



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	April 16, 2014
SUBJECT/REPORT NO:	Capital Projects' Closing Report as of December 31st, 2013 (FCS13070(b)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Lindsay Gillies 905-546-2424 ext. 2790
SUBMITTED BY:	Mike Zegarac General Manager Finance & Corporate Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That the General Manager of Finance & Corporate Services be directed to close the completed and/or cancelled capital projects listed in Appendix "A" to Report FCS13070(b) in accordance with the Capital Closing Policy;
- (b) That the General Manager of Finance & Corporate Services be authorized to fund a combined total of \$2,947 from the "Unallocated Capital Levy Reserve (108020)" to cover the deficits in "WL-1989 Wing Renovations (6300941909)", "Macassa-Scheduling Software (6500457101)", and "CSD Accommodations (6501241100)";
- (c) That Appendix "B" to Report FCS13070(b) detailing the Capital Projects' Budget Appropriations for the period covering October 1, 2013 through December 31, 2013 be received for information;

EXECUTIVE SUMMARY

This report presents the capital projects which have been completed or cancelled as of December 31st, 2013 and are submitted for Council's approval of closure and authorization of the funding of deficits.

Appendix "A" to Report FCS13070(b) lists the individual projects to be closed. A total of 99 projects with a combined budget of \$105 million being recommended for closure are summarized as follows:

- \$7 million relating to completed projects with surpluses to be returned to, or deficits to be funded through, the "Unallocated Capital Levy Reserve (108020)",

- \$4.7 million relating to cancelled or delayed projects, and
- \$93.2 million relating to projects completed on or under budget that do not impact the “Unallocated Capital Levy Reserve (108020)”.

All capital projects listed for closure in Appendix “A” to Report FCS13070(b) have been reviewed and determined to be complete, with all revenue and expenditure transactions relating to these projects having been processed. Any funding adjustments necessary to close the projects in accordance with the Capital Closing Policy are reflected in the amounts presented with the notable exception that surpluses to be allocated to the Unallocated Capital Levy Reserve have been detailed in the Report ^[1].

Appendix “B” to Report FCS13070(b) details the appropriations between projects during the period covering October 1, 2013 through December 31, 2013. A total of \$1.7 million (27 appropriations) was moved between projects with each appropriation transfer being in compliance with the Capital Project Monitoring Policy. They are summarized as follows:

Department	Appropriation Amount \$
Tax Supported Capital Budget	
Public Works	832,185
Planning & Economic Development	106,000
Community & Emergency Services	94,275
Corporate Services	88,000
Subtotal	1,120,460
Rate Supported Capital Budget	603,000
Total	1,723,460

In addition, appropriations totalling \$360 thousand (8 appropriations) were submitted in 2014 to facilitate closure of projects listed in Appendix “A” to Report FCS13070(b) in accordance with the Capital Project Monitoring Policy. These appropriations are detailed for information in Appendix “B” to Report FCS13070(b).

Alternatives for Consideration – Not Applicable

[1] The Capital Closing Policy allows these surpluses to be allocated/returned to the “Unallocated Capital Levy Reserve (108020)”. The amounts being allocated/returned have been detailed for information.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial:

As outlined in Appendix “A” to Report FCS13070(b), a combined total of \$2,947 in funding is required from the “Unallocated Capital Reserve (108020)” to fund “WL-1989 Wing Renovations (6300941909)”, Macassa-Scheduling Software (6500457101)”, and “CSD Accommodations (6501241100)”. These projects are more than offset by similar projects returning funds to the “Unallocated Capital Levy Reserve (108020)”. Appropriation forms were not received to authorize the offsetting of such projects and therefore both the deficits and surpluses have been included for consideration on this report.

The net transfer impact to the “Unallocated Capital Levy Reserve (108020)” is a contribution to the Reserve in the amount of \$205,208, as indicated in Appendix “A” to Report FCS13070(b), when considering surplus budgets.

The remaining projects were either completed under budget and surpluses returned to the applicable reserve, or had secured an alternate funding source to fund deficits.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND (Chronology of events)

On December 14, 2011, Council approved Report FCS11073(a), which directed staff to review the Capital Projects Status and Closing process and that a process where departments report to their respective Standing Committee on the status of the Capital Work-in-Progress projects be implemented. Standing Committee reporting commenced as of the June 30th, 2013 reporting period. Reports will be brought forward to Standing Committees three times per reporting year, as of June 30th, September 30th and December 31st. This will allow Standing Committees to review the status of a fewer number of projects, in greater detail, applicable to their area of oversight.

The Capital Projects' Closing report has remained with the Capital Budgets section of the Financial Planning and Policy Division in order to ensure suitable controls are maintained, projects are appropriately closed, and to centralize the function.

The Capital Projects' Closing report will be presented to General Issues Committee as of June 30th, September 30th and December 31st in order to align with status reporting by departments to Standing Committees.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The submission of the Capital Projects' Closing Report is a requirement of the City's Capital Closing Policy and Capital Project Monitoring Policy.

The City's Capital Closing Policy states:

- i) That any approved Capital project, whose construction stage has not begun after three years, be closed and be re-submitted to Council for approval.
- ii) That any closing surplus or deficit be distributed as follows:

1. Surplus:

- a) If funded from a specific reserve, return funds to that reserve.
- b) If funded from debentures, apply to reduce future debenture requirements.
- c) If funded from current contribution, apply to the Unallocated Capital Levy Reserve or apply to reduce Outstanding Debt.

2. Deficit:

- a) If funded from a specific reserve, fund from that reserve.
- b) If funded from debentures, increase future debenture requirements only if no other source of financing is available.
- c) If funded from current contribution, fund from the Unallocated Capital Levy Reserve.

The City's Capital Project Monitoring Policy states:

- i) That a Capital Status report and Capital Projects' Closing report be submitted to City Council three times a year as of June 30th, September 30th and December 31st;
- ii) That unfavourable project variances that do not exceed \$250,000 be funded through a re-appropriation of funds within the same program. If funds are not available within the same program, a report explaining the variance and recommending a source of funding be submitted to the appropriate Committee of Council for approval;
- iii) Approval authority for the re-appropriation of funds in each financial year be at the same levels as the City's Purchasing Policy:
 - a) Council must approve re-appropriations of \$250,000 or greater

- b) City Manager or designate must approve appropriations greater than \$100,000
- c) General Managers or delegated staff be authorized to approve appropriations up to \$100,000.

The City's Capital Projects Monitoring Policy is currently under review by the Financial Planning and Policy Division of the Corporate Services Department to establish a more detailed and directed re-appropriation policy.

RELEVANT CONSULTATION

Staff from the following departments, boards, and agencies have provided information regarding capital project closures:

- Public Works Department
- Planning and Economic Development
- Corporate Services Department
- Community and Emergency Services Department
- CityHousing Hamilton
- Hamilton Police Services

ANALYSIS AND RATIONAL FOR RECOMMENDATION **(Include Performance Measurement/Benchmarking Data if applicable)**

Council approved that capital projects are reviewed in accordance with the City's approved Capital Policies. For each Capital Project Status report, staff determines if projects can be closed (inactivated) and also monitor financial activity to ensure that Council is aware of any capital projects which deviate significantly from approved budgeted amounts. Where projects are determined to be complete or cancelled, they are submitted by departments to Capital Budgets for inclusion in the Capital Projects' Closing report. These submissions are reviewed by Capital Budgets to ensure transactions are finalized, all purchase orders cleared and a funding source is identified where necessary.

Inactivating completed projects helps to keep the number of capital projects in the financial system to a manageable size and eliminates redundant data from reports. More importantly it ensures that projects which are complete and/or no longer required do not unnecessarily tie up budget resources that could be re-directed to other needs/capital projects.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

There are no alternatives as the Capital Projects' Closing Report deals primarily with historical information and application of corporate policies.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.
- 2.3 Enhance customer service satisfaction.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

- 3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS13070(b) – Capital Projects' Closing Schedule

Appendix "B" to Report FCS13070(b) – Capital Projects' Budget Appropriation Schedule