


TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 18, 2023
SUBJECT/REPORT NO:	Capital Project Closing Report as of December 31, 2022 (FCS22079(b)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Marcin Zukowski (905) 546-2424 Ext. 2162 Duncan Robertson (905) 546-2424 Ext. 4744
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the General Manager, Finance and Corporate Services, be authorized to transfer a net amount of \$205,636.16 to the Unallocated Capital Levy Reserve (108020) and a net amount of \$13,933,760.30 to other reserves as outlined in Appendix “A” to Report FCS22079(b);
- (b) That the General Manager, Finance and Corporate Services, be directed to close the completed and / or cancelled capital projects listed in Appendix “B” to Report FCS22079(b) in accordance with the Capital Projects Closing and Monitoring Policy;
- (c) That Appendix “C” to Report FCS22079(b), Capital Projects Budget Appropriations for the period covering October 1, 2022 through December 31, 2022, be received as information;
- (d) That Appendix “D” to Report FCS22079(b) Capital Projects Budget Appropriations of \$250,000 or greater and Capital Project Reserve Funding Requiring Council Approval, be approved;
- (e) That the financing plan amendments recommending exchanges of municipal levy funding and Canada Community-Building Fund due to eligibility constraints, outlined in Appendix “E” to Report FCS22079(b) Capital Projects Budget Appropriations between Current Contributions and Canada Community-Building Fund resulting in a net zero budget adjustment, be approved.

EXECUTIVE SUMMARY

Report FCS22079(b) presents the capital projects that have been completed or cancelled as of December 31, 2022. In addition, Report FCS22079(b) provides historical information and recommendations for capital budget appropriations in accordance with the Capital Projects Monitoring Policy and Capital Projects Budget Appropriation and Work-in-Progress Transfer Policy (Report FCS14031).

Appendix “A” to Report FCS22079(b) summarizes net transfers to and from reserves as a result of completed or cancelled projects for the period covering October 1, 2022 through December 31, 2022, as well as, highlights the net impact on the Unallocated Capital Levy Reserve and other capital reserves.

Appendix “B” to Report FCS22079(b) lists the individual projects to be closed. A total of 166 projects with a combined budget of \$144,264,487.20 are being recommended for closure and are summarized as follows:

- \$11,646,215.61 relating to 13 completed projects funded from the Capital Levy which result in a net surplus amount of \$205,636.16 to be returned to the Unallocated Capital Levy Reserve (108020);
- \$48,025,057.53 relating to 57 completed projects funded from other program specific reserves in a net position, which require a net amount of \$13,933,760.30 being returned to reserves;
- \$740,000 relating to one cancelled or delayed projects; and
- \$83,853,214.06 relating to 95 projects completed on or under budget that do not impact reserves.

All capital projects listed for closure in Appendix “B” to Report FCS22079(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 Projects Closing and Monitoring Policy (Report FCS05044, Report FCS07081(a) and Report FCS14031) are reflected in the amounts presented.

Appendix “C” to Report FCS22079(b) lists the appropriation of funds between capital projects, totalling \$720,712 for the period covering October 1, 2022 through December 31, 2022 in accordance with the Capital Projects Budget Appropriation and Work-in-Progress Transfer Policy (Report FCS14031).

Appendix “D” to Report FCS22079(b) lists all the capital project(s) budget appropriations of \$250,000 or greater and work-in-progress capital projects requiring funding from reserves that require Council approval.

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Appendix “E” to Report FCS22079(b) lists recommended budget adjustments that require Council’s approval in order to exchange Canada Community-Building Fund revenues with municipal funding due to eligibility restrictions on expenditures under the Canada Community-Building Fund Agreement. The net impact of the budget transfers is zero. Destination projects have sufficient expenditures to fit the eligibility requirements under the Canada Community-Building Fund program.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As outlined in Appendix “A” to Report FCS22079(b) and summarized in Table 1, a total of \$205,636.16 to be transferred to the Unallocated Capital Levy Reserve. The Unallocated Capital Levy Reserve (108020) will have a projected year-end 2023 uncommitted balance of \$23.2M once the transfers are completed.

Table 1
City of Hamilton
Capital Project Closings
As of December 31, 2022
Unallocated Capital Levy Reserve (108020)

Year Approved	ProjectID	Description	Surplus/ (Deficit)
Projects returning funds			
2015	7101554510	Dundas J.L.Grightmire Arena Renovation	\$ 33,136.21
2018	5301885804	Bus Stop Shelter Rehabilitation	\$ 5,299.92
2019	3501957909	IT Strategy - Strategic Theme Integrated & Conne	\$ 48,781.58
2019	3541959100	FA1901	\$ 24,320.19
2019	4031911019	Asset Preservation - Buchanan Neighbourhood	\$ 17.78
2019	4401955600	Parks Testing and Reporting	\$ 3,876.34
2020	3382055001	Community Benefits Strategy & By-law	\$ 48,366.43
2020	4662020020	New Traffic Signal - Rymal Road at Arrowhead Dr	\$ 3,277.83
2020	5302084003	Renaming the MacNab Terminal	\$ 4,742.02
2021	3542141001	Farmers' Market Security Enhancements and Infra:	\$ 15,087.56
2021	3722141805	Program HCC, FOCH & FOC Lifecycle Renewal	\$ 9,816.05
2021	4662141105	Repaving of 1375 Upper Ottawa rear lot	\$ 3,327.81
2021	5122151101	Waste Collection Packer DriveCam Camera Upgr:	\$ 5,586.44
Net impact to the Unallocated Capital Levy Reserve			\$ 205,636.16

As outlined in Appendix “A” to Report FCS22079(b) and summarized in Table 2, a net total of \$13,933,760.30 in funding will be returned to other reserves for projects that were submitted for closure in a surplus position.

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Table 2
City of Hamilton
Capital Project Closings
As of December 31, 2022
Impacting Reserves and Capital Projects

	Reserve	Surplus/ (Deficit)
Required funding		
	110046 - Tax Stabilization	(80,260.09)
	108010 - Storm Sewer Capital Reserve	(59,575.65)
	108045 - Public Transit Capital Funds	(2,200.25)
		\$ (142,035.99)
Funds returning		
	100035 - Property Purchases	1,733,711.10
	108005 - Sanitary Sewer Capital Reserve	8,751,048.85
	108010 - Storm Sewer Capital Reserve	298,628.05
	108015 - Waterworks Capital Reserve	1,090,480.54
	108051 - Ward 1 Special Capital Re-investment	155,246.33
	108052 - Ward 2 Special Capital Re-investment	232,004.14
	108053 - Ward 3 Special Capital Re-investment	141,539.94
	108055 - Ward 5 Special Capital Re-investment	201,128.04
	108056 - Ward 6 Special Capital Re-investment	542.32
	108057 - Ward 7 Special Capital Re-investment	276,081.17
	108058 - Ward 8 Special Capital Re-investment	161,524.23
	108064 - Ward 14 Special Capital Re-investment	142,680.72
	110046 - Tax Stabilization	310,763.46
	112271 - WM Facilities-Replace-Upgrade	370,722.20
	112272 - Energy Conservation Initiatives	47,250.10
	117036 - Scr Compens Royalties	20,900.85
	DC Reserves	141,544.25
		\$ 14,075,796.29
Net impact to Other Program Specific Reserves		\$ 13,933,760.30

Appendix “C” to Report FCS22079(b) details the appropriations between capital projects that have been processed during the period covering October 1, 2022 through December 31, 2022. The list includes transfers that are below \$250,000 and have been approved by either the General Manager (up to \$100,000) or the City Manager (up to \$250,000). A total of \$720,712 was moved between capital projects in compliance with the Capital Projects Budget Appropriation and Work-in-Progress Transfer Policy, as summarized in Table 3.

Table 3
City of Hamilton
Capital Project Appropriations
As of December 31, 2022
Transfers by Department

Department	Amount
Tax Supported Capital Budget	
Planning & Economic Development	\$ 317,000.00
Public Works - Tax Funded	\$ 403,712.37
Total	<u>\$ 720,712.37</u>

Appendix “D” to Report FCS22079(b) lists all the capital projects requiring Council approval to transfer funds from other capital projects of \$250,000 or greater. The number of projects and the requested transfer amounts are summarized in Table 4.

Table 4
City of Hamilton
Capital Projects Budget Appropriation Transfers
of \$250,000 or greater requiring approval and Reserve Funding

Description	Projects/ Transfers From	Projects/ Transfers To	Amount
Public Works-Tax Funded	1	1	\$ 359,509.50
Total			<u>\$ 359,509.50</u>

Appendix “E” to Report FCS22079(b) lists recommended budget adjustments that require Council’s approval in order to exchange Canada Community-Building Fund revenues with municipal funding due to eligibility restrictions on expenditures under the Canada Community-Building Fund Agreement. The net impact of the budget transfers is zero – destination projects have sufficient expenditures to fit the eligibility requirements under the Canada Community-Building Fund program.

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 July 8, 2022, Council approved the Governance Review Sub-Committee recommendation to disband Capital Projects Work In-Progress Review Sub-Committee (Report FCS22056) and that future status updates on capital works in progress be communicated through Information Updates to Council and that Capital Closing Reports be submitted through the Audit, Finance and Administration Committee.

Preparation of the Capital Projects Closing Report is the responsibility of the Financial Planning, Administration and Policy Division with the objective of ensuring 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 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 and Capital Projects Budget Appropriation and Work-in-Progress Transfer Policy (Report FCS14031), as amended by Council on May 14, 2014, states:

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- i) That a Capital Projects Status Report be submitted by departments 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 Audit, Finance and Administration 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 appropriations of \$250,000 or greater
 2. City Manager or designate must approve appropriations greater than \$100,000 and less than \$250,000
 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
- Healthy and Safe Communities Department

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

For each Capital Project Status Report, staff determines if projects can be closed (inactivated) and monitors the financial activity to ensure that Council is aware of any capital projects that deviate significantly from the approved budgeted amounts. In Table 2, the return of \$8.7 M to the Sanitary Sewer Capital Reserve (108005) includes a surplus of \$7.8 M in Pier 25 Dredging – Windermere Project 5162068851. Through collaborative work with The Hamilton-Oshawa Port Authority (HOPA), a significant disposal cost was avoided by repurposing of the landfill material in the Randle Reef project.

Once projects have been determined to be complete or cancelled, they are submitted by departments to Financial Planning, Administration and Policy for inclusion in the Capital Projects Closing Report. These submissions are reviewed by Financial Planning, Administration and Policy to ensure transactions are finalized, all purchase orders are closed, 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 “D” to Report FCS22079(b) includes capital project budget appropriation requests to transfer funds of \$250,000 or greater from other projects and funding from reserves requiring Council approval as per the Capital Projects’ Budget Appropriation and Work-in-Progress Transfer Policy and Reserve Policies. The requests total \$359,509.50.

Appendix “E” to Report FCS22079(b) lists recommended capital project budget adjustments that require Council’s approval in order to exchange Canada Community-Building Fund revenues with municipal funding due to eligibility restrictions on specific expenditures under the Canada Community-Building Fund Agreement. The net impact of the budget transfers is zero. Destination projects have sufficient expenditures to fit the eligibility requirements under the Canada Community-Building Fund program.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

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” to Report FCS22079(b) – Capital Project Closings as of December 31, 2022 - Projects Impacting the Unallocated Capital Levy Reserve and Other Sources

Appendix “B” to Report FCS22079(b) – Capital Projects Closing Schedule as of December 31, 2022

Appendix “C” to Report FCS22079(b) – Capital Projects Budget Appropriation Schedule for the Period Covering October 1, 2022 through December 31, 2022

Appendix “D” to Report FCS22079(b) – Capital Projects Budget Appropriations of \$250,000 or greater and Capital Project Reserve Funding Requiring Council Approval

Appendix “E” to Report FCS22079(b) – Capital Projects Budget Appropriations between Current Contributions and Canada Community-Building Fund Requiring Council Approval

MZ/dt