



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning and Policy Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	September 17, 2014
<b>SUBJECT/REPORT NO:</b>	Capital Projects' Closing Report as of June 30th, 2014 (FCS14058) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Lindsay Gillies 905-546-2424 ext 2790
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager Finance & Corporate Services Department
<b>SIGNATURE:</b>	

**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 FCS14058 in accordance with the Capital Closing Policy;
- (b) That the General Manager of Finance & Corporate Services be authorized to transfer \$477,060 to the "Unallocated Capital Levy Reserve (108020)" from capital projects as outlined in Table 3 to Report FCS14058;
- (c) That Appendix "B" to Report FCS14058 detailing the Capital Projects' Budget work-in-progress (WIP) transfers completed as part of the approved 2014 Capital Budget be received for information;
- (d) That Appendix "C" to Report FCS14058 detailing the Capital Projects' Budget Appropriations for the period covering January 1, 2014 through June 30, 2014 be received for information.

**EXECUTIVE SUMMARY**

This report presents the capital projects which have been completed or cancelled as of June 30<sup>th</sup>, 2014 and are submitted for Council's approval of closure and authorization of the funding of deficits.

Appendix "A" to Report FCS14058 lists the individual projects to be closed. A total of 230 projects with a combined budget of \$136.2 million being recommended for closure are summarized as follows:

- \$9.2 million relating to completed projects with surpluses to be returned to, or deficits to be funded by, the "Unallocated Capital Levy Reserve (108020)",

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- \$6.1 million relating to cancelled or delayed projects, and
- \$120.8 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 FCS14058 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 <sup>[1]</sup>.

Appendix “B” to Report FCS14058 details the work-in-progress (WIP) transfers completed as part of the approved 2014 Capital Budget (FCS13096). A total of \$48.7 million (139 transfers) was moved between projects. The 2014 Capital Budget WIP transfers are summarized in Table 1.

**Table 1: Summary of WIP Transfers approved through 2014 Capital Budget**

<b>Department</b>	<b>WIP Transfer Amount \$</b>
Tax Supported Capital Budget	
Public Works	19,752,830
Planning & Economic Development	387,953
<b>Subtotal</b>	<b>20,140,783</b>
Rate Supported Capital Budget	28,576,495
<b>Total</b>	<b>48,717,278</b>

Appendix “C” to Report FCS14058 details the appropriations between projects during the period covering January 1, 2014 through June 30, 2014. A total of \$3.5 million (46 appropriations) was moved between projects with each appropriation transfer being in compliance with the Capital Projects’ Budget Appropriation and Work-in-Progress Transfer Policy (FCS14031). The appropriations are summarized in Table 2.

**Table 2: Summary of January 1, 2014 through June 30, 2014 Capital Budget Appropriations**

<b>Department</b>	<b>Appropriation Amount \$</b>
Tax Supported Capital Budget	
Public Works	1,277,777
Planning & Economic Development	776,831
Community & Emergency Services	52,410
Councillor Infrastructure	15,169
<b>Subtotal</b>	<b>2,122,188</b>
Rate Supported Capital Budget	1,371,000
<b>Total</b>	<b>3,493,188</b>

[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.

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In addition, appropriations totalling \$462 thousand (16 appropriations) were submitted after June 30, 2014 to facilitate closure of projects listed in Appendix "A" to Report FCS14058 in accordance with the Capital Projects' Monitoring Policy (FCS14031) and the Capital Projects' Budget Appropriation and Work-in-Progress Transfer Policy (FCS14031). These appropriations are detailed for information in Appendix "C" to Report FCS14058.

***Alternatives for Consideration – Not Applicable***

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

Financial:

As outlined in Appendix "A" to Report FCS14058 and summarized in Table 3, a combined total of \$212,574 in funding is required from the "Unallocated Capital Levy Reserve (108020)". The projects requiring funding are more than offset by similar projects returning funds, a combined total of \$689,633, 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 \$478,989 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.

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**Table 3: Summary of projects impacting the Unallocated Capital Levy Reserve (108020)**

<b>Year Approved</b>	<b>ProjectID</b>	<b>Description</b>	<b>Surplus/ (Deficit) \$</b>
<u>Projects requiring funds</u>			
2011	3541141620	CUP Lifecycle Retrofit	(155,049)
2006	4030618610	Bridge 147 - Puslinch Townline	(34,701)
2006	4030655647	Specific Area Planning Act-EA	(9,090)
2012	4041220212	Linc Sign Replacement & Catwalk Removal	(8,284)
2007	4030755620	Rail Link Study-Port-Airport	(5,450)
			(212,574)
<u>Projects returning funds</u>			
2011	4401256115	Kernighan Parkette	998
2012	4031255217	Dundas St. - Waterdown Corridor Modeling Options	3,980
2008	4400855000	Park Assessments	4,350
2011	4031116142	St Joes's School Calming	5,640
2013	7641351304	Emergency Response Vehicle	5,747
2012	4041214012	Full Signal - John & Augusta	16,614
2007	4030741760	Dundas-Salt Storage Structure	21,356
2012	3541241011	Canadian Football Hall of Fame Upgrades	27,034
2012	3541249005	MacNab Street Ramp	107,106
2009	3540941931	330 Wentworth St N Storm Sewer	130,186
2010	4241053050	City Wide Maintenance	144,601
2012	3541241201	52-56 Charlton - Maintenance	222,021
			689,633
<b>Net impact to the Unallocated Capital Levy</b>			<b>477,060</b>

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 30<sup>th</sup>, 2013 reporting period. Reports will be brought forward 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 Capital Projects' Closing report has remained the responsibility of 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 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.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The submission of the Capital Projects' Closing Report is a requirement of the City's Capital Closing Policy (FCS05044/FCS07081(a)) and Capital Projects' Monitoring Policy (FCS14031).

The City's Capital Closing Policy (FCS05044/FCS07081(a)) 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 Projects' Monitoring Policy (FCS14031) states:

- 1) That a Capital Projects' Status Report be submitted by departments to their respective Committee of Council three times a year as of June 30th, September 30th, and December 31st.
- 2) That a Capital Projects' Closing Report be compiled by Corporate Services Department and submitted to the General Issues Committee three times a year as of June 30th, September 30th, and December 31st.
- 3) That unfavourable project variances be funded according to the Capital Projects' Budget Appropriation and Work-in-Progress Transfer Policy. If available funding cannot be found within the limits of the Capital Projects' Budget Appropriation and Work-in-Progress Transfer policy, a report explaining the variance and recommending a source of funding be submitted to the appropriate Committee of Council for approval.

## **RELEVANT CONSULTATION**

Staff from the following departments, boards, and/or agencies submitted the included capital projects for closure:

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

## **ANALYSIS AND RATIONALE 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 FCS14058 – Capital Projects' Closing Schedule

Appendix "B" to Report FCS14058 – Capital Projects' Budget Work-in-progress Transfer Schedule

Appendix "C" to Report FCS14058 – Capital Projects' Budget Appropriation Schedule