



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	October 21, 2015
SUBJECT/REPORT NO:	Capital Project Closing Report as of June 30, 2015 (FCS15066) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Abe Chegou 905-546-2424 x4047
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 FCS15066 in accordance with the Capital Closing Policy;
- (b) That Appendix “B” to Report FCS15066 detailing the Capital Projects’ Budget Appropriations for the period covering January 1, 2015 through June 30, 2015 be received for information; and
- (c) That the General Manager of Finance & Corporate Services be authorized to transfer \$80,534.69 to the “Unallocated Capital Levy Reserve (108020)” from capital projects as outlined in Appendix “C” to Report FCS15066.

EXECUTIVE SUMMARY

This report presents the capital projects which have been completed or cancelled as of June 30, 2015 and are submitted for Council’s approval of closure and authorization of the funding of deficits.

Appendix “A” to Report FCS15066 lists the individual projects to be closed. A total of 148 projects with a combined budget of \$203,258,933.26 being recommended for closure are summarized as follows:

- \$3,006,890.00 relating to completed projects with surpluses to be returned to, or deficits to be funded by the “Unallocated Capital Levy Reserve (108020)”.
- \$2,377,883.00 relating to cancelled or delayed projects, and
- \$197,874,160.26 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 FCS15066 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 FCS15066 details the appropriations between projects during the period covering January 1, 2015 to June 30, 2015. A total of \$4,192,549.54 was moved between projects with each appropriation transfer being in compliance with the Capital Project Monitoring Policy. They are summarized as follows:

Table 1: Summary of Appropriation transfers by Department

Department	Amount \$
Tax Supported Capital Budget	
Community & Emergency Services	230,670.00
Planning & Economic Development	1,122,168.98
Public Works	1,945,312.11
Corporate Services	63,012.73
Corporate Projects	385.72
	3,361,549.54
Rate Supported Capital Budget	
Public Works	831,000.00
Total	4,192,549.54

[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.

Alternatives for Consideration – Not Applicable

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

Financial:

The net transfer impact to the “Unallocated Capital Levy Reserve (108020)” is a contribution to the Reserve in the amount of \$80,534.69 when considering surplus budgets.

As outlined in Appendix "A" to Report FCS15066 and summarized in Table 2, a combined total of \$80,534.69 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 \$80,534.69 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.

Table 2: Summary of projects impacting the Unallocated Capital Levy Reserve (108020)

Year Approved	ProjectID	Description	Surplus/ (Deficit) \$
<u>Projects requiring funds</u>			
2010	3501557502	Integration Middleware	(880.10)
2012	4031218219	Structural Investigations and Reports - 2012	(565.79)
2013	4041317124	Bicycle Route Program - 2013	(5,940.72)
			(7,386.61)
<u>Projects returning funds</u>			
2002	7100257101	CLASS System Update	187.94
2012	4031220215	Caroline - Main to King Two-Way Conversion	6,118.33
2012	4401255600	Parks Testing and Reporting	15,293.75
2013	4031318219	Structural Investigations and Reports - 2013	13,841.31
2013	4031355940	Transportation Tomorrow Survey - 2013	25,994.01
2013	4401356006	Centennial Park Redevelopment	12.77
2013	5301355100	Rapid Transit Studies	1,139.27
2013	7401357301	CAD -Software Upgrade	2,914.43
2014	4031455647	Specific Area Planning Act-EA	409.69
2014	7641451401	Stretcher Replacement	8,500.00
2015	4031518126	Bridge 126 - Regional Rd 56, 605m n/o Guyatt Rd	671.89
			87,921.30
Net impact to the Unallocated Capital Levy Reserve			80,534.69

As outlined in Appendix "D" to Report FCS15066 and summarized in Table 3, a combined total of \$11,575,535.98 in funding is required to fund Tax Levy & Rate-Supported projects to be closed.

Table 3: Funding summary of Tax Levy & Rate-supported programs

Capital Project Closing	
Funding Summary	
Tax Levy Supported Program & Rates Supported Program	
As of June 30, 2015	
Programs	Funding Amount \$ Surplus/(Deficit)
<i>Tax Supported Capital Budget</i>	
Unallocated Capital Levy Reserve	\$ 80,534.69
Area Rating Reserves	\$ 112,948.60
Federal Gas Tax Reserve	\$ 5,725,640.31
Other	\$ (28,448.72)
Subtotal	\$ 5,890,674.88
<i>Rate Supported Capital Budget</i>	
Unallocated Current Funds	\$ 553,789.17
Debentures	\$ (19,209,818.91)
DC Reserves	\$ 1,189,818.88
Subtotal	\$ (17,466,210.86)
Total	\$ (11,575,535.98)

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)

The Capital Status and Capital Project Closing reports are submitted to City Council three times a year as of June 30th, September 30th, and December 31st.

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.

On July 10, 2015, Council approved changes to the City's Capital Project Monitoring Policy. Previously staff reported on the status of the Capital Work-in-Progress projects to their respective Standing Committees. The amended Policy will have staff submit the Status of the Capital Work-in-Progress projects to the Capital Projects Work-in-Progress Sub-Committee.

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.

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) as amended by Council on July 10, 2015 states:

- 1) That a Capital Projects' Status Report be submitted by departments to Capital Projects Work-in-Progress Sub Committee 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 FCS15066 Capital Projects Closing Schedule

Appendix "B" To Report FCS15066 Capital Projects Budget Appropriation Schedule

Appendix "C" To Report FCS15066 Summary of Projects Impacting the Unallocated Capital Levy Reserve (108020)

Appendix "D" To Report FCS15066 Summary of Projects Impacting Tax Levy & Rate Supported Program