



**CITY OF HAMILTON**  
**PUBLIC WORKS DEPARTMENT**  
**Engineering Services Division**

<b>TO:</b>	Chair and Members Public Works Committee
<b>COMMITTEE DATE:</b>	April 22, 2014
<b>SUBJECT/REPORT NO:</b>	Capital Projects Status Report as of December 31, 2013 (PW14038) - (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	John Murray (905) 546-2424, Extension 4479
<b>SUBMITTED BY:</b>	Gerry Davis, CMA General Manager Public Works Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Appendix “A” attached to Report PW14038 respecting the “Tax Supported Capital Status of each Project by Program” be received;
- (b) That Appendix “B” attached to Report PW14038 respecting the “Rate Supported Capital Status of each Project by Program” be received.

**EXECUTIVE SUMMARY**

This report presents the capital projects’ status for the Tax and the Rate Supported capital budgets and is based on forecasted and committed expenditures to December 31, 2013.

The previous third quarter report, based on expenditures up until September 30<sup>th</sup>, was not brought forward due to detailed discussions during the capital budget deliberation process and the subsequent detailed review of all projects by each Division.

Appendix “A” reflects the Tax Supported capital status of each project by program in Public Works and consists of projects totalling \$1.190 billion (504 projects), of which \$1.002 billion or 84.2% is spent or committed as of December 31, 2013.

Appendix “B” reflects the Rate Supported capital status of each project by program in Public Works and consists of projects totalling \$843.6 million (255 projects), of which \$611.0 million or 72.4% is spent or committed as of December 31, 2013.

The following table shows the trends, over the last four years, in project completion percentage:

**Percentage of Completion - As of December 31<sup>st</sup>**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Tax Supported Program	82.7%	79.8%	81.3%	84.2%
Rate Supported Program	37.1%	73.1%	69.1%	72.4%

The percentage of completion, as of December 31, 2013, has remained fairly consistent for Tax Supported and Rate Supported projects over the same period in 2012, both achieving a slightly greater completion rate. This is aligned with historical trends of project completion as of December 31<sup>st</sup> and within expectations.

For the tax supported and linear (horizontal) portion of the rates based programs listed in Table 1 below, an estimate of 10% of the project cost was added to the budget of each project in the 2013 Public Works Capital Budget. It was a recommendation of the Internal Audit Report 2012-13 - Construction Contract Review, that the actual operating cost percentage be included in the annual year-end Capital Budget Status Report and that any variance greater than +/- 1% from the original estimate be explained. The following table reflects the 2013 estimated and actual operating cost percentages for each capital program.

**Table 1**

<b>Capital Program</b>	<b>Estimated %</b>	<b>Actual %</b>
Roads	10%	9%
Water - Linear Pipe Network	10%	7%
Wastewater - Linear Pipe Network	10%	11%
Storm	10%	11%
Open Space Development	10%	16.5%
Facilities & Recreation	10%	9%

The percentages vary from the estimated 10%, as they were calculated as an average of all programs, using the 2012 actual operating costs and 2013 estimated gross budgets. This process occurs prior to the final approved budget.

For the Water and Wastewater Vertical Infrastructure programs shown in Table 2, it was a recommendation of the Internal Audit Report 2012-13 - Construction Contract Review, that the actual operating costs be disclosed in the annual year-end Capital Budget Status Report. These amounts are the overall operational chargeback totals for the program supported by a process that allocates a specific operational cost to individual project ID's based on monitored project activity in 2013. These chargebacks reflect the Operating Costs of four Sections within the Hamilton Water Division of the Public Works Department totalling \$2,846,536.93.

**Table 2**

<b>Capital Program</b>	<b>Chargeback Amount</b>
Water - Vertical Infrastructure (Facilities)	\$ 1,325,409.77
Wastewater - Vertical Infrastructure (Facilities)	\$ 1,401,526.23
General W&WW System Projects	\$ 119,600.92
<b>Total</b>	<b>\$ 2,846,536.93</b>

The dollar figures shown are actual amounts charged back to capital for work done in 2013.

***Alternatives for Consideration - Not Applicable***

**FINANCIAL - STAFFING - LEGAL IMPLICATIONS**

**Financial:** N/A  
**Staffing:** N/A  
**Legal:** N/A

**HISTORICAL BACKGROUND**

The Capital Status and Capital Project Closing reports were previously submitted to City Council three times a year as of June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup>, through Corporate Finance.

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 Committees on the status of the Capital Work-in-Progress projects be implemented. Finance has finalized a procedure and has provided departments with templates to commence Standing Committee reporting for the June 30, 2013, reporting period. Reports are to be brought forth to Standing Committees three times per reporting year, as of June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup>. 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 Project Closing Report will remain 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 report will continue to be presented to the General Issues Committee (GIC) so that all Councillors can review projects which are being closed. The Closing Report will be presented to GIC as of June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup> in order to align with status reporting by departments to Standing Committees. This reporting frequency is appropriate as department staff will be reviewing the status of their projects to report to Standing Committees and will be able to identify projects which can be closed.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Capital Project Monitoring - That a Capital Status report be submitted to Public Works Committee three times a year as of June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup>.

## **RELEVANT CONSULTATION**

All Capital Project managers within Public Works have been consulted on the status of their projects. Staff within the Hamilton Water Division were also consulted regarding the operating costs of their capital programs.

## **ANALYSIS AND RATIONAL FOR RECOMMENDATION**

Council approved that capital projects are reviewed in accordance with the City's approved Capital Budget Variance and Closure Policy. For each variance/closure 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.

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.

The financial information in this report is based on spending to December 31, 2013.

## **ALTERNATIVES FOR CONSIDERATION**

N/A

## **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**

- 1.1 Continue to grow the non-residential tax base.
- 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).

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix A: Budget Exception Report - Public Works - Tax Supported Program as at December 31, 2013

Appendix B: Budget Exception Report - Public Works - Rates as at December 31, 2013