



Report to: General Committee

Date Report Authored: May 14, 2014

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**SUBJECT:** Status of Capital Projects as of April 30, 2014  
**PREPARED BY:** Andrea Tang, Manager Financial Planning  
Mark Visser, Sr. Manager, Financial Strategy and Investments  
Sandra Skelcher, Sr. Financial Analyst

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**RECOMMENDATION:**

- 1) THAT the report entitled "Status of Capital Projects as of April 30, 2014" be received; and,
- 2) THAT the amount of \$4,823,179 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-DC Capital Contingency Project be topped up, from the Life Cycle Replacement and Capital Reserve, by \$362,143 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 (DC) Reserve, by \$69,078 to the approved amount of \$100,000; and,
- 6) THAT the Design Capital Contingency Project be topped up, from the Development Charges (DC) Reserve, by \$74,475 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 \$46,666 to the approved amount of \$100,000; and,
- 8) THAT the shortfall of \$139,233.06 from the Award of Tender 079-T-14 8100 Warden Data Centre Retrofit be funded from the appropriate surplus funds being returned from closed capital projects; and,

- 9) THAT the funding for the following parcels of land be changed to the corresponding reserves; and,

<b>Parcel</b>	<b>Original Funding</b>	<b>Recommended Funding</b>
16 Main Street, Unionville (Pan Am Site)	General Portfolio Investment Balance	Land Acquisition Reserve Fund 50.8% Development Charges Reserves 44.3% Non-DC Growth Reserve Fund 4.9%
Karachi Drive (former site for South East Community Centre & Library)	Development Charges Reserves 90% Non-DC Growth Reserve Fund 10%	Parks 5% Cash-in-lieu Reserve Fund 76.5% Land Acquisition Reserve Fund 23.5%
YMCA Blvd (NW corner of Kennedy Rd and 407)	Development Charges Reserves 90% Non-DC Growth Reserve Fund 10%	Land Acquisition Reserve Fund
160 Dudley Ave (former St. Luke's Catholic School land)	Parks 5% Cash-in-lieu Reserve Fund	Land Acquisition Reserve Fund

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

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**PURPOSE:**

To inform Council on the status of capital projects as of April 30, 2014, to transfer funds to and from Reserves and Reserve Funds (as necessary); and to change the funding sources for the five (5) identified land parcels to the recommended reserves.

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

In an effort to promote timely closure and return of surplus funds, Staff conducted a review of the status of all open capital projects as of April 30, 2014. As a result, 268 projects were identified for closure, with a total budget remaining of \$4,823,179 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, 2014
- Exhibit B - Details of Capital Projects to be closed with Funding to be returned to Original Funding Sources as of April 30, 2014
- Exhibit C - Summary of Capital Projects to be Closed that are Fully Expended as of April 30, 2014

Details on Exhibit A include the following:

**Life Cycle Replacement & Capital Reserve Fund**

Funds in the amount of \$1,657,321 are identified be returned to the Life Cycle Replacement & Capital Reserve Fund as a result of the closure of capital projects.

There are thirteen (13) 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 30% of the total funds to be returned to this funding source. Details are outlined below.

- a) Asset Management - Facility Assets:
  - Project 12271 – Civic Centre Improvements - Budget of \$167,707 with remaining funds of \$101,481 (61% of budget). Window and door replacement costs were less than expected.
  - Project 13311 – Recycling Depot Improvements - Budget of \$11,200 with remaining funds of \$5,933 (53% of budget). Some repair work has been deferred due to condition assessment.

## b) ITS:

- Project 13825 – Radio Frequency Identification (RFID) Collection Service - Budget of \$70,000 with remaining funds of \$49,648 (71% of budget). The solution chosen was different and less expensive than the original solution that was budgeted required for this project. The realized savings are represented by the budget amount being returned to source.

## c) Museum:

- Project 12438 – Archaeology Work (NE corner of Museum) – Budget of \$17,000 with remaining funds of \$17,000 (100% of budget). The work was completed through an alternate project.

## d) Operations - Parks:

- Project 13423 – Fence (Backstop) Replacement – Budget of \$88,200 with remaining funds of \$58,457 (66% of budget). Quotation came in lower than originally budgeted. Staff were able to obtain economies of scale discount for 3 backstops done in same parks.
- Project 12261 – Pomona Mills Park Stairs Modification – Budget of \$40,700 with remaining funds of \$31,795 (78% of budget). The quotation came in lower than originally budgeted. The usage of the Roads paving contract also contributed to favourable pricing.
- Project 13430 – Adopt a Park & Colour Your Corner – Budget of \$10,000 with remaining funds of \$5,566 (56%). One of the initiatives was funded by TD Friends of the Environment group.

## e) Operations - Roads:

- Project 12226 – Huntington Park Permeable Paving Program – Budget of \$76,300 with remaining funds of \$64,394 (84% of budget). The original scope of permeable concrete was changed to bio-swale due to unfavourable soil conditions. The cost to install the bio-swale is lower than permeable concrete and the savings are reflected in the amount being returned to source. Operations will request complete parking lot rehabilitation at a later date.
- Project 12240 – Bridge Structure Preventative Maintenance – Budget of \$34,915 with remaining funds of \$18,359 (53% of budget). The budget was to support both road and pedestrian bridges. Park pedestrian bridge inventory did not require maintenance at this time.
- Project 13461 – Don Mills Storm Channel – Budget of \$19,000 with remaining funds of \$9,847 (52%). Only tree and branch removal was completed. Spring debris removal was not required in 2013.

## f) Recreation Services:

- Project 9153 – Recreation Services Community Safety Plan – Budget of \$75,000 with remaining funds of \$75,000 (100% of budget). This was a project identified through the Building Markham's Future Together (BMFT) project. Many aspects of a community safety plan have been dealt with through the Integrated Leisure

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Master Plan (ILMP) and Diversity initiatives and most recently the Public Realm Strategy.

- Project 13526 – Centennial C.C. Refurbish Cedar in Two Saunas – Budget of \$38,000 with remaining funds of \$19,130 (50% of budget). The original budget request was based on a quote that was received. By the time the work was initiated Staff had found another vendor who could do the work at a much lower price. The same scope of work was completed.

g) Theatre:

- Project 13232 – Theatre Auditorium Curtains Replacement – Budget of \$68,700 with remaining funds of \$43,613 (63% of budget). The supplier submitted an underestimated bid for curtain replacements but honoured their bid price.

Development Charge Reserves

Funds in the amount of \$2,314,328 will be returned to the DC Reserves from the closure of capital projects.

There are eight (8) 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 64% of the total funds to be returned to the DC Reserves, details of which are outlined below.

a) Engineering:

- Project 13030 - Warden Avenue Sewer, Steeles to Hwy 407 (EA and Design) - Budget of \$438,900 with remaining funds of \$438,900 (100% of budget). This has been incorporated in the sanitary sewer monitoring and water/waste water servicing model study. Budget has been approved for sanitary sewer monitoring (project 14051) and water & waste water servicing model (project 14048).
- Project 13032 – Steeles East Corridor, Sanitary Sewer Upgrade, EA & Design – Budget of \$314,900 with remaining funds of \$314,900 (100% of budget). This has been incorporated in the sanitary sewer monitoring and water/waste water servicing model study. Budget has been approved for sanitary sewer monitoring (project 14051) and water & waste water servicing model (project 14048).
- Project 13031 – Milliken Centre Sanitary Sewer Upgrade (EA and Design) - Budget of \$309,800 with remaining funds of \$309,800 (100% of budget). This has been incorporated in the sanitary sewer monitoring and water/waste water servicing model study. Budget has been approved for sanitary sewer monitoring (project 14051) and water & waste water servicing model (project 14048).
- Project 13025 – 19<sup>th</sup> Avenue Improvements (EA) – Budget of \$253,000 with remaining funds of \$253,000 (100% of budget). The project is being deferred pending discussion with the Region regarding schedule and Region ownership (December 29, 2014).

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b) Planning:

- Project 9066 – Sustainable Development Standards and Guidelines Phase 2 - Budget of \$200,000 with remaining funds of \$175,162 (88% of budget). This effort will be integrated into the Secondary and Future Urban Areas (FUA) program.
- Project 12002 – OMB Development Application Hearings - Budget of \$203,500 with remaining funds of \$104,059 (51% of budget). \$93,653 will be returned to DC Reserves and \$10,406 will be returned to the Development Fee Reserve. The 2014 approved budget contains sufficient funds to cover the OMB hearing related expenses.
- Project 13001- OMB Hearing Development Application - Budget of \$73,000 with remaining funds of \$44,504 (61% of budget). \$40,054 will be returned to DC Reserves and \$4,450 will be returned to the Development Fee Reserve. The 2014 approved budget contains sufficient funds to cover the OMB hearing related expenses.
- Project 13000- Consultant Studies - Budget of \$63,000 with remaining funds of \$33,851 (54% of budget). \$30,466 will be returned to DC Reserves and \$3,385 will be returned to the Development Fee Reserve. The 2014 approved budget contains sufficient funds to cover the OMB hearing related expenses.

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Waterworks Stabilization/Capital Reserve

Funds in the amount of \$748,012 will be returned to the Waterworks Stabilization/Capital Reserve resulting from the closure of capital projects.

There are three (3) 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 51% of the total funds to be returned to this funding source, details of which are outlined below.

## a) Waterworks:

- Project 13700 – Watermain Construction Design, Miller Ave. – Budget of \$226,000 with remaining funds of \$226,000 (100% of budget). This project was re-submitted by Engineering in 2014 (project # 14035). Therefore project 13700 is no longer required.
- Project 12337 – Sanitary System Physical Condition Assessment – Budget of \$122,100 with remaining funds of \$122,100 (100% of budget). Tender was issued (023-T-13) but only one bid was received. The bid was over budget; therefore it was decided to close this project and review other options.
- Project 12343 – Calvert Road Pumping Station Building Upgrade – Budget of \$63,500 with remaining funds of \$33,988 (54% of budget). The roof repair component was completed by an Asset Management project; therefore, these remaining funds are not required.

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**Other Reserves & Reserve Funds**

The surplus funds of \$103,518 from other completed capital projects will be returned to the various Reserves and Reserve Funds as identified in Exhibit A, details of which are provided in Exhibit B.

**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. On April 30, 2014, Council approved the “Digital Markham” award report, which included funding in the amount of \$136,700 be transferred from this contingency project to the “Digital Markham” project, thereby driving the contingency into a negative position. Currently, the account has a negative balance of \$112,143 therefore requiring a top up of \$362,143 from the Life Cycle Replacement & Capital Reserve Fund to achieve the target of \$250,000.

The Engineering DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$30,922 therefore requiring a top up of \$69,078 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 \$25,525 therefore requiring a top up of \$74,475 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 further top up is required.

The Waterworks Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$53,334 therefore requiring a top up of \$46,666 from the Waterworks Stabilization/Capital Reserve.

**STATUS OF OPEN CAPITAL PROJECTS**

After the closure of 268 projects, there are 646 open capital projects with a total budget of \$629.9 M 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 646 open projects, 250 projects (39%) were approved in December 2013 as the 2014 budget.

The following table summarizes the status of open capital:

Encumbered/Committed	\$ 420.4 M	67%
Unencumbered/Uncommitted	\$ 209.5 M	33%
Total Open Capital	<u>\$ 629.9 M</u>	

#### Encumbered/Committed

The total encumbered amount of \$420.4M includes expenditures of \$323.7M and commitments of \$96.7 M. (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 2014 budget, account for \$111.5M (54%) of the total \$209.5M unencumbered amount.

Minor or Annual projects from 2013 and prior (which must be completed or closed no later than 2015 year end) account for \$28M (13%) of the total unencumbered amount.

Major projects from 2013 and prior, that are pending developer funding, account for \$17M (8%) of the total unencumbered amount.

Other major projects account for the remaining \$53M (25%) of the total unencumbered amount, including Pan Am, Kirkland Dr. Phase 2 Construction, Angus Glen Community Park Construction, Thornhill Storm Sewer Upgrades, Hwy 7 Watermain Construction and Replacement and Wismer Community Park & Maintenance Building Construction.

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.

### **FUNDING OF SHORTFALL FROM AWARD OF TENDER 079-T-14**

As detailed in the Award Report titled "Award of Tender 079-T-14 8100 Warden Data Centre Retrofit" the project budget has a shortfall of \$139,233.06. It is recommended that the shortfall be funded from surplus funds being returned from closed capital projects, and that the funding percentage allocations mirror those identified in the original project budget:

Life Cycle Replacement And Capital Reserve (80%)	\$111,386.45
Waterworks Stabilization/Capital Reserve (6%)	\$8,353.98
Reserves And Other Reserve Funds [Development Fees] (14%)	<u>\$19,492.63</u>
	<u>\$139,233.06</u>



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**SUMMARY OF FINANCIAL CONSIDERATIONS:**

The net amount of \$4,131,584, as summarized below, will be transferred back to Reserves and Reserve Funds as a result of capital projects closing, capital contingency projects top up and the funding of the shortfall from the award of tender 079-T-14.

	Return to Reserves / Reserve Funds from Closed Projects	Top up Contingency Projects from Reserves / Reserve Funds	Shortfall from Award of Tender 079-T-14 from Reserves / Reserve Funds	Net Change to Reserves / Reserve Funds
LIFE CYCLE REPLACEMENT AND CAPITAL RESERVE	1,657,321	-362,143	-111,386	1,183,792
DEVELOPMENT CHARGE RESERVES	2,314,328	-143,553		2,170,775
WATERWORKS STABILIZATION/CAPITAL RESERVE	748,012	-46,666	-8,354	692,992
RESERVES AND OTHER RESERVE FUNDS	103,518		-19,493	84,025
<b>NET CHANGE TO RESERVES &amp; RESERVE FUNDS - Increase / (Decrease)</b>	<b>4,823,179</b>	<b>-552,362</b>	<b>-139,233</b>	<b>4,131,584</b>

**CHANGES TO FUNDING SOURCES FOR IDENTIFIED LAND PARCELS**

Over the past 10 years, there have been several land purchases for future municipal uses that have yet to be determined. As well, there have been purchases where land was acquired for a specific purpose, but plans changed (i.e. the Karachi Drive lands purchased in 2005 for the South East Community Centre & Library). Various funding sources have been used in the past for land acquisition including:

- Development Charges Reserves (“DCs”)
- Non-DC Growth Reserve Fund (“Non-DC Growth”)
- Parks 5% Cash-in-Lieu Reserve Fund (“Parks Cash-in-lieu”)
- Lifecycle Replacement & Capital Reserve Fund
- General Portfolio Investment Balance (“General Portfolio”)

It is recommended to align the past land purchases with updated funding sources, or if the ultimate use of the land is uncertain, to utilize the City’s existing Land Acquisition Reserve Fund (“Land Reserve”).

Existing Land Parcels

The funding sources of the following parcels of land are recommended to be changed:

Parcel	Cost	Original Funding Source	Recommended Funding Source
16 Main Street, Unionville (Pan Am Site)	\$19,828,575	General Portfolio	Land Reserve 50.8% DCs 44.3% Non-DC Growth 4.9%
Karachi Drive (former site for South East Community Centre & Library)	\$9,144,588	DCs 90% Non-DC Growth Reserve 10%	Parks Cash-in-lieu 76.5% Land Reserve 23.5%
YMCA Blvd (NW corner of Kennedy Rd and 407)	\$4,500,143	DCs 90% Non-DC Growth Reserve 10%	Land Reserve
160 Dudley Ave (former St. Luke's Catholic School)	\$5,530,644	Parks Cash-in-lieu	Land Reserve

The funding percentages for 16 Main Street and Karachi Drive properties have been adjusted to reflect the portions of the properties being utilized for recreation and park purposes.

The net funding impacts of these changes are as follows:

Parks Cash-in-lieu:	\$1,464,966 decrease
DCs:	\$3,500,165 increase
Land Reserve:	\$22,252,681 decrease
Non-DC Growth:	\$388,907 increase
General Portfolio:	\$19,828,575 increase

While these funding changes will put the Land Acquisition Reserve Fund into a negative position (current balance is at \$4.5 million), the reserve will be made whole once the properties are sold, or used for a defined municipal purpose, and the funds are transferred back to the reserve. Staff will be bringing forward a Land Acquisition Funding Strategy in 2015.

**HUMAN RESOURCES CONSIDERATIONS**

Not Applicable

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

Not Applicable

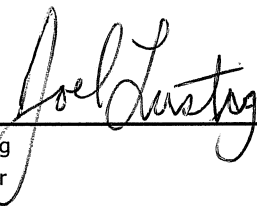
**BUSINESS UNITS CONSULTED AND AFFECTED:**

All business units managing capital projects have been consulted in the development of the capital status update.

**RECOMMENDED BY:**


X

Joel Lustig  
Treasurer



X

Trinela Cane  
Commissioner, Corporate Services



**ATTACHMENTS:**

Exhibit A - Summary of funding from Closed Capital Projects to be returned to Funding Sources as of April 30, 2014

Exhibit B - Details of Capital Projects to be closed with Funding to be returned to Funding Sources as of April 30, 2014

Exhibit C - Summary of Capital Projects to be Closed that are Fully Expended as of April 30, 2014