



Report to: General Committee

Date Report Authored: September 30, 2013

SUBJECT: Status of Capital Projects as of August 31, 2013
PREPARED BY: Andrea Tang, Manager Financial Planning
Sandra Skelcher, Senior Financial Analyst

RECOMMENDATION:

- 1) THAT the report entitled "Status of Capital Projects as of August 31, 2013" be received; and,
- 2) THAT the amount of \$4,150,470 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 to the approved amount of \$250,000; and,
- 5) THAT a new Waterworks Capital Contingency Project be established and be initially funded from the Waterworks Stabilization/Capital Reserve in the amount of \$100,000; and,
- 6) THAT a new Engineering Capital Contingency Project be established and be initially funded from the Development Charge Reserves in the amount of \$100,000; and,
- 7) THAT the Capital Budget Control Policy be amended to reflect the administrative changes authorized by the Chief Administrative Officer ("CAO"); and,
- 8) THAT \$127,808 be transferred from the Waterworks Stabilization/Capital Reserve to the Corporate Operating budget to reimburse the total amount borrowed to temporarily fund budget shortfalls in Waterworks projects; and,
- 9) THAT the acquisition of land at 14th Avenue and Middlefield Road for the construction of South East Community Centre & Library be funded ninety (90) percent from Development Charge Reserves and ten (10) percent from the Non-DC Growth Reserve Fund; and
- 10) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

To inform Council on the status of capital projects as of August 31, 2013, to obtain approval from Council to establish a new Waterworks Capital Contingency Project and a new Engineering Capital Contingency Project, and to transfer funds to and from Reserves and Reserve funds as necessary.

BACKGROUND:

In order to accurately administer the capital budget, Staff conduct a review of all open capital projects and report to Council semi-annually on the status of the review including: projects identified for closure and total budget remaining to return to the original funding source; projected forecast for completion of open projects and transfer of surplus funds, if any, to the original funding source; a summary of the budget encumbered, the known commitments and expenditures of open capital projects; the requirement to top-up the Capital Contingency Project(s) from the original funding source; and, requests for new projects.

In an effort to promote the timely closure of projects and return of surplus funds to the original source the establishment of a Non-DC Capital Contingency Project in the amount of \$250,000 was approved by Council in November 2004 to fund capital budget shortfalls that meet the criteria and dollar value thresholds specified in the Capital Budget Control Policy and the Expenditure Control Policy. In October 2006, a Planning DC Capital Contingency Project for \$50,000 and an Urban Design DC Capital Contingency Project for \$100,000 were established to fund the DC (90%) portion of contingency requirements. Currently Engineering and Waterworks do not have a Capital Contingency Project which can be used to fund approved capital budget shortfalls. In the interim, approved capital budget shortfalls are funded temporarily from the City Operating Budget.

OPTIONS/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 at August 31, 2013. As a result, 193 projects were identified for closure, with a total budget remaining of \$4,150,470 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 August 31, 2013
- Exhibit B - Details of Capital Projects to be closed with Funding to be returned to Original Funding Sources as of August 31, 2013

Exhibit C - Summary of Capital Projects to be Closed that are Fully Expended as of August 31, 2013

Details on Exhibit A include the following:

Life Cycle Replacement & Capital Reserve Fund

Funds in the amount of \$2,264,761 are identified be returned to the Life Cycle Replacement & Capital Reserve Fund as a result of the closure of capital projects.

In accordance with the Capital Budget Control Policy, the Non-DC Capital Contingency Project is topped up to a maximum of \$250,000 semi-annually through the Status of Capital Projects report to Council. Currently, the capital contingency account has a negative balance of (\$7,634). Therefore \$257,634 must be allocated to the Non-DC Capital Contingency Project from the Life Cycle Replacement & Capital Reserve Fund.

There are six (6) projects listed in Exhibit B with surplus funds of more than \$200,000 or 100% of the approved budget that will be returned to the Life Cycle Replacement & Capital Reserve Fund and represent approximately 69% of the total funds to be returned to this funding source, details of which are outlined below:

- a) Engineering:
 - Project 9288 - Train Anti-Whistle Project – Budget of \$317,900 with remaining funds of \$317,900 (100% of the budget). Council has not yet authorized Staff to proceed with this project. Funds will be requested should Council deem it is appropriate to proceed.
 - Project 9325 – Main Street/ Unionville South of Hwy 7 – Budget of \$3,753,049 with remaining funds of \$720,748 (19% of budget), \$486,455 will be returned to Life Cycle Reserve Fund and \$234,293 will be returned to Waterworks Reserve. The project was awarded with Enterprise Drive Extension Phase 2 which resulted in favourable pricing.
- b) Asset Management, Facility Assets:
 - Project 13317 - 75 Clegg Facility – Budget of \$474,100 with remaining funds of \$474,100 (100% of budget). This project was established for the potential move of the Waterworks department to 75 Clegg Road and is no longer required.
 - Project 11438 – EMCC Photovoltaic – Budget of \$25,000 with remaining funds of \$25,000 (100% of budget). This project is not required as the scope of work was incorporated in a 2012 approved project that was externally funded.
- c) Operations, Parks:
 - Project 13422 – Bleachers (Metal) Replacement – Budget of \$20,800 with remaining funds of \$20,800 (100% of budget). Bleachers from Mount Joy were repurposed to Stargell Park (location identified for project) as bleacher replacements at Mount Joy were included in the artificial turf field project.

d) Recreation Services:

- Project 10177 – Rouge River C.C. Pool Edge Regrouting – Budget of \$10,000 with remaining funds of \$10,000 (100% of budget). This project has been re-submitted for approval in the 2014 Capital budget.

Development Charge Reserves

Funds in the amount of \$985,467 will be returned to the DC Reserves from the closure of capital projects.

In accordance with the Capital Budget Control Policy, Planning DC and Design DC Capital Contingency Projects are funded from the closure of Planning and Urban Design capital projects to a maximum of \$50,000 and \$100,000 respectively. Both of these Capital Contingency Projects are currently at the maximum balance and as such, no further top up is required.

There are two (2) projects listed in Exhibit B with surplus funds of more than \$500,000 or 100% of the approved budget that will be returned to the DC Reserves and represent approximately 16% of the total funds to be returned to this funding source, details of which are outlined below:

a) Engineering:

- Project 13020 - Midland Avenue Steeles to Old Kennedy (EA) – Budget of \$111,800 with remaining funds of \$111,800 (100% of budget). Original plan was for the City to administer the EA. However, the developers group have requested the EA be included as part of the overall development work.

b) Planning:

- Project 11031 – Markville/McCowan Road Key Development Area Study - Budget of \$50,900 with remaining funds of \$50,900 (100% of budget), \$45,810 will be returned to DC Reserves and \$5,090 will be returned to Development Fee Reserve. This study is now included as part of the Secondary Plan project (project 13008).

Waterworks Stabilization/Capital Reserve

Funds in the amount of \$810,907 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 \$700,000 or 100% of the approved budget that will be returned to the Waterworks Stabilization/Capital Reserve and represent approximately 48% of the total funds to be returned to this funding source, details of which are outlined below:

a) Waterworks:

- Project 13706 - Automated Meter Reading (AMR/AMI) Program – Budget of \$254,400 with remaining funds of \$254,400(100% of budget). The feasibility

study for AMR/AMI has just been completed. Staff will need to investigate options prior to proceeding. Funding for this program will be requested once the preferred option is determined.

- Project 13707 – Sanitary Trunk Sewer and Manhole Inspection – Budget of \$30,000 with remaining funds of \$30,000 (100% of budget). Tender results in 2013 for intended work was significantly over-budget with only one bidder responding. As such, the 2013 work has been deferred and incorporated in the 2014 budget, with the intention of obtaining lower prices through increased scale of work.
- Project 13710 – Bulk Water Sales Station – Budget of \$101,800 with remaining funds of \$101,800 (100% of budget). A suitable location could not be found to place the bulk water sales station in 2013 and a new project will be requested when a suitable location is found.

Other Reserves & Reserve Funds

The surplus funds of \$89,336 from other completed capital projects will be returned to various reserves and reserve funds as identified in Exhibit A, details of which are identified in Exhibit B.

ESTABLISHMENT OF NEW CAPITAL CONTINGENCY PROJECTS

In a continued effort to promote timely closure and return of surplus funds to source and ensure that all departments, including Waterworks and Engineering, follow the same process for the request and approval of additional funds to complete the defined scope (original or revised) of an approved project, Staff recommend that two new Capital Contingency Projects be established:

- a. Waterworks Capital Contingency Project to be initially funded from the Waterworks Stabilization/Capital Reserve to an amount of \$100,000; and,
- b. Engineering Capital Contingency Project to be initially funded from the Development Charge Reserves to an amount of \$100,000

Approval of the the Waterworks and Engineering Capital Contingency Projects as a source of funding for budget shortfalls will be in accordance with the Capital Control Budget Policy. The projects will be topped up, to their maximum approved amount, from the appropriate reserves through the semi-annual status of capital projects report to Council, if required.

BUDGET SHORTFALLS IN WATERWORKS PROJECTS

Through 2013 to date, there have arisen needs to adjust the budget dollars required to complete the defined scope of four (4) Waterworks projects. Because a Waterworks Capital Contingency project had not been established, funds were temporarily borrowed from the Corporate Operating budget.

It is recommended that the total amount of \$127,808 be transferred from the Waterworks Stabilization/Capital Reserve to reimburse the Corporate Operating account (840-841-7849) from which it was temporarily funded.

PROJECT FUNDING APPROVAL

On May 29, 2013 Council authorised the acquisition of land at 14th Avenue and Middlefield Road for the construction of South East Community Centre & Library. Staff recommends that the project be funded ninety (90) percent from Development Charge Reserves and ten (10) percent from the Non-DC Growth Reserve Fund.

STATUS OF OPEN CAPITAL PROJECTS

After the closure of 193 projects, there are 597 open capital projects with a total budget of \$570.6 M as of August 31, 2013. The term “open” refers to projects which have been approved but have not started or are at various stages of completion.

The following summarizes the status of open capital:

Encumbered/Committed	\$ 363.5 M	64%
Unencumbered/Uncommitted	\$ 207.1 M	36%
Total Open Capital	<u>\$ 570.6 M</u>	

This indicates that 64% of the approved open capital projects are encumbered/committed. The total encumbered of \$363.5 M includes expenditures of \$300.3 M and commitments of \$63.2 M.

Expenditures refer to payments issued for goods/services received as of August 31, 2013. Commitments refer to purchase orders (POs) on file with the Purchasing Department as of August 31, 2013.

AMENDMENT OF THE CAPITAL BUDGET CONTROL POLICY

The CAO under Council authority has approved the following changes to the Capital Budget Control Policy in a continued effort to improve the management and administration of capital projects:

1. The reallocation of capital project funds from other existing projects to fund additional budget dollars required for the defined scope of an approved capital project or for a change in scope of an approved capital project will no longer be

permitted as set out in Sections 3.0, 3.1 and 3.2 of the Capital Budget Control Policy; and,

2. Requests for additional budget dollars for the above noted must be submitted in writing with the applicable Capital Contingency Project(s) identified as the source of funding, subject to the approval(s) set out in Section 6.03 of the Expenditure Control Policy (see below) with a report on the use of the Capital Contingency Project(s) to the CAO on a quarterly basis; and,

Dollar Threshold	Approval Authority
\$0 - \$10,000	Director
\$10,001 - \$50,000	Commissioner
\$50,001 - \$100,000	CAO
> \$100,000	Council

3. Capital Contingency Project(s) will be topped up to their respective maximum dollars, through the semi-annual updates to Council on the status of all capital projects, from the respective Reserve and Reserve Funds; and,
4. Surplus funds remaining in open capital projects will be returned to the original funding source immediately upon contract award or through the capital status update report.

SUMMARY OF FINANCIAL CONSIDERATIONS:

The net amount of \$3.57 M, as summarized below, will be transferred back to Reserves and Reserve Funds.

	Return from Closed Projects	Top up /Fund Contingency Projects	Net Change to Reserves / Reserve Funds
LIFE CYCLE REPLACEMENT AND CAPITAL RESERVE	2,264,761	(257,634)	2,007,127
DEVELOPMENT CHARGE RESERVES	985,467	(100,000)	885,467
WATERWORKS STABILIZATION/CAPITAL RESERVE	810,907	(100,000)	710,907
RESERVES AND OTHER RESERVE FUNDS	89,336		89,336
Transfer from Waterworks Reserve to Reimburse Corporate Operating Budget		(127,808)	(127,808)
NET CHANGE TO RESERVES & RESERVE FUNDS - Increase / (Decrease)	4,150,470	(585,442)	3,565,028

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:

01/11/2013

11/1/2013

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 August 31, 2013

Exhibit B - Details of Capital Projects to be closed with Funding to be returned to Funding Sources as of August 31, 2013

Exhibit C - Summary of Capital Projects to be Closed that are Fully Expended as of August 31, 2013