



Report to: General Committee

Date Report Authored: June 5, 2012

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**SUBJECT:** Status of Capital Projects as of May 31, 2012  
**PREPARED BY:** Andrea Tang, Manager Financial Planning  
Veronica Siu, Senior Business Analyst

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**RECOMMENDATION:**

- 1) THAT the report entitled “Status of Capital Projects as of May 31, 2012” be received;
- 2) AND THAT the net amount of \$10.072M from the closure of capital projects be transferred to the sources of funding as listed on Exhibit A which includes the top up for the capital contingency in the amount of \$152,700, top up of the Design development charge contingency in the amount of \$55,425 and transfer of funds to the Sanitary Sewer System Upgrade/Rehabilitation Program in the amount of \$439,371;
- 3) AND THAT the net amount of \$109,818 from the closure of tree replacement/planting capital projects be transferred to the Life Cycle Replacement & Capital reserve fund for the purpose of the Emerald Ash Borer (EAB) program;
- 4) AND 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 May 31, 2012 and to obtain approval on the closure of capital projects with the remaining funds to be returned to the original funding source(s).

**BACKGROUND:**

Projects to be Closed

Council approved closure of 150 projects (16% of total projects) in November 2011 when Staff brought forward the report entitled “Status of Capital Projects as of September 30, 2011”, leaving a balance of 800 open capital projects. The 2012 Capital Budget included 249 new projects resulting in a total of 1,049 (800+249) open projects. This report recommends closure of 216 projects (21% of total projects) with a net budget remaining of \$10.072M which are to be transferred to the sources as listed on Exhibit A.

With the closure of the 216 projects, 833 projects will remain open with a total budget of \$568.55M as of May 31, 2012.

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**FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)**  
**CAPITAL PROJECTS TO BE CLOSED**

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 closed capital projects with funding to be returned to the original funding sources;

Exhibit B – Details on closed capital projects with funding to be returned to original funding sources;

Exhibit C - Closed capital projects that are fully expended.

Details on Exhibit A include the following:

**Life Cycle Replacement & Capital Reserve Fund**

The remaining funds in the amount of \$1,749,557 from the closure of operating non-life cycle and life cycle funded capital projects will be allocated as follows:

In accordance to the Capital Budget Control Policy, the capital contingency is topped up to a maximum of \$250,000 from closed projects. Currently, the capital contingency account has a balance of \$97,300; therefore the first \$152,700 of the remaining funds from the operating non-life cycle and life cycle funded capital projects will be allocated to the capital contingency account;

As per the June 12, 2012 General Committee report entitled “Award of Construction Tender 077-T-12 Watermain Replacement and Storm Sewer Installation Main Street Markham – Highway 7 to Bullock Drive”, \$439,371 of the returned funds from the closure of capital projects will be directed to account 053-6150-12334-005 “Sanitary Sewer System Upgrade/Rehabilitation Program” to fund the budget shortfall.

The emerging EAB Management Plan is estimated to require \$9.8M to remove/replace ash trees on boulevards. It is recommended that funds remaining from the closure of tree replacement/planting capital projects in the amount of \$109,818 be transferred to the Life Cycle Replacement & Capital reserve fund for the purpose of the EAB program.

In summary, the remaining funds of \$1,047,667 (\$1,749,557-\$152,700-\$439,371-\$109,818) from the closure of operating non-life cycle and life cycle funded capital projects will be returned to the Life Cycle Replacement & Capital reserve fund.

There are two projects listed on Exhibit B that represent approximately 50% of \$1,047,667 being returned to the Life Cycle Replacement & Capital reserve fund and details on each of the projects are outlined below:

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- a) Project 7194 August 19, 2005 Rain Storm Damage – Budget of \$1,191,000 with remaining funds of \$384,832 (32% of budget requested). The budget request was for the various infrastructure repairs resulting from the August 2005 storm. Roads department completed field inspections and confirmed that all works identified in the budget are completed.
  - b) Project 9049 Public Sector Accounting Board (PSAB) – Budget of \$150,000 with remaining funds of \$129,450 (86% of budget request). The budget request was for consulting costs associated with implementation of PSAB requirements which was completed with internal resources.

#### Development Charges Reserve

The remaining funds in the amount of \$4,920,627 from the closure of development charge funded capital projects will be allocated as follows:

In accordance to the Capital Budget Control Policy, there are Planning Development Charge (DC) and Design DC capital contingencies that are funded from the closure of Planning and Urban Design capital projects to a maximum of \$50,000 and \$100,000 respectively.

The Planning DC contingency currently has the maximum balance of \$50,000, therefore, no further top up is required. The Design DC contingency currently has a balance of \$44,575; therefore the first \$55,425 of the remaining funds from Design DC funded capital projects will be allocated to the Design DC contingency account.

As a result, the remaining funds of \$4,865,202 (\$4,920,627-\$55,425) from the closure of DC funded capital projects will be returned to the Development Charge reserve.

There is one project on Exhibit B that represents approximately 71% of \$4,865,202 to be returned to the DC reserve and details are outlined below:

- a) Engineering Project 7629 Birchmount Road Extension, Phase 1 - Construction – Budget of \$15,821,177 with remaining funds of \$3,477,155 (22% of budget request). The budget request was for property acquisition and construction of the Birchmount Road Extension from 14th Avenue to Enterprise Drive. Surplus funds resulted from favourable pricing.

#### Reserves & Reserve Funds

The surplus funds of \$4,159,428 from other completed capital projects will be returned to various reserves and reserve funds as follows:

#### Waterworks Stabilization/Capital Reserve

The Waterworks Stabilization/Capital Reserve will be allocated \$2,763,804 from the closure of Waterworks projects. There are two projects on Exhibit B that represent approximately 52% of the \$2,763,804 and details on each of the projects are outlined below:

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- a) Project 11387 Water System Upgrade Program – Annual – Budget of \$959,600 with funds remaining of \$914,901 (95% of budget request). The budget request was for various water system appurtenances, repair and upgrades. Waterworks department has determined there are sufficient funds available in existing projects for completion of 2012 outstanding water system upgrade work.
  - b) Project 10340 Watermain Construction and Replacement Program – Annual – Budget of \$1,087,541 with funding remaining of \$423,383 (39% of budget). The budget request was for replacement of watermain on Bullock Drive and Clark Avenue. Surplus funds resulted from favourable pricing.

#### Non-DC Growth Reserve Fund

The Non-DC Growth Reserve Fund will be allocated \$938,800 from the closure of project 8330 Service Allocation – Hwy 48. This project has a budget of \$938,800 with funds remaining of \$938,800. The budget was to provide storage in the Hwy 48 sanitary sewer in order to increase sewage allocation, however York Region has confirmed service allocation will not be increased. The funds were upfronted from the Non-DC Growth reserve and recovered from Developers through subdivision agreements. A reconciliation of funds collected from Developers will be done and reimbursements will be made.

There are remaining surplus funds of \$456,824 from other completed capital projects that will be returned to the various reserves and reserve funds as identified in Exhibit A.

#### Capital Budget Control Policy

In accordance to the Capital Budget Control Policy Section 4.1, projects that remain inactive for a period of twenty-four months or longer are subject to closure. The non-compliant projects were reviewed by the business units and where appropriate, projects were closed and included in Exhibit A.

In summary, the net amount of \$10.072M as outlined in Exhibit A will be transferred back to the original sources of funding as follows:

<u>Source of Funding</u>	<u>Amount</u>
Life Cycle and Capital Reserve	\$1.048M
Development Charge Reserve	\$4.865M
Reserve and Reserve Funds	<u>\$4.159M</u>
Total	<u>\$10.072 M</u>

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**STATUS OF OPEN CAPITAL PROJECTS**

As of May 31, 2012, there are 833 open capital projects with a total budget of \$568.55M. 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	\$373.89M	66%
Unencumbered/Uncommitted	<u>\$194.66M</u>	34%
Total Open Capital	<u>\$568.55M</u>	

This indicates that 66% of the approved open capital projects are encumbered which is consistent with the status of capital as of September 30, 2011, where 69% of the total approved open capital project budget was encumbered.

These totals exclude approximately 216 capital projects recommended for closure in this report.

The total encumbered of \$373.89M includes expenditures of \$312.00M and commitments of \$61.89M.

Commitments refer to purchase orders (PO's) on file with the Purchasing Department as of May 31, 2012. Expenditures refer to payments issued for goods/services received as of May 31, 2012.

**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:**

22/06/2012

22/06/2012

X 

Joel Lustig  
Treasurer

X 

Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

[Exhibit A Summary of closed capital projects with funding to be returned to the original funding sources](#)

[Exhibit B Details on closed capital projects with funding to be returned to original funding sources](#)

[Exhibit C Closed capital projects that are fully expended](#)