



Report to: General Committee

Date Report Authored: May 20, 2015

SUBJECT: Status of Capital Projects as of April 30, 2015
PREPARED BY: Andrea Tang – Manager, Financial Planning (Ext. 2433)
Raymond Law – Manager, Business Operations (Ext. 3585)

RECOMMENDATION:

- 1) THAT the report dated May 20, 2015 entitled “Status of Capital Projects as of April 30, 2015” be received; and
- 2) THAT the amount of \$5,551,321 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 \$364,465 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 \$69,062 to the approved amount of \$100,000; and
- 6) THAT the Design Capital Contingency Project be topped up, from the Development Charges Reserve, by \$7,459 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 \$117,236 to the approved amount of \$100,000; and
- 8) THAT the 2015 Capital Project – 15011 – Library Collections be increased by \$189,500 from \$2,035,600 to \$2,225,100; and
- 9) 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, 2015, 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, 2015. As a result, 187 projects are identified for closure, with a total budget remaining of \$5,551,321 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, 2015

Exhibit B – Details of capital projects to be closed with funding to be returned to original funding sources as of April 30, 2015

Exhibit C – Summary of capital projects to be closed that are fully expended as of April 30, 2015

Details within Exhibit A include the following:

Life-Cycle Replacement & Capital Reserve Fund

The closure of capital projects identifies funds in the amount of \$2,428,853 to be returned to the Life-Cycle Replacement & Capital Reserve Fund.

There are twenty (20) projects listed in Exhibit B with surplus funds of more than \$500,000 or 50% of the approved budget that will be returned to the Life-Cycle Replacement & Capital Reserve Fund. Unspent funds from these projects represent approximately 66% of the total funds to be returned to this funding source. Details are outlined below.

a) Office of the CAO

Project 11071 – Pay Equity - Legal & Consulting – Budget of \$78,122 with remaining funds of \$51,578 (66% of project budget). The funds are not required at the present time. The project will be requested as part of a future budget process if required.

b) Arts Centres

Project 9099 – Arts Centre Exterior Signage Replacement – Budget of \$17,991 with remaining funds of \$12,000 (67% of project budget). Some smaller components of the project (e.g. painting and general upkeep) have been completed. The signage replacement will be requested as part of a future budget process.

c) Asset Management – Environmental Assets

Project 14272 – Environmental Assets - Storm Water Management-FTE – Budget of \$129,900 with remaining funds of \$109,088 (84% of project budget). This project is a recovery of full-time staff salaries. The actual cost is less than budgeted as the recovery did not commence until the second half of the year. Going forward, the recovery is incorporated as part of the Stormwater Fee.

d) Asset Management – Facility Assets

Project 12372 – Tremont Hotel Feasibility Study – Budget of \$50,000 with remaining funds of \$50,000 (100% of project budget). The project is being closed as the Tremont Hotel is on private property.

Project 13301 – Bird Safe Film – Budget of \$50,900 with remaining funds of \$46,261 (91% of project budget). Bird safe film installation at 555 Miller will be completed utilizing the 2015 project budget. The Angus Glen scope was not completed and is pending a reassessment with FLAP. A work plan will be prepared for future installation, if recommended.

Project 14245 – Building Envelope/Structural Review – Budget of \$101,800 with remaining funds of \$56,989 (56% of project budget). The project was completed at a lower cost than anticipated.

Project 14253 – Other Facility Improvements – Budget of \$40,700 with remaining funds of \$40,700 (100% of project budget). Elson Miles farmhouse basement waterproofing did not proceed due to the possible redevelopment of the site. Currently a de-humidifier is running to mitigate the moisture issue in the basement on a temporary basis.

e) Asset Management – ROW Assets

Project 14466 – AM - Bridges & Culverts – Budget of \$217,515 with remaining funds of \$217,515 (100% of project budget). These funds were set aside to address potential outstanding items during the maintenance period. These funds were not utilized during the maintenance period.

f) Fire Services

Project 12171 – Sinclab Power Supply Phase 1 of 2 – Budget of \$9,800 with remaining funds of \$9,800 (100% of project budget). The project was not required as the condition assessment deemed the existing equipment was still functioning.

g) Museum

Project 12133 – Acadia Preservation Project – Budget of \$89,500 with remaining funds of \$58,359 (65% of project budget). The costs incurred to date were related to required maintenance as opposed to restoration. The restoration has been on hold due to high costs.

h) Operations – Parks

Project 13437 – Fountain (Decorative) Replacement – Budget of \$30,000 with remaining funds of \$19,842 (66% of project budget). The project was completed at a lower cost than anticipated.

i) Operations – Roads

Project 11294 – Entrance Feature Rehabilitation-Annual Program – Budget of \$135,215 with remaining funds of \$132,818 (98% of project budget). As entrance features are located on private property, the project was deferred pending development of a policy.

Project 13833 – Roads-Asphalt Cement (AC) Index – Budget of \$288,521 with remaining funds of \$288,521 (100% of project budget). The funds were not required as the index did not increase.

Project 14198 – Storm Water Retention Pond Maintenance Program – Budget of \$25,900 with remaining funds of \$25,396 (98% of project budget). The project was deferred, pending further data collection of storm ponds.

j) Recreation Services

Project 14131 – Centennial Arena Ceiling Insulation Capping – Budget of \$48,800 with remaining funds of \$24,488 (50% of project budget). The project was completed using an alternate solution with favourable pricing.

Project 14136 – Clatworthy Rinkboards & Glass replacement – Budget of \$148,600 with remaining funds of \$142,937 (96% of project budget). Project scope was expanded to include accessibility upgrades, and the approved budget was not sufficient to fund the expanded scope. The request was resubmitted and approved as part of the 2015 Capital Budget.

k) Theatre

Project 14112 – Theatre Washroom Renovations – Budget of \$29,900 with remaining funds of \$29,900 (100% of project budget). Cost was under-estimated for the requirements. The project will be requested as part of a future budget process.

l) ITS

Project 13815 – Recreation/ITS CLASS Licensing – Budget of \$50,900 with remaining funds of \$50,900 (100% of project budget). Budget was under-estimated for the requirements. The request was resubmitted and approved as part of the 2015 Capital Budget.

m) Planning

Project 11012 – Rouge Park Projects – Budget of \$50,000 with remaining funds of \$35,347 (71% of project budget). Expenses incurred were less than budgeted due to the transition in governance to Parks Canada.

Development Charges (DC) Reserves

Funds in the amount of \$1,909,816 will be returned to the DC Reserves from the closure of capital projects.

There are six (6) projects listed in Exhibit B with surplus funds of more than \$500,000 or 50% of the approved budget that will be returned to original sources and represent approximately 72% of the total funds to be returned to the DC Reserves, details of which are outlined below.

a) Operations – Parks

Project 12369 – Parks Amenities Policy Review – Budget of \$50,000 with remaining funds of \$50,000 (100% of project budget): \$45,000 to DC Reserves and \$5,000 to the Life-Cycle Replacement and Capital Reserve. Staffing resources were reallocated to ice storm recovery and Emerald Ash Borer (EAB) projects. The project will be requested as part of a future budget process.

b) Design

Project 12371 – Milne Dam Conservation Area Master Plan – Budget of \$25,000 with remaining funds of \$25,000 (100% of project budget): \$18,750 to DC Reserves and \$6,250 to the Life-Cycle Replacement and Capital Reserve. The project will be requested as part of a future budget process.

c) Engineering

Project 13026 – Main St. Markham, Major Mackenzie to Don Cousens Pkwy (Design) – Budget of \$253,000 with remaining funds of \$253,000 (100% of project budget). The project was closed until further discussions with the Ministry of Transportation of Ontario (MTO).

Project 13029 – Hwy 404 Crossing (EA and Design) – Budget of \$568,800 with remaining funds of \$568,800 (100% of project budget). The project was closed as the Region of York will undertake the work at a future date.

Project 14040 – Hwy 404 Midblock Crossing North of Major Mackenzie EA – Budget of \$253,900 with remaining funds of \$253,900 (100% of project budget). The project was closed as the Region of York will undertake the work at a future date.

Project 14051 – Sanitary Monitoring - Area 4 – Budget of \$227,500 with remaining funds of \$227,500 (100% of project budget). Project scope was modified and the revised budget was requested and approved as part of the 2015 budget process.

Waterworks Stabilization/Capital Reserve

Funds in the amount of \$1,171,808 will be returned to the Waterworks Stabilization/Capital Reserve resulting from the closure of capital projects.

There are four (4) projects listed in Exhibit B with surplus funds of more than \$500,000 or 50% of the approved budget that will be returned to the Waterworks Stabilization/Capital Reserve and represent approximately 96% of the total funds to be returned to this funding source, details of which are outlined below.

a) Waterworks

Project 11376 – Sanitary Sewer Field Data Collection – Budget of \$61,100 with remaining funds of \$38,838 (64% of project budget). The project was completed at a lower cost than anticipated.

Project 11382 – Roof Downspout Disconnection Program – Budget of \$270,996 with remaining funds of \$140,071 (52% of project budget). The number of properties that required water testing was less than the estimated number of properties based on the pilot program data.

Project 14314 – Sanitary Trunk Sewer and Manhole Inspection – Budget of \$156,700 with remaining funds of \$112,781 (72% of project budget). The project was completed at a lower cost than anticipated.

Project 14092 – Data Management Strategy – Budget of \$50,900 with remaining funds of \$50,900 (100% of project budget). This project was deferred pending the development of an enterprise asset management framework. The project will be requested as part of a future budget process.

Other Reserves and Reserve Funds

Funds in the amount of \$40,844 will be returned to other Reserves and Reserve Funds resulting from the closure of capital projects.

CAPITAL CONTINGENCY PROJECTS

In accordance with the Capital Budget Control Policy, the established Capital Contingency Projects are topped up to the maximum approved funding amount through the semi-annual Status of Capital Projects report to Council.

The Non-DC Capital Contingency Project was approved to a maximum of \$250,000.

Currently, the account has a negative balance of \$114,465. Therefore a top up of \$364,465 is required from the Life-Cycle Replacement & Capital Reserve Fund.

The use of the contingency account was necessitated by various projects, including but not limited to:

- Angus Glen Community Park - Construction - Final Phase - \$78,662 – Increase in project scope as the washroom pavilion, associated services and landscaping were not included when the project was approved in 2009.
- Civic Centre Site Safety and Accessibility Improvements - \$38,500 – Increase in project scope included installation of 200A service panel and 15A outlets at 4 poles. The increase in scope is accompanied by offsetting event revenue.
- Rouge River Pool Change Rooms Ceramic tile - \$27,193 – Increase in project scope included replacement of partitions due to rot caused by mold and moisture.

It is the City's practice to return all surplus funds from award of contracts to the original funding source. From October 2014 to April 2015, \$757,234 has been returned to the Life-Cycle Replacement & Capital Reserve Fund from surplus funds from awards of contracts.

The Engineering DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$30,938 therefore requiring a top up of \$69,062 from the City-Wide Hard DC Reserve.

The Design DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$92,541 therefore requiring a top up of \$7,459 from the Design DC Reserve.

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.

The Waterworks Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a negative balance of \$17,236 therefore requiring a top up of \$117,236 from the Waterworks Stabilization/Capital Reserve.

It is the City's practice to return all surplus funds from award of contracts to the original funding source. From October 2014 to April 2015, \$396,731 has been returned to the Waterworks Stabilization / Capital Reserve from surplus funds from awards of contracts.

STATUS OF OPEN CAPITAL PROJECTS

After the closure of 187 projects, there are 678 open capital projects/project groups with a total budget of \$620.8M as of April 30, 2014. (The term "open" refers to projects which have been approved but have not started or are at various stages of completion.)

Of the 678 open projects, 300 projects (44%) were approved as part of the 2015 budget.

The following table summarizes the status of open capital:

| | | |
|--------------------------|------------------|-----|
| Encumbered/Committed | \$ 433.9M | 70% |
| Unencumbered/Uncommitted | <u>\$ 186.9M</u> | 30% |
| Total Open Capital | <u>\$ 620.8M</u> | |

Encumbered/Committed

The total encumbered amount of \$433.9M includes expenditures of \$342.9M and commitments of \$91.0M. (Expenditures refer to payments issued for goods/services received and commitments refer to purchase orders on file with the Purchasing Department.)

Unencumbered/Uncommitted

Projects approved in the 2015 budget, account for \$81.2M (43.4%) of the total \$186.9M unencumbered amount.

Major projects from prior years account for \$99.6M (53.3%) of the total unencumbered amount, include: Pan Am Facility, Southeast Markham Community Centre, Hwy. 404 Mid-block Crossing North of Hwy. 7, South Unionville Ave. Extension, Kirkham Dr. Park-Phase 2 Construction, Cycling and Trails - Toogood Pond to Bob Hunter Park, Hwy. 7 Streetscape (Verclaire to Sciberras), and Watermain Construction & Replacement Program-Hwy. 7.

Compliant non-major projects from prior years account for the remaining \$6.2M (3.3%) 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 semi-annually.

LIBRARY COLLECTION BUDGET

The Markham Public Library Board presented the 2015 library budget to General Committee on March 2, 2015. The Library Board recommended reducing the library collection capital budget by \$289,500. The \$289,500 reduction included a contract award savings of \$189,500 and an additional reduction in the library collections budget of \$100,000.

The original library collection request (before the above recommendation) of \$2,325,100 included the contract award savings of \$189,500. However, the library collection budget was erroneously reduced by a further \$189,500. It is recommended that Library Collections budget be increased by \$189,500 from \$2,035,600 to \$2,225,100 to correct the understatement of the 2015 Capital Budget.

FINANCIAL CONSIDERATIONS AND TEMPLATE:

The net amount of \$4,993,099 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.

| | Return to Reserves / Reserve Funds from Closed Projects | Top up Contingency Projects from Reserves / Reserve Funds | Net Change to Reserves / Reserve Funds |
|--|--|--|---|
| LIFE-CYCLE REPLACEMENT AND CAPITAL RESERVE | \$2,428,853 | \$364,465 | \$2,064,388 * |
| DEVELOPMENT CHARGE RESERVES WATERWORKS STABILIZATION / CAPITAL RESERVE | \$1,909,816 | \$76,521 ** | \$1,833,295 |
| OTHER RESERVES & RESERVE FUNDS | \$1,171,808 | \$117,236 | \$1,054,572 *** |
| | \$40,844 | | \$40,844 |
| NET CHANGE TO RESERVES & RESERVE FUNDS | \$5,551,321 | \$558,222 | \$4,993,099 |

* Excludes the \$757,234 returned to the Life-Cycle Replacement & Capital Reserve Fund from surplus funds from awards of contracts.

** Engineering Capital Contingency Project \$69,062 and Design Capital Contingency Project \$7,459.

*** Excludes the \$396,731 returned to the Waterworks Stabilization / Capital Reserve from surplus funds from awards of contracts.

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:

25/05/2015

X 

Joel Lustig
Treasurer

25/05/2015

X 

For Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Exhibits A to C:](#)

Exhibit A – Summary of funding from closed capital projects to be returned to original funding sources as of April 30, 2015

Exhibit B – Details of capital projects to be closed with funding to be returned to original funding sources as of April 30, 2015

Exhibit C – Summary of capital projects to be closed that are fully expended as of April 30, 2015