are replenished through the Status of Capital reports submitted to Council. This section details the projects and rationale for the draws from the capital contingency projects.

- Non-DC Capital Contingency: Top-up of \$300,858 is required from the Life Cycle Replacement & Capital Reserve Fund.
- Engineering DC Capital Contingency: Top up of \$21,422 is required from the City-Wide Hard DC Reserve.
- Design DC Capital Contingency: Top up of \$220,243 is required from the Parks Development DC Reserve.

Draws from Other Reserves: Since the last report, the Treasurer and/or CAO have approved draws totaling \$586,541 from Other Reserves Contingencies, as per the Capital Budget Control Policy.

Section IV: Status of Open Projects

This section identifies that there are 804 open capital projects with a budget of \$1,010.4M (\$708.2M committed, \$302.2M uncommitted).

PURPOSE:

The purpose of this report is to provide an update on the status of capital projects as of March 31, 2024, 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 March 31, 2024.

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 projects recommended for closure
(Summarizes Sections I and II below)

Exhibit B – Projects completed and recommended to be closed, within scope
with/without surplus funds
(Refer to Section I below for details)

Exhibit C – Projects not/partially initiated and are recommended for closure
(Refer to Section II below for details)

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

131 capital projects completed within scope are listed in Exhibit B with/without return of surplus funds. 81 of the 131 projects have surplus funds remaining in the amount of \$5,181,408; the remaining 50 project budgets were fully spent.

Appendix A provides details of capital projects completed within scope with surplus funds of more than 50% of the approved budget or more than \$100,000 that will be returned to the applicable funding sources. Reasons for project budget/funding favourability include:

- Scope of work was reduced upon completion of more detailed condition assessment
- Competitive procurement process resulted in lower-than-estimated budget requirements
- Upon further project planning, provisional items were deemed not to be required
- Efficiency achieved by combining certain project elements with other initiatives
- Grant funding became available to offset City costs

SECTION II: PROJECTS NOT/PARTIALLY INITIATED

12 capital projects are not/partially initiated, and are being recommended for closure, with a return of surplus funds in the amount of \$888,561 as listed in Exhibit C. Refer to **Appendix A** for a list of projects and further details.

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

In addition to projects noted in Sections I and II, surplus funding from contract awards greater than \$25,000 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 September 2023, \$957,089 has been returned to the Life Cycle Replacement & Capital Reserve Fund from such contract awards.

SECTION III. DRAWS FROM CAPITAL CONTINGENCIES

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

Refer to **Appendix B** for a list of projects and further details on draws from contingency funds.

Non-DC Capital Contingency

The Non-DC Capital Contingency Project was approved to a maximum of \$250,000. Currently, the project currently has a negative balance of \$50,858. Therefore, a top-up of \$300,858 is required from the Life Cycle Replacement & Capital Reserve Fund.

Of the \$300,858 drawn from the Non-DC Capital Contingency Project:

- \$173,043 (58%) related to scope changes requiring additional consulting or works
- \$39,969 (13%) related to pricing
- \$21,866 (7%) related to emergencies or unforeseen repair/replacements

Engineering DC Capital Contingency

The Engineering DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$78,578 thereby requiring a top-up of \$21,422 from the City-Wide Hard DC Reserve, related to one project.

Design DC Capital Contingency

The Design DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a negative balance of \$120,243 thereby requiring a top-up of \$220,243 from the Parks Development DC Reserve, related to two projects.

Waterworks Capital Contingency

The Waterworks Capital Contingency Project was approved to a maximum of \$100,000. It is currently at the maximum balance (no draws have been made since the last report) and as such, no top-up is required at this time.

Planning DC Capital Contingency

The Planning DC Capital Contingency Project was approved to a maximum of \$50,000. It is currently at the maximum balance (no draws have been made since the last report) and as such, no top-up is required at this time.

Draws from Other Reserves

Since the last report, three draws totaling \$586,541 from Other Reserves were made to complete project funding.

SECTION IV: STATUS OF OPEN PROJECTS

The term “open” refers to approved projects that have not started or are at various stages of project completion. The term “in warranty” refers to projects that are substantially complete but kept open for a specified period of time to allow for the identification of any potential deficiencies requiring repair.

After the closure of 143 projects, there are 804 open capital projects consisting of 740 active projects and 64 projects in warranty, with a total budget of \$1,010.4M, as of March 31, 2024. In comparison, the March 2023 status update reported 806 open projects with a total budget of \$933.3M.

Of the 804 open capital projects as of March 31, 2024, 75% of the projects were approved in 2022, 2023 and 2024. **(Refer to Table A).**

TABLE A

Project approval year	# of open projects	% of open projects	Unencumbered \$ in M
2024	280	35%	\$106.2
2023	225	28%	\$144.8
2022	97	12%	\$23.6
2021	43	5%	\$9.1
2020 and prior	95	12%	\$14.7
Total Active	740	92%	\$298.4
Warranty	64	8%	\$3.8
Total Open	804	100%	\$302.2

Table B summarizes the status of open capital projects broken down by Encumbered/Committed and Unencumbered/Uncommitted funds:

TABLE B

(in millions)	Q1 2024		Q1 2023	
Encumbered/Committed	\$ 708.2	70%	\$ 590.9	63%
Unencumbered/Uncommitted	\$ 302.2	30%	\$ 342.4	37%
Total Open Capital	\$ 1,010.4		\$ 933.3	

Unencumbered/Uncommitted

The terms “unencumbered/uncommitted” refers to budgeted funds that have not yet been spent nor committed.

Major projects, defined as multi-year, one-time projects, account for \$240.0M (79% of \$302.2) of the total unencumbered amount and include:

- Road Design and Construction, including Hwy 404 Midblock Crossing North of 16th Avenue and other Hwy 404 related improvements
- Victoria Square Boulevard Phase 1 Construction
- Parks and Trails Construction, including Markham Centre Parks and Trails
- Corporate Wide ITS Initiatives
- Main Street Unionville Reconstruction
- City-wide facility improvements
- Energy projects, including Near Net-Zero Retro-fit pilots at City facilities
- Secondary Plan and Engineering studies
- Stormwater Management, Sanitary Sewer System Projects and Downstream Improvements
- Corporate Fleet Replacement
- Intersection, Streetlights and Illumination Design and Construction

Encumbered/Committed

The terms “encumbered/committed” refers to budgeted funds that have been spent or committed to a purchase/purchase order.

The total 2024 encumbered amount of \$708.2M includes expenditures of \$605.7M (86%) and commitments of \$102.5M (14%). Expenditures refer to payments issued for goods/services received and commitments refer to purchase orders on file with the Procurement Division.

FINANCIAL CONSIDERATIONS

The net amount of \$4,940,905 as summarized in the following table, will be transferred to Reserves and Reserve Funds after the recommended capital projects closures, return of surplus funds from open projects, top-ups of capital contingency projects and funding for existing projects. The returned funds ensure availability of funding for planned future capital projects.

	Funding Returns from Closed Projects	Contingency Projects Top up from Reserves	Net Change to Reserves
	(A)	(B)	(C) = (A) + (B)
Life Cycle Replacement & Capital Reserve	2,354,430	(\$300,858)	\$2,053,572
Development Charge Reserves	2,423,705	(\$241,665)	\$2,182,040
Waterworks Stabilization / Capital Reserve	851,092	\$0	\$851,092
Other Reserves	440,742	(\$586,541)	(\$145,799)
Net Change to Reserves & Reserve Funds	6,069,969	(\$1,129,064)	\$4,940,905

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:

Joseph Silva
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

Exhibit A – Summary of surplus funds from projects recommended for closure
Exhibit B – Projects completed within scope with/without surplus funds
Exhibit C – Projects not/partially initiated

Appendix A

Appendix A provides details of capital projects completed within scope with surplus funds of more than 50% of the approved budget or more than \$100,000 that will be returned to the applicable funding sources per Sections I & II.

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

Return of surplus funds due to favorability from condition assessment:

- a) ES - Waterworks
Project 22207 – Watermain Leak Detection at Easement and River Crossings – Budget of \$77,800 with remaining funds of \$60,246 (77% of project budget).
- b) Operations – Roads & Survey
Project 22145 – Storm Water Retention Pond Maintenance Program – Budget of \$209,700 with remaining funds of \$153,845 (73% of project budget).
- c) SAM – Facility Assets
Project 23154 – Library Facilities Repair and/or Replacement Projects – Budget of \$84,400 with remaining funds of \$56,770 (67% of project budget).
- d) ES - Stormwater
Project 23254 – Stormwater Underground Tank – Condition Inspection – Budget of \$46,900 with remaining funds of \$30,907 (66% of project budget).
- e) Operations – Roads & Utility
Project 23212 – Retaining Wall Repair Program – Budget of \$78,700 with remaining funds of \$47,471 (60% of project budget).
- f) SAM – Facility Assets
Project 22072 – Building Envelope/Structural Review – Budget of \$56,100 with remaining funds of \$32,532 (58% of project budget).
- g) SAM – Facility Assets
Project 23160 – Recycling Depots Repair and/or Replacement Projects – Budget of \$13,000 with remaining funds of \$7,362 (57% of project budget).
- h) ES - Waterworks
Project 22205 – Curb Box Inspection and Replacement Program – Budget of \$703,700 with remaining funds of \$275,617 (39% of project budget).
- i) Asset Management
Project 21048 – Civic Centre Repair and/or Replacement Projects – Budget of \$366,900 with remaining funds of \$144,542 (39% of project budget).

-
- j) ES - Waterworks
Project 22209 – Water Meters – Replacement Program – Budget of \$1,030,000 with remaining funds of \$319,108 (31% of project budget).
 - k) ES - Waterworks
Project 22210 – Sanitary Sewers - Rehabilitation – Budget of \$748,578 with remaining funds of \$109,254 (15% of project budget).

Return of surplus funds due to award being lower than budget and/or provisional items not required:

- a) Recreation
Project 23185 – Milliken Mills C.C. Dance Studio Blind Replacement – Budget of \$6,100 with remaining funds of \$4,125 (68% of project budget).
- b) Engineering
Project 20038 – Markham Centre Trails – Phase 1 (Construction) – Budget of \$1,774,189 with remaining funds of \$270,896 (44% of project budget).
- c) SAM – Facility Assets
Project 23001 – Angus Glen C.C. Pool Repair – Construction – Budget of \$1,100,225 with remaining funds of \$292,187 (27% of project budget).
- d) Engineering
Project 19048 – Streetlight Program (Construction) – Budget of \$903,606 with remaining funds of \$241,063 (27% of project budget).
- e) SAM – Facility Assets
Project 13882 – Solar PV System at SECC&L – Budget of \$1,188,915 with remaining funds of \$287,077 (24% of project budget).
- f) SAM – Facility Assets
Project 19074 – Corporate Accommodations – Budget of \$696,296 with remaining funds of \$147,907 (21% of project budget).
- g) Engineering
Project 21029 – Markham Centre Trails – Phase 1B Construction – Budget of \$606,563 with remaining funds of \$101,056 (17% of project budget).

Return of surplus funds due to other factors:

- a) Operations - Parks
Project 23222 – Parks Retaining Wall Replacement – Budget of \$52,900 with remaining funds of \$39,407 (74% of project budget). Several replacements were completed under the 2023 AODA project.

b) ITS

Project 20057 – Digital Literacy Strategy Implementation – Budget of \$43,900 with remaining funds of \$22,617 (52% of project budget). Purchases were also made from the operating budget.

h) Engineering

Project 20044 – Sidewalk Program (Construction) – Budget of \$2,463,110 with remaining funds of \$769,987 (31% of project budget). External grant received to offset project funding from internal Reserves.

SECTION II: PROJECTS NOT/PARTIALLY INITIATED

a) SAM - Facility Assets

Projects 22330 to 22336 – Dudley Fire Station – Various – Total Budget of \$1,985,468 with remaining funds of \$850,461 (43% of project budgets). Approximately half of the project budget was spent on planned remediation of existing roofing, initial design consulting and site works, resulting in surplus funds. The project is being recommended for closure, as fire station construction is not proceeding at this time.

Appendix B

Appendix B details projects requiring draws from Capital contingency funds per Section III.

SECTION III. DRAWS FROM CAPITAL CONTINGENCIES**Non-DC Capital Contingency**

Scope changes: Of the \$300,858 drawn from the Non-DC Capital Contingency Project, \$173,043 (or 58%) of the draws were related to scope changes requiring additional consulting or works for the following projects:

- a) Museum
Project 20004 – Museum Various Buildings - \$48,907 (15% of project budget)
- b) ES - Stormwater
Project 23253 – Stormwater Pipes Emergency Repairs - \$35,500 (61% of project budget)
- c) ES - Infrastructure
Project 23246– City-wide Erosion Master Study - Update - \$35,011 (23% of project budget)
- d) Recreation
Project 22109 – Centennial C.C. HVAC Upgrade - \$30,700 (66% of project budget)
- e) Operations – Utility Inspection
Project 22176 – German Mills Meadow Equipment Maintenance - \$22,924 (20% of project budget)

Pricing: Of the \$300,858 drawn from the Non-DC Capital Contingency Project, \$39,969 (or 13%) of the draws were related to pricing, where contract awarded was greater than budget for the following projects:

- a) Fire Services
Project 22053 – Bunker Gear Life Cycle Replacement 2022 - \$15,766 (13% of project budget)
- b) Operations - Fleet
Project 22170 – Corporate Fleet Replacement – Non-Fire - \$13,816 (0.5% of project budget)
- c) Operations - Fleet
Project 23232 – Corporate Fleet Replacement – Non-Fire - \$10,387 (1% of project budget)

Emergencies or unforeseen repair/replacements: Of the \$300,858 drawn from the Non-DC Capital Contingency Project, \$21,866 (or 7%) of the draws were related to emergencies or unforeseen repair/replacements for the following projects:

- a) Recreation
Project 23194 – Automatic Transfer Switch Control Replacement for Natural Gas Generator at Aaniin C.C. - \$10,957 (0% of project budget)
- b) ES - Infrastructure
Project 22182 – Replacement of Huntington Park Pedestrian - Construction - \$10,909 (1% of project budget)

The remaining draws from the Non-DC Capital Contingency totaling \$65,980, were under \$10,000 each.

Engineering DC Capital Contingency

- a) Engineering
Project 24048 – Consulting Services for Detailed Design, Contract Administration and Site Inspection Services for Pedestrian Crossovers (PXO) and Traffic Signals Program - \$21,422 (4% of project budget) – Contract awarded was higher than budget.

Design DC Capital Contingency

Of the \$220,243 drawn from the Design DC Capital Contingency Project, 93% are related to the following projects:

- a) Design
Projects 19027 & 20025 – Construction works at Cornell Community Park – \$204,301 (48% of project budget) – Additional funds required due to unfavourable market conditions leading to higher prices.

The remaining draw of 7% was for \$15,942

Draws from Other Reserves

- a) Design
Project 18034 – Wismer Park Washroom and Maintenance Buildings – \$419,773 from the Development Fee Reserve – Additional construction fees and site servicing requirements under TRCA.

- b) Operations - Parks
Project 23463 – Block Pruning Initiative – Year 5 of 8 – \$160,713 from the Life Cycle Capital and Replacement Reserve – Contract awarded greater than budget.

- c) Operations - Parks
Project 23012 – AODA Playground Refurbishments – Year 1 of 4 – \$6,055 from the Ramp Up Reserve – Additional funding required for revised drainage drawings and additional onsite meetings.