



Report to: General Committee

Date Report Authored: November 12, 2018

---

SUBJECT: Status of Capital Projects as of September 30, 2018  
PREPARED BY: Andrea Tang – Senior Manager, Financial Planning (Ext. 2433)  
Jemima Lee – Senior Financial Analyst (Ext. 2963)

---

**RECOMMENDATION:**

- 1) THAT the report dated November 12, 2018 entitled “Status of Capital Projects as of September 30, 2018” be received; and
- 2) THAT the amount of \$3,564,066 from the closure of capital projects be transferred to the sources of funding as listed on Exhibit A; and
- 3) THAT the closure of projects as outlined on Exhibit B and C be approved; and
- 4) THAT the surplus funds of \$1,707,326 from open capital projects be returned to the sources of funding as listed on Exhibit D; and
- 5) THAT the Non-Development Charge Capital Contingency Project be topped up from the Life Cycle Replacement and Capital Reserve Fund by \$656,605 to the approved amount of \$250,000; and
- 6) THAT the Engineering Capital Contingency Project be topped up from the City-Wide Hard Development Charges Reserve by \$34,068 to the approved amount of \$100,000; and
- 7) THAT the Design Capital Contingency Project be topped up from the Development Charges Reserve by \$90,036 to the approved amount of \$100,000; and
- 8) THAT the Planning Capital Contingency Project be topped up from the Development Charges Reserve by \$17,552 to the approved amount of \$50,000; and
- 9) THAT the Waterworks Capital Contingency Project be topped up from the Waterworks Stabilization/Capital Reserve by \$1,301,775 to the approved amount of \$100,000; and
- 10) THAT asbestos remediation at 55 Parkway (Capital project 16291) in the amount of \$265,848, originally funded by the Non-DC Capital Contingency account, be returned to the Life Cycle Replacement & Capital Reserve Fund and be funded from the Land Acquisition Reserve Fund, increasing the budget from \$21,000,000 to \$21,265,848; and
- 11) THAT the shortfall of \$239,037 in Capital Project 18307 - A/C Index Asphalt Resurfacing be funded from the Gas Tax Reserve, increasing the budget from \$220,816 to \$459,853; and

- 12) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to provide a status update of capital projects as of September 30, 2018, and obtain Council approval for the transfer of funds to Reserves and Reserve Funds.

**DISCUSSION/OPTIONS:**

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, 2018. As a result, 102 projects are identified for closure, with a total budget remaining of \$3,564,066 to be returned to the original sources of funding.

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 funding from closed capital projects to be returned to funding sources as of September 30, 2018
- Exhibit B – Details of capital projects to be closed with funding to be returned to funding sources as of September 30, 2018
- Exhibit C – Summary of capital projects to be closed that are fully expended as of September 30, 2018

Details within Exhibit A include the following:

**Life Cycle Replacement & Capital Reserve Fund**

The closure of capital projects identifies funds in the amount of \$1,289,611 to be returned to the Life Cycle Replacement & Capital Reserve Fund. Below are highlights of the capital projects listed in Exhibit B with surplus funds of more than 50% of the approved budget as well as other projects that will be returned to the Life Cycle Replacement & Capital Reserve Fund.

- a) ITS  
Project 15089 – Library – Symphony to Blue Cloud Migration (Phase 1 of 2) – Budget of \$35,600 with remaining funds of \$35,600 (100% of project budget). Library tested several products but was not able to find a suitable vendor to meet system requirements. Project will be re-requested at a future Capital Budget process.
- b) Operations - Parks  
Project 18226 – Fence (Tennis Courts) – Budget of \$31,200 with remaining funds of \$16,760 (54% of project budget). Fence replacement at Box Grove Tennis Court was deferred based on condition assessment.

- c) Operations – Roads  
Project 17139 – Parking Lots – Rehabilitation – Annual Program – Budget of \$217,100 with remaining funds of \$121,117 (56% of project budget). Parking lot rehabilitation at Markham Senior’s Centre was deferred based on condition assessment.
- d) Recreation Services  
Project 18189 – Unionville Train Station Light Fixtures & Panel – Budget \$13,000 with remaining funds of \$8,543 (66% of budget). Contract award was favourable compared to budget.
- e) Sustainability Asset Management – Facility Assets  
Project 14467 – AM – Roofing Warranties – Budget of \$279,604 with remaining funds of \$237,515 (85% of project budget). The amount paid for disputes was less than required.
- f) Sustainability Asset Management – Facility Assets  
Project 16192 – Corporate Security Operations & System Upgrades – Budget of \$522,713 with remaining funds of \$100,681 (19% of project budget). Funds budgeted for the hiring of a consultant for security operations policy and procedures were not utilized. As well, budget for various miscellaneous items were not required.
- g) Sustainability Asset Management – Facility Assets  
Project 16202 – Roofing Replacement Projects – Budget of \$988,542 with remaining funds of \$119,952 (12% of project budget). Funds in the contingency purchase order were not fully utilized.
- h) Theatre  
Project 18012 – Water Heater Replacement – Budget of \$25,700 with remaining funds of \$14,899 (58% of project budget). Contract award was more favourable than originally budgeted.

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

Contract awards greater than \$25,000 with surplus funds are returned to the original funding source(s).

Since the last report on Status of Capital Projects tabled at General Committee in May 2018, \$747,815 has been returned to the Life Cycle Replacement & Capital Reserve Fund from contract awards.

#### **Development Charges (DC) Reserves**

The closure of capital projects identifies funds in the amount of \$1,525,710 to be returned to the Development Charges (DC) Reserve Fund. Below are highlights of the capital projects listed in Exhibit B with surplus funds of more than 50% of the approved budget as well as other projects that will be returned to the Development Charges (DC) Reserve Fund.

- a) Design  
Project 14464 – Design Warranties – Budget of \$646,566 with remaining funds of \$640,189 (99% of budget). Funds from several completed parks construction projects were consolidated into this warranty project to cover subsequent inspections and potential additional remediation work which were not required.
- b) Design  
Project 15032 – Expedited Core Capital Parks Program – Budget of \$279,800 with remaining funds of \$145,917 (52% of project budget). This project was approved to hire additional external consulting or contract staff to oversee the design and construction of park projects to expedite the delivery of parks. Contract staff was not hired.
- c) Engineering  
Project 14044 – Birchmount Road/Rouge River Bridge MNR Works – Budget of \$203,100 with remaining funds of \$104,687 (52% of project budget). Funds for the contingency purchase order were not fully utilized. In addition, contract administration for pond clean-up was carried out in conjunction with the bridge construction which resulted in savings in contract administration fees.
- d) Engineering  
Project 15053 – Markham Brownfield Policy – Budget of \$90,000 with remaining funds of \$63,956 (71% of project budget). Contract award was favourable compared to budget and legal fees to review the policy were not required.
- e) Engineering  
Project 15055 – Markham Centre – Parking Business Plan – Budget of \$185,867 with remaining funds of \$150,968 (81% of project budget). Original scope of project was to create a parking business plan for Markham Centre. Consultation with major landowners in Markham Centre identified that there was little interest in developing a parking strategy in the next 5-10 years.
- f) Engineering  
Project 16279 – 2018 Development Charges Background Study – Budget of \$250,000 with remaining funds of \$163,663 (65% of project budget). Original project scope included hiring of contract staff and consultants to conduct the Development Charges Background Study. The study was completed with in-house staff resources and hiring of a co-op student.
- g) Operations - Fleet  
Project 16184 – New Fleet - Roads – Budget of \$71,200 with remaining funds of \$40,002 (56% of project budget). A different slide-in sander attachment for the vehicle plow truck that met the required specifications was purchased at a cost that was lower than budget.

---

**Waterworks Stabilization/Capital Reserve**

Funds in the amount of \$99,850 will be returned to the Waterworks Stabilization/Capital Reserve resulting from the closure of capital projects. None of the capital projects listed in Exhibit B have surplus funds of more than 50% of the approved budget to be returned to the Waterworks Stabilization/Capital Reserve.

**Other Reserves and Reserve Funds**

Funds in the amount of \$648,896 will be returned to other Reserves and Reserve Funds resulting from the closure of capital projects. Below are highlights of the capital projects listed in Exhibit B with surplus funds of more than 50% of the approved budget as well as other projects that will be returned to Reserve Funds.

- a) Engineering  
Project 17045 – Markham Centre MUP EA/Design – Budget of \$441,000 with remaining funds of \$441,000 (100% of project budget). Scope of work under this project was conducted by Urban Design through another capital project and funds will be returned to Section 37 Reserve Fund.
- b) Planning  
Project 18020 – Secondary Suites – Budget of \$46,000 with remaining funds of \$46,000 (100% of project budget). Funds were not required as the Secondary Suites Program was not implemented.

**RETURN OF SURPLUS FUNDS FROM OPEN PROJECTS**

Staff have identified 2 open projects that have unencumbered surplus funds available to return to sources, with a total budget remaining of \$1,707,326 to be returned to the original sources of funding as listed on Exhibit D.

- a) Sustainability Asset Management - Facility Assets  
Cornell Community Centre & Library - Budget of \$75,519,279 with return of funds of \$74,931.
- b) Sustainability Asset Management - Facility Assets  
Pan Am Community Centre – Budget of \$80,383,892 with return of funds of \$1,632,395.

**CAPITALCAPITAL CONTINGENCY PROJECTS**

In accordance with the Capital Budget Control Policy, the five (5) Capital Contingency Projects are topped up to the maximum approved funding amount through the semi-annual Status of Capital Projects Report to Council.

**1. 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 (\$406,605). Therefore a top-up of \$656,605 is required from the Life Cycle Replacement & Capital Reserve Fund.

For this period, the City experienced emergency building repairs and road repairs due to inclement weather. Of the \$656,605 drawn from the Non-DC Capital Contingency Project, \$360,848 (55%) was related to the following emergency repairs:

a) Corporate Wide

Project 16291 – Land Acquisition 55 Parkway Avenue - \$265,848 – Asbestos was discovered during the demolition of building which resulted in higher costs for the removal of asbestos substance.

b) Operations – Roads

Project 18205 - Emergency Repairs - \$95,000 – Inclement weather in the first half of 2018 from the April ice storm resulted in additional repairs to the road network.

The use of the contingency account was necessitated by the following non-emergency projects:

a) Theatre

Project 18008 – Facility Maintenance – \$62,724 – Installation of fall arrest equipment (guardrail system, life line anchors and cables, step platform and mounting brackets) was required to access smoke hatches at the Theatre’s roof in the event of a fire.

b) Recreation

Project 17096 – Milliken Mills C.C. Building Automation Replacement - \$44,787 – Additional equipment to control upgraded equipment installed through Milliken Mills BAS Replacement project were required which included new thermostats for booster coils, lighting controllers for library and arena lighting zones, electrical booster coils, perimeter heating pumps and return fans.

c) Sustainability Asset Management – Facility Assets

Project 18101 – Roofing Replacement Projects - \$33,622 – Additional funds were required for legal settlement.

d) SAM – Facility Assets

Project 18100 - Roofing Maintenance and Repair - \$30,657 – Repairs were required due to minor roof leaks at various facilities.

- e) Operations - Fleet  
Project 18247 – Corporate Fleet Replacement – Non-Fire - \$30,092 – Purchase of hybrid Electric Vehicle (EV) was accelerated from 2019 in order to qualify for the Ontario EV rebate being discontinued at the end of 2018.
  
- f) Operations - Roads  
Project 18337 – Road Weather Information System (RWIS) Rehab Rodick Road - \$28,947 – Emergency replacement of weather station located at Rodick Road due to malfunction.
  
- g) Recreation Services  
Project 18341 – Civic Centre Outdoor Rink Rubber Matting - \$22,800 – Replacement of rubber matting around the outdoor skating rink at Civic Centre. The rubber matting for the Civic Centre outdoor rink needs to be installed by mid-November in preparation for the opening on December 1<sup>st</sup>.

The remaining draws totaling \$42,128 were each under \$10,000.

## **2. 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 \$65,932 therefore requiring a top up of \$34,068 from the City-Wide Hard DC Reserve.

The use of the contingency account was necessitated by the following projects:

- a) Commissioner’s Office – Development Services  
Project 18338 – Development Services Strategic Plan –\$19,502 – Engagement of a consultant to prepare a strategic plan for the Development Services Commission. This project is 50% funded through the Engineering Capital Contingency, 45% funded through the Planning Capital Contingency, and 5% funded through the Non-DC Capital Contingency.
  
- b) Engineering  
Project 13021 – Yorktech Drive Extension (EA) - \$14,566 – Increase in project scope to conduct a slope stability analysis as part of the Class Environmental Assessment (EA) Study for the extension of Yorktech Road in order to protect existing parking lot from watercourse erosion.

## **3. Design DC Capital Contingency**

The Design DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$9,964 therefore requiring a top up of \$90,036 from the Admin Capital Growth Studies DC Reserve.

The use of the contingency account was necessitated by the following project:

## a) Design

Project 17014 – Wismer Alexander Lawrie NP East & West D&C - \$90,036 – Additional environmental precautions were undertaken in accordance to the Ministry of Natural Resources (MNR) guidelines in the grading, hauling and removal of soil stockpile beside habitat of the endangered redbreasted dace fish which resulted in higher costs.

**4. Planning DC Capital Contingency**

The Planning DC Capital Contingency Project was approved to a maximum of \$50,000. The project currently has a balance of \$32,448 therefore requiring a top up of \$17,552 from the Planning DC Reserve.

**5. Waterworks Capital Contingency**

The Waterworks Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a negative balance of \$(1,201,775) therefore requiring a top-up of \$1,301,775 from the Waterworks Stabilization/Capital Reserve.

The use of the contingency account was necessitated by the following project:

## a) Environmental Services – Waterworks

Project 18301 – Sanitary Sewers – Syphons Structural Lining - \$1,282,176 – Increase in project scope from repairing the structural lining of three syphon pipes on Woodbine Avenue without excavation, to replacement of all three pipes due to ground water infiltrating the syphon.

The remaining draw totaling \$19,598.36 was under \$20,000

**ADDITIONAL FUNDING FOR ASBESTOS REMEDIATION AT 55 PARKWAY AVENUE**

Capital Project 16291 “Land Acquisition - 55 Parkway Avenue” - Budget of \$21,000,000. Additional funding of \$265,848 to increase budget from \$21,000,000 to \$21,265,848.

In September 2018, an emergency draw in the amount of \$265,848 was required for the demolition of the 55 Parkway building from the Non-DC Capital Contingency account. During the demolition, asbestos substance was discovered in the exterior wall cavities of the building.

Staff recommend the additional funds of \$265,848, originally funded from the Non-DC Capital Contingency account, be returned to the Life Cycle Replacement & Capital Reserve Fund and be funded from the Land Acquisition Reserve to be consistent with the funding source for the original land purchase.



---

**ADDITIONAL FUNDING FOR ASPHALT CEMENT (AC) INDEX**

Capital Project 18307 “Asphalt Cement (AC) Index” – Budget of \$220,816. Additional funding of \$239,037 to increase budget from \$220,816 to \$459,853.

The Ministry of Transportation Ontario publishes Asphalt Cement (AC) Index rates on a monthly basis, which is then used to calculate the amount of payment adjustment per tonne of new asphalt cement supplied by the contractor. A payment adjustment per tonne of asphalt cement will be established for each month in which paving occurs when the price index for the month differs by more than \$15.00/tonne from the AC price index set at the time of the contract award.

Additional funds of \$239,037 are required in order to meet the 2018 service level. Higher prices are due to higher AC index rates resulting from higher crude oil prices and higher demand within the oil refining industry.

Staff recommend the additional funds of \$239,037 be funded from the Gas Tax Reserve Fund which is consistent with the original funding source for Project 18307 “Asphalt Cement (AC) Index”.

**STATUS OF OPEN CAPITAL PROJECTS**

After the closure of 102 projects, there are 556 open capital projects/project groups with a total budget of \$710.4M as of September 30, 2018. The term “open” refers to approved projects that have not started, or they are at various stages of project completion.

In comparison to the September 2017 status update, there were 553 open projects with a total budget of \$676.9M.

Of the 556 open capital projects, 78% of the projects were approved in 2016 to 2018. (Refer to **TABLE A**).

**TABLE A**

<b>Project approval year</b>	<b># of open projects</b>	<b>% of open projects</b>	<b>Unencumbered \$ in M</b>	<b>% of Unencumbered \$</b>
2018	247	44%	\$33.3	31%
2017	115	21%	\$22.4	21%
2016	73	13%	\$11.3	11%
2015	41	7%	\$3.0	3%
2014 and prior	80	14%	\$36.5	34%
	556	100%	106.5	100%

The following summarizes the status of open capital projects:

(in millions)	<b>Q3 2018</b>		<b>Q3 2017</b>	
Encumbered/Committed	\$ 604.0	85%	\$ 483.5	76%
Unencumbered/Uncommitted	\$ 106.4	15%	\$ 193.4	24%
<b>Total Open Capital</b>	<b>\$ 710.4</b>		<b>\$ 676.9</b>	

### **Encumbered/Committed**

The total 2018 encumbered amount of \$604.0M includes expenditures of \$509.2M (84%) and commitments of \$94.8M (16%). (Expenditures refer to payments issued for goods/services received and commitments refer to purchase orders on file with the Purchasing Department.)

### **Unencumbered/Uncommitted**

Major projects, defined as a multi-year one time projects account for \$76.0M (71% of \$106.4M) of the total unencumbered amount which includes the following projects:

- Rodick Road Reconstruction and Extension – Miller to 14<sup>th</sup> Avenue
- Storm sewer, sanitary sewer and watermain construction and replacement
- Whistling Cessation Program
- Angus Glen Community Centre combined heat and power (CHP) system
- Hwy 7 Streetscaping
- Official Plan and Secondary Plan engineering studies
- Hwy 404 mid-block crossing, North of Hwy 7
- West Thornhill flood control implementation
- Digital Markham Strategic implementation
- Future Urban Areas studies
- Wismer Community park construction
- Illumination program
- Sidewalk program, multi-use pathways and intersection improvements

### **FINANCIAL CONSIDERATIONS:**

The net amount of \$1,464,031 as summarized in the following table will be transferred to/(draw from) 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.

	<b>Return to Reserves / Reserve Funds from Closed Projects (A)</b>	<b>Top up Contingency Projects from Reserves / Reserve Funds (B)</b>	<b>Net Change to Reserves / Reserve Funds (C)=(A)+(B)</b>
Life Cycle Replacement & Capital Reserve	\$1,289,611	(\$656,605)	\$633,006
Development Charge Reserves	\$1,525,710	(\$141,656)	\$1,384,054
Waterworks Stabilization / Capital Reserve	\$99,850	(\$1,301,775)	(\$1,201,925)
Other Reserves & Reserve Funds	\$648,896	-	\$648,896
<b>Net Change to Reserves &amp; Reserve Funds</b>	<b>\$3,564,067</b>	<b>(\$2,100,036)</b>	<b>\$1,464,031</b>

Since the last report on Status of Capital Projects tabled at General Committee in May 2018, \$747,815 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 the capital status update.

**RECOMMENDED BY:**

2018-11-09

2018-11-09

X   
 \_\_\_\_\_  
 Joel Lustig  
 Treasurer  
 Signed by: cxa

X   
 \_\_\_\_\_  
 Trinela Cane  
 Commissioner, Corporate Services  
 Signed by: cxa

**ATTACHMENTS:**

[Exhibit A – Summary of funding from closed capital projects to be returned to original funding sources as of September 30, 2018](#)

[Exhibit B – Details of capital projects to be closed with funding to be returned to original funding sources as of September 30, 2018](#)

[Exhibit C – Summary of capital projects to be closed that are fully expended as of September 30, 2018](#)

[Exhibit D – Details of Open capital projects with surplus funding to be returned to funding sources as of September 30, 2018](#)