



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members Capital Projects Work-in-Progress Sub-Committee
COMMITTEE DATE:	January 29, 2018
SUBJECT/REPORT NO:	Capital Projects Closing Report as of September 30, 2017 (FCS17078(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Samantha Blackley (905) 546-2424 Ext. 2132
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the General Manager of Finance and Corporate Services be authorized to transfer a combined \$311,616.68 from the Unallocated Capital Levy Reserve and other Program Specific Reserves to the capital projects as outlined in Appendix “A” to Report FCS17078(a);
- (b) That the General Manager of Finance and Corporate Services be directed to close the completed and / or cancelled capital projects listed in Appendix “B” to Report FCS17078(a) in accordance with the Capital Closing Policy;
- (c) That Appendix “C” to Report FCS17078(a), Capital Projects Budget Appropriations for the period covering July 1, 2017 through September 30, 2017, be received for information;
- (d) That Appendix “D” to Report FCS17078(a), Capital Projects Budget Appropriations above \$250,000 and Debt Funded for the period covering July 1, 2017 through September 30, 2017 totalling \$2,771,269.54, be approved;

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- (e) That the General Manager, Finance and Corporate Services be authorized to negotiate the terms and placement of a debenture issue(s) and / or private placement debenture issue(s) in either a public or private market and / or bank loan agreement and debenture issue(s) and / or variable interest rate bank loan agreement and debenture issue(s), in an amount not to exceed \$1,000,000, as attached in Appendix “D” to Report FCS17078(a).

EXECUTIVE SUMMARY

This Report presents the capital projects which have been completed or cancelled as of September 30, 2017.

Appendix “A” to Report FCS17078(a) summarizes net transfers to both the Unallocated Capital Levy Reserve and the Program Specific Reserves.

Appendix “B” to Report FCS17078(a) lists the individual projects to be closed. A total of 93 projects with a combined budget of \$85,775,401.40 are being recommended for closure and are summarized as follows:

- \$8,793,300.00 relating to completed projects with surpluses to be returned to or deficits to be funded from the “Unallocated Capital Levy Reserve (108020)”;
- \$5,230,000.00 relating to completed projects with deficits to be funded by Program Specific Reserves;
- \$10,755,000.00 relating to cancelled or delayed projects; and
- \$60,997,101.40 relating to projects completed on or under budget that do not impact reserves.

All capital projects listed for closure in Appendix “B” to Report FCS17078(a) 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.

Appendix “C” to Report FCS17078(a) lists all the re-appropriation of funds between capital projects within the limits of the Council approved policy for the period covering July 1, 2017 through September 30, 2017.

Appendix “D” to Report FCS17078(a) lists all the capital projects requiring Council approval to transfer funds above \$250,000, projects requiring debt financing and reserve transfers for the period covering July 1, 2017 through September 30, 2017.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As outlined in Appendix “A” to Report FCS17078(a) and summarized in Table 1 below, a combined total of \$419,498.30 in funding is required from the “Unallocated Capital Levy Reserve” (108020) to offset projects in a negative position. These projects are offset by projects in a positive position totalling \$218,151.37, resulting in a net transfer from this Reserve of \$201,346.93.

Table 1

City of Hamilton
Capital Project Closings
As of September 30, 2017
Unallocated Capital Levy Reserve Impact (108020)

Year	Project ID	Description	Surplus / (Deficit)
Projects Requiring Funds			
2003	7400341100	Fire Stn #20- Land Purchase	\$(407,804.87)
2014	7101458401	Birge Outdoor Pool Redevelop	(10,861.39)
2017	6301751704	Handrail Replacement Macassa	<u>(832.04)</u>
			<u>(419,498.30)</u>
Projects Returning Funds			
2012	3621254201	Pan Am Special Events Program	210,553.02
2014	6301441405	WL Resident Home Area Renos	763.88
2015	4401541001	Cemetery Building Repairs	0.72
2016	4401649103	Bocce Court Rehab Program	1,322.46
2017	5161771725	Upper Ottawa - 40m Reno Ave to Mountain Brow Blvd	2,000.00
2017	6301741701	Tub Floor Replacement Macassa	<u>3,511.29</u>
			<u>218,151.37</u>
Net Impact on the Unallocated Capital Levy Reserve			<u>\$(201,346.93)</u>

As outlined in Appendix “A” to Report FCS17078(a) and summarized in Table 2 below, a net total of \$110,269.75 in funding is required from Other Program Specific Reserves (Unallocated Current Funds-Sanitary and Ward 8 Capital Infrastructure) to offset projects in a negative or deficit position that were submitted for closure.

Table 2

City of Hamilton
Capital Project Closings
As of September 30, 2017
Impacting Reserves and Capital Projects

Year	Project ID	Description	Surplus / (Deficit)
Approved			
Projects requiring funds			
2012	5161255010	Wastewater System Planning	\$ (44,381.69)
2015	5141567752	Water Outstation Inspections	(12,887.04)
2015	5161567752	Outstation Inspections	(28,485.30)
2016	4241609806	Ward 8 Speed Humps	(7,286.58)
2016	5161611101	Road Restoration Program - 2016	(15,918.35)
2016	5161660820	Open Cut Repairs for CIPP Program - 2016	<u>(1,310.79)</u>
Net impact to Other Program Specific Reserves			<u>\$(110,269.75)</u>

Appendix “C” to Report FCS17078(a) details the appropriations between projects during the period covering July 1, 2017 to September 30, 2017. A total of \$5,039,847.00 was moved between Capital projects with each appropriation transfer being in compliance with the Capital Project Monitoring Policy. They are summarized in Table 3 as follows:

Table 3

City of Hamilton
Capital Project Appropriations
As of September 30, 2017
Transfers by Department

Department	Amount
Tax Supported Capital Budget	
City Managers	\$ 3,300.00
Community and Emergency Services Department	59,200.00
Planning and Economic Development Department	178,900.00
Public Works Department	<u>3,648,330.00</u>
	<u>\$3,889,730.00</u>
Rate Supported Capital Budget	
Public Works Department	\$1,079,000.00
Clearing Accounts	<u>\$ 71,117.00</u>
Total	<u>\$5,039,847.00</u>

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Appendix “D” to Report FCS17078(a) details the projects that have been recommended by the department to be funded. A total of \$2,771,269.54 is required to be transferred. The funding either requires transferring debt or is above \$250,000 and requires Council approval per the appropriation policy Report FCS14031. The number of projects and the amounts are summarized in Table 4 as follows:

Table 4

City of Hamilton
Capital Projects to be Funded
As of September 30, 2017

Description	Projects From	Projects To	Amount
Planning and Economic Development:			
Economic Development	1	1	\$ 270,000.00
Public Works (Tax):			
Energy Initiatives	1	1	728,015.00
Waterfront Program	1	1	200,000.00
Public Work (Rate):			
Storm Water	2	2	<u>1,573,254.54</u>
Total			\$2,771,269.54

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

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

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, 2013 reporting period. Reports are brought forward to the Standing Committee three times per reporting year at June 30, September 30 and December 31. This allows the Standing Committee to review the status of a fewer number of projects, in greater detail, applicable to their area of oversight.

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

On July 10, 2015, Council approved changes to the City's Capital Project Monitoring Policy and Capital Project Closing Policy. The amended Policy has staff submit the Capital Project Status Reports and Capital Project Closing Reports to the Capital Projects Work-in-Progress Sub-Committee.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

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

The City's Capital Closing Policy (Reports 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 Report (Report FCS14031), as amended by Council on July 10, 2015, states:

- i) 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 30, September 30 and December 31.

- ii) That a Capital Projects' Closing Report be compiled by Corporate Services Department and submitted to the Capital Projects Work-in-Progress Sub-Committee three times a year as of June 30, September 30 and December 31.
- iii) 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.
- iv) Approval authority for the re-appropriation of funds in each financial year be at the same levels as the City's Procurement Policy:
 - 1. Council must approve re-appropriations of \$250,000 or greater
 - 2. City Manager or designate must approve appropriations greater than \$100,000
 - 3. General Managers or delegated staff be authorized to approve appropriations up to \$100,000

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
- Public Health Services

ANALYSIS AND RATIONALE FOR RECOMMENDATION

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.

Appendix “A” to Report FCS17078(a) includes funding of projects to be closed from the Unallocated Capital Levy Reserve (108020). One of the projects requiring funding is the Fire Station #20 Land Purchase project (7400341100) which required \$407,804.87 for unbudgeted costs as a result of a legal settlement on a disputed construction claim. Details of the claim were addressed in Confidential Report LS13018(a)/ FCS13041(a)/ PW16002 Litigation regarding Construction of Ancaster Fire Station No. 20 which was approved by General Issues Committee at its meeting of February 3, 2016.

Appendix “D” to Report FCS17078(a) Capital Projects Budget Appropriations above \$250,000 and Debt Funded is required as budget transfers of \$250,000 or greater, projects requiring debt financing and reserve transfers require Council approval. A number of these budget appropriations are transfers from one project to a related project including Rymal Road Development for \$270,000. Changes related to projects requiring debt financing include Storm Sewers Development for \$800,000 and Pier 8 construction for \$200,000, revenues never materialized on Mountain Brow / Central Mountain Sewers for \$773,254 and project surplus being transferred to the Energy Reserve for the Control Centre and Building Automation system for \$728,015.

Staff in the Planning and Economic Development Department has requested to appropriate \$800,000 from the Southcote Pumping Station & Forcemain-HC008 project (5160795760) to South Service Road Sewer- Flying J-Pilot (5161280292). This funding includes transferring Development Charge (DC) debt funding of \$800,000 as per the most recent 2014 DC background study.

Staff has Council approval in Report FCS16050 to transfer funds between West Harbour capital projects but Council approval is required for changes to debt financing of projects. An increase in gross project costs for Pier 8 Promenade requires an appropriation transfer from Pier 6-8 Servicing Construction of debt financing of \$200,000.

On September 24, 2014, Council approved Report 14-017 to transfer up to \$1.5 million of the District Cooling System sale’s proceeds for a Control Centre and Building Automation system. This project is completed and has been submitted for closure with a surplus of \$728,015. Public Works staff has requested that the surplus be transferred to the Energy Reserve (112272) to help offset the budget pressures for 2018-2020 from the operations.

ALTERNATIVES FOR CONSIDERATION

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

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – Capital Project Closings as of September 30, 2017 – Projects Impacting the Unallocated Capital Levy Reserve (108020) and Other Reserves

Appendix “B” – Capital Projects Closing Schedule as of September 30, 2017

Appendix “C” – Capital Projects Budget Appropriation Schedule for the period covering July 1, 2017 through September 30, 2017

Appendix “D” – Capital Projects Budget Appropriations above \$250,000 and Debt Funded for the Period Covering July 1, 2017 through September 30, 2017

SB/dt