



Report to: General Committee

Date Report Authored: June 1, 2016

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SUBJECT: Status of Capital Projects as of April 30, 2016  
PREPARED BY: Andrea Tang – Senior Manager, Financial Planning (Ext. 2433)  
Jemima Lee – Senior Financial Analyst (Ext. 2963)

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**RECOMMENDATION:**

- 1) THAT the report dated June 1, 2016 entitled “Status of Capital Projects as of April 30, 2016” be received; and
- 2) THAT the amount of \$6,167,829 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 in Exhibit B and C be approved; and
- 4) THAT the Non-Development Charge Capital Contingency Project be topped up from the Life-Cycle Replacement and Capital Reserve Fund by \$255,352 to the approved amount of \$250,000; and
- 5) THAT the Engineering Capital Contingency Project be topped up, from the City-Wide Hard Development Charges Reserve, by \$71,947 to the approved amount of \$100,000; and
- 6) THAT the Design Capital Contingency Project be topped up, from the Development Charges Reserve, by \$1,911 to the approved amount of \$100,000; and
- 7) THAT the Waterworks Capital Contingency Project be topped up, from the Waterworks Stabilization/Capital Reserve, by \$158,251 to the approved amount of \$100,000; and
- 8) THAT the 2013 Capital Project 13840 – Parkland for Surplus School Sites in Upper Unionville and Boxgrove be increased by \$50,257 from \$6,100,000 to \$6,150,257 to be funded from the Parks Cash in Lieu Reserve; and
- 9) THAT the 2013 Capital Project – 13701 – Hwy 7 Watermain Construction and Replacement Program be increased by \$836,982 from \$3,476,500 to \$4,313,482, to be funded from the Waterworks Stabilization/Capital Reserve; and
- 10) 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 April 30, 2016, and obtain Council approval for the transfer of funds to and from Reserves and Reserve Funds.

**DISCUSSION/OPTIONS:****CAPITAL PROJECTS TO BE CLOSED**

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 April 30, 2016. As a result, 141 projects are identified for closure, with a total budget remaining of \$6,167,829 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 original funding sources as of April 30, 2016
- Exhibit B – Details of capital projects to be closed with funding to be returned to original funding sources as of April 30, 2016
- Exhibit C – Summary of capital projects to be closed that are fully expended as of April 30, 2016

Details within Exhibit A include the following:

**Life-Cycle Replacement & Capital Reserve Fund**

The closure of capital projects identifies funds in the amount of \$1,521,495 to be returned to the Life-Cycle Replacement & Capital Reserve Fund.

There are eleven (11) projects listed in Exhibit B with surplus funds of more than 50% of the approved budget that will be returned to the Life-Cycle Replacement & Capital Reserve Fund. Details are outlined below.

- a) Arts Centre  
Project 15133 —Gallery McKay Exterior Painting – Budget of \$30,500 with remaining funds of \$21,187 (69% of project budget). Exterior painting was not required for the entire building.
- b) Asset Management  
Project 10058 – Stormwater Utility Study – Budget of \$180,000 with remaining funds of \$163,369 (91% of project budget). Stormwater Rate Study Project was internally managed.

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c) Operations - Roads

Project 13460 – Stormsewer inspection – Budget of \$103,800 with remaining funds of \$55,798 (54% of project budget). The contract was awarded in late 2015 and work was deferred to be completed in 2016, utilizing the 2016 capital.

Project 15602 – AC Index – Budget of \$205,030 with remaining funds of \$192,136 (94% of project budget). The actual incurred was less than budgeted due to lower oil prices which has a favourable impact on the AC Index.

d) Operations - Traffic

Project 15238 – Traffic Operational Improvements – Budget of \$30,500 with remaining funds of \$17,991 (59% of project budget). Resourcing constraints limited the ability to fulfill the full project scope in 2015. As this is an annual program, outstanding work will be completed through the 2016 program.

e) Recreation

Project 15168 – Morgan Pool sand filter replacement – Budget of \$6,600 with remaining funds of \$6,600 (100% of project budget). Project was on hold pending development of the Master Plan for the facility.

f) Waste Management

Project 13603 – Ground Hog Retrofit Pilot – Budget of \$50,875 with remaining funds of \$28,742 (56% of project budget). The actual incurred was less than budgeted.

Project 15283 – Specialty Recycling Containers Program – Budget of \$33,100 with remaining funds of \$31,398 (95% of project budget). New specialty recycling containers were not required due to a hold on installation of new supermailboxes in older areas.

g) ITS

Project 14077 – Library Services Improvements (Software) – Budget of \$28,000 with remaining funds of \$14,664 (52% of project budget). The actual incurred was less than budgeted.

Project 15085 – Library Kurzweil Scanning Station Upgrade and Public Access Catalogue (PAC) conversion – Budget of \$10,200 with remaining funds of \$7,278 (71% of project budget). Hardware replacement was not required for the upgrade and conversion.

h) Engineering

Project 15058 — Markham Road Sewer Improvements & Pumping Station (EA) - Budget of \$886,302 with remaining funds of \$886,302 (100% of project budget). \$390,602 will be returned to the Life-Cycle Replacement & Capital Reserve Fund and the remaining balance of \$495,700 will be returned to DC Reserves. Class Environmental Assessment (EA) was originally planned to be done by Engineering; however, it was conducted by a Developer.

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**Return of funds to the Life-Cycle Replacement & Capital Reserve Fund**

It is the City's practice to return all surplus funds to the original funding source at time of award. Since the last report on Status of Capital Projects tabled at General Committee in November, \$777,320 has been returned to the Life-Cycle Replacement & Capital Reserve Fund from contract awards.

**Development Charges (DC) Reserves**

Funds in the amount of \$2,785,442 will be returned to the DC Reserves from the closure of capital projects.

There are three (3) projects listed in Exhibit B with surplus funds of more than 50% of the approved budget that will be returned to original sources.

a) Fire

Project 15139 — Cornell Fire Station (#99) – Requirements for 2<sup>nd</sup> Crew - Budget of \$18,300 with remaining funds of \$9,745 (53% of project budget). The actual incurred for alternations to the Station 99 kitchen to accommodate the second crew was less than budgeted.

b) Engineering

Project 14041 — Church Street – Ninth Line to Bur Oak Avenue - Budget of \$1,977,900 with remaining funds of \$1,951,002 (99% of project budget). Project was tendered in 2015, and the tendered price was higher than budget. The project will be requested as part of a future capital budget process.

Project 15058 — Markham Road Sewer Improvements & Pumping Station (EA) - Budget of \$886,302 with remaining funds of \$886,302 (100% of project budget). \$495,700 will be returned to DC Reserves and the remaining balance of \$390,602 will be returned to the Life-Cycle Replacement & Capital Reserve Fund. Class Environmental Assessment (EA) was originally planned to be done by Engineering; however, it was conducted a Developer.

**Waterworks Stabilization/Capital Reserve**

Funds in the amount of \$1,832,411 will be returned to the Waterworks Stabilization/Capital Reserve resulting from the closure of capital projects.

There are seven (7) projects listed in Exhibit B with surplus funds of more than 50% of the approved budget that will be returned to the Waterworks Stabilization/Capital Reserve and represent approximately 97% of the total funds to be returned to this funding source, details of which are outlined below.

a) Asset Management

Project 15302 — Watermain Design and Construction Project - Budget of \$139,600 with remaining funds of \$100,927 (72% of project budget). A portion of the project budget included funding for a full-year full-time staff; however, the position was not filled until August 2015.

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Project 15622 — Watermain Construction and Replacement – Yonge Street - Budget of \$946,800 with remaining funds of \$946,800 (100% of project budget). Project is on hold until Langstaff development master study is completed; project will be requested as part of a future capital budget process.

b) Operations - Roads

Project 15290 – Manhole Sealing – Phase 1 of 3 – Budget of \$96,844 with remaining funds of \$84,093 (87% of project budget). The actual incurred was less than budgeted.

c) Waterworks

Project 14317 – Wastewater Compliance & Abatement – Budget of \$89,500 with remaining funds of \$58,269 (65% of project budget). The consultant work budgeted for was done in-house, and did not require funding from this project.

Project 15289 – Equipment Upgrades at Calvert Road Pumping Station – Budget of \$111,900 with remaining funds of \$82,644 (74% of project budget). The actual incurred was less than budgeted.

Project 15297 – Water Fountain Installation in Simonston Park – Budget of \$167,300 with remaining funds of \$167,300 (100% of project budget). Project requires development of policy and guidelines for Parks fountain installation. This project will be requested as part of a future capital budget process.

Project 15299 – Water System Physical Condition Assessment – Budget of \$223,900 with remaining funds of \$193,327 (86% of project budget). Internal condition assessment of pipes could not be done due to location and cost; project scope to be revisited and project will be requested as part of a future capital budget process.

**Other Reserves and Reserve Funds**

Funds in the amount of \$28,481 will be returned to other Reserves and Reserve Funds resulting from the closure of capital projects.

a) Waste Management (*Environmental Sustainability*)

Project 15630 – MESF 2015 – Zero Waste Program at 10 Schools – Budget of \$25,000 with remaining funds of \$25,000 (100% of project budget). 2015 program was put on hold due to school staff exercising work to rule rights in 2015.

**Project to be funded**

Project 13840 – Parkland for Surplus School Sites in Upper Unionville and Boxgrove with costs of \$6,150,257 against a budget of \$6,100,000. The shortfall of \$50,257 will be funded from the Parks Cash in Lieu Reserve. The shortfall is attributed to a higher than expected land transfer tax.

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**CAPITAL 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 (\$5,352). Therefore a top up of \$255,352 is required from the Life-Cycle Replacement & Capital Reserve Fund.

The use of the contingency account was necessitated by various projects as follows:

- Morgan Pool Tank Repairs - \$68,772 – Emergency repair of pool marbelite and tiles;
- Yonge and Colborne Heritage Streetscape Improvements - \$47,888 – The award was higher than budgeted;
- Corporate Fleet Replacement – Non-Fire - \$34,539 – The award was higher than budgeted for seven vehicles due to new Tier 4 emission requirements;
- Milliken Mills CC Condensor Replacement - \$18,500 – Emergency replacement of brine pump due to a malfunctioned part;
- Crosby Arena Exhaust Fan Replacement - \$12,196 – Unanticipated installation of Rink Seal Pro in the refrigeration room to protect refrigeration system from erosion and extend the life of the arena pad;
- Satellite Community Centre Improvements - \$11,264 – Removal of buried oil storage tank from Heinzman House property that was discovered during excavation during the installation of a new transformer and underground hydro cabling.

The remaining draws totaling \$27,146 were 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 \$28,053 therefore requiring a top up of \$71,947 from the City-Wide Hard DC Reserve.

**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 \$98,089 therefore requiring a top up of \$1,911 from the Design DC Reserve.

#### 4. 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 and as such, no top up is required at this time.

#### 5. Waterworks Capital Contingency

The Waterworks Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of (\$58,251) therefore requiring a top up of \$158,251 from the Waterworks Stabilization/Capital Reserve.

The use of the contingency account was necessitated by various projects as follows:

- Sanitary Sewer Rehabilitation - \$67,438 – The award was higher than budgeted for the rehabilitation and upgrade of sanitary mainline and lateral distribution system;
- Waterworks Fleet Replacement - \$50,458 – The award was higher than budgeted for three vehicles due to new Tier 4 emission requirements;
- Water Service Connection for Bayview Golf Course - \$40,354 – Emergency work required for water service connections at the Bayview Golf Course

The remaining draws totaling \$27,146 were under \$10,000.

### **STATUS OF OPEN CAPITAL PROJECTS**

After the closure of 141 projects, there are 703 open capital projects/project groups with a total budget of \$572.7M as of April 30, 2016. (The term “open” refers to projects which have been approved but have not started or are at various stages of completion.)

The following table summarizes the status of open capital:

Encumbered/Committed	\$381.7M	67%
Unencumbered/Uncommitted	<u>\$191.0M</u>	33%
Total Open Capital	\$572.7M	

#### Encumbered/Committed

The total encumbered amount of \$381.7M includes expenditures of \$292.5M and commitments of \$89.2M. (Expenditures refer to payments issued for goods/services received and commitments refer to purchase orders on file with the Purchasing Department.)

#### Unencumbered/Uncommitted

Of the unencumbered/uncommitted amount of \$191.0M, approximately 28% were approved in 2016, 29% were approved in 2015 while 43% were approved between 2012 to 2014.

Major projects, defined as a multi-year one time project, account for \$163.0M (85%) of the total unencumbered amount, include: Pan Am Facility, Southeast Markham Community Centre, West Thornhill Flood Control Implementation and Construction, Hwy 404 Ramp Extension North of Hwy 7, Verclair Crossing at Rouge River Construction, Miller Avenue (Woodbine Avenue to Rodick) Construction, Rodick Extension – Phase 2 of 3 – Miller Phase II – Miller to 14<sup>th</sup>, Woodbine By-pass Road Construction Phase 2A, 2B & 3A, and Hwy 404 Mid-Block Crossing, North of Hwy 7.

Compliant non-major projects account for the remaining \$28.0M (15%) of the total unencumbered amount.

Staff will continue to monitor the status of all capital projects to promote the timely closure and return of surplus funds, and will report to Council in November 2016.

### **HWY 7 WATERMAIN CONSTRUCTION**

The Hwy 7 Watermain Construction and Replacement Program was coordinated in conjunction with York Region road improvements in 2015. The original watermain was installed in 1974 with a projected 70 year life cycle. Physical inspection of the watermain indicated premature end of service life possibly due to poor ditch location; the watermain has had 9 breaks in the last 10 years. The risk of future breaks is high which could lead to major service and traffic disruption.

The project was completed by the Region of York with preliminary costs of \$4,313,482 against a budget of \$3,476,500. The shortfall of \$836,982 will be funded from the Waterworks Stabilization/Capital Reserve fund. The total cost is based on the estimate provided by the Region of York, Staff will finalize the costs of the watermain replacement within the next few weeks.

The shortfall is mainly attributed to costs being higher than budgeted for watermain crossings steel liners, change in depth of watermain from 1.7m to 2.0m, and change in watermain pipe material from Polyvinyl Chloride (PVC) to Concrete Pressure Pipe (CPP).



**FINANCIAL CONSIDERATIONS AND TEMPLATE:**

The net amount of \$5,828,084 as summarized in the following table will be transferred to Reserves and Reserve Funds as a result of closing capital 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	\$1,521,495	(\$255,352)	\$1,266,143
Development Charge Reserves	\$2,785,442	(\$73,858)	\$2,859,300
Waterworks Stabilization/Capital Reserve	\$1,832,411	(\$158,251)	\$1,674,160
Other Reserves & Reserve Funds	\$28,481	-	\$28,481
<b>Net Change to Reserves &amp; Reserve Funds</b>	<b>\$6,167,829</b>	<b>(\$487,461)</b>	<b>\$5,828,084</b>

As well, the shortfall of \$836,982 for the Hwy 7 Watermain Construction and Replacement Program will be funded from the Waterworks Stabilization/Capital Reserve.

**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:**

6/6/2016

X 

Joel Lustig  
Treasurer

06/06/2016

X 

Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

Exhibit A – Summary of funding from closed capital projects to be returned to original funding sources as of April 30, 2016

Exhibit B – Details of capital projects to be closed with funding to be returned to original funding sources as of April 30, 2016

Exhibit C – Summary of capital projects to be closed that are fully expended as of April 30, 2016