



Report to: General Committee

Date of Meeting: November 14, 2011

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**SUBJECT:** Status of Capital Projects as of September 30, 2011

**PREPARED BY:** Andrea Tang, Manager Financial Planning

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**RECOMMENDATION:**

- 1) THAT the report entitled “Status of Capital Projects as of September 30, 2011” be received;
- 2) AND THAT the net amount of \$3.145M from the closure of completed 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 \$28,889 and planning development charge contingency in the amount of \$19,604 ;
- 3) AND THAT surplus funds from the completed Development Charges (DC) capital projects in the amount of \$136,552 be transferred to project #10585 “Markham Live” to fund the growth related expenditures (amount is reflected in Exhibit A);
- 4) AND THAT surplus funds from the completed Theatre capital projects in the amount of 27,336 (project #7006 “Markham Theatre Orchestra Pit Safety Net” \$7,254 and project #7600 “HVAC – Building Automation System \$20,082) be transferred to project#11157 “Theatre House Speaker & Amplifier System Replacement audio equipment” to fund the purchase of additional equipment (amount is reflected in Exhibit A);
- 5) 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 September 30, 2011 and to obtain approval on the closure of completed capital projects with the remaining funds to be returned to the original funding source(s).

**BACKGROUND:**

Projects to be Closed

There are approximately 150 projects recommended for closure with a total budget remaining of \$3.145M as of September 30, 2011, which will be returned to the original funding sources as listed in Exhibit A.

Further, there are approximately 800 projects that will remain open, with a total budget of \$516.52M as of September 30, 2011.

## **FINANCIAL CONSIDERATIONS:**

### **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**

The remaining funds in the amount of \$865,799 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 \$221,111; therefore the first \$28,889 of the remaining funds from the operating non-life cycle and life cycle funded capital projects will be allocated to the capital contingency account;

Further, surplus funds from the closure of two Theatre capital projects in the amount of \$27,336 (project #7006 “Markham Theatre Orchestra Pit Safety Net” \$7,254 and project #7600 “HVAC – Building Automation System \$20,082) will be transferred to fund the shortfall of \$27,336 in project #11157 “Theatre House Speaker & Amplifier System Replacement” for the purchase of additional equipment;

In summary, the remaining funds of \$809,574 (\$865,799-\$28,889-\$27,336) from the closure of operating non-life cycle and life cycle funded capital projects will be returned to the Life Cycle Replacement & Capital reserve.

#### **Development Charges Reserve**

The remaining funds in the amount of \$1,616,398 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 a balance of \$30,396, therefore, \$19,604 of the remaining funds from completed DC projects will be allocated to the Planning DC contingency account. The Design DC contingency currently has a balance of \$61,651. However, no Design projects have been identified for closure, therefore, the Design contingency will remain at the current balance of \$61,651.

In addition, capital project #10585 “Markham Live” includes an expenditure in the amount of \$136,552 that will be funded from development charge as it is growth related.

As a result, the remaining funds of \$1,460,242 (\$1,616,398-\$19,604-\$136,552) from the closure of DC funded capital projects will be returned to the Development Charge reserve.

#### Reserves & Reserve Funds

The surplus funds of \$875,026 from other completed capital projects will be returned to various reserves and reserve funds as listed on 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 \$3.145M 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	\$0.810M
Development Charge Reserve	\$1.460M
Reserve and Reserve Funds	\$0.875M
Total	<u>\$3.145M</u>

#### STATUS OF OPEN CAPITAL PROJECTS

As of September 30, 2011, there are approximately 800 open capital projects with a total budget of \$516.53M. 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	\$355.72M	69%
Unencumbered/Uncommitted	<u>\$160.81M</u>	31%
Total Open Capital	<u>\$516.53M</u>	

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This indicates that 69% of the total approved open capital project budget is encumbered. These totals do not include the approximately 150 capital projects recommended for closure in this report.

The total encumbered of \$355.72M includes expenditures of \$263.25M and commitments of \$92.47M.

Commitments refer to purchase orders (PO's) on file with the Purchasing Department as of September 30, 2011. Expenditures refer to payments issued for goods/services received as of September 30, 2011.

**RECOMMENDED BY:**

07/11/2011

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Joel Lustig  
Treasurer

11/7/2011

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Nasir Kenea  
Acting 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](#)