



Report to: General Committee

Date Report Authored: October 20, 2014

SUBJECT: Status of Capital Projects as of September 30, 2014
PREPARED BY: Andrea Tang, Manager Financial Planning
Sandra Skelcher, Sr. Financial Analyst

RECOMMENDATION:

- 1) THAT the report entitled “Status of Capital Projects as of September 30, 2014” be received; and,
- 2) THAT the amount of \$1,506,700 from the closure of capital projects be transferred to the sources of funding as listed on Exhibit A; and,
- 3) THAT the closure of projects as outlined in Exhibit B and C be approved; and,
- 4) THAT the Non-DC Capital Contingency Project be topped up, from the Life Cycle Replacement and Capital Reserve, by \$404,420 to the approved amount of \$250,000; and,
- 5) THAT the Engineering Capital Contingency Project be topped up, from the City-Wide Hard Development Charges (DC) Reserve, by \$18,287 to the approved amount of \$100,000; and,
- 6) THAT the Design Capital Contingency Project be topped up, from the Development Charges (DC) Reserve, by \$44,877 to the approved amount of \$100,000; and,
- 7) THAT the Waterworks Capital Contingency Project be topped up, from the Waterworks Stabilization/Capital Reserve, by \$79,996 to the approved amount of \$100,000; and,
- 8) THAT a new project for emergency roof repairs at the Markham Museum be approved; and,
- 9) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

To inform Council about the status of capital projects as of September 30, 2014 and to obtain Council approval for the transfer of funds to and from Reserves and Reserve Funds (as necessary).

DISCUSSION:**CAPITAL PROJECTS TO BE CLOSED**

In an effort to promote timely closure and return of surplus funds, Staff conducted a review of the status of all open capital projects as of September 30, 2014. As a result, 66 projects were identified for closure, with a total budget remaining of \$1,506,700 to be returned to the original sources of funding.

A detailed listing of projects to be closed and the funding amounts to be transferred are included in the following exhibits:

Exhibit A - Summary of funding from Closed Capital Projects to be returned to Original Funding Sources as of September 30, 2014

Exhibit B - Details of Capital Projects to be closed with Funding to be returned to Original Funding Sources as of September 30, 2014

Exhibit C - Summary of Capital Projects to be Closed that are Fully Expended as of September 30, 2014

Details on Exhibit A include the following:

Life Cycle Replacement & Capital Reserve Fund

Funds in the amount of \$397,600 are identified to be returned to the Life Cycle Replacement & Capital Reserve Fund as a result of the closure of capital projects.

There are three (3) projects listed in Exhibit B with surplus funds of more than \$500,000 or 50% of the approved budget that will be returned to the Life Cycle Replacement & Capital Reserve Fund. Unspent funds from these projects represent approximately 38% of the total funds to be returned to this funding source. Details are outlined below.

a) CAO:

- Project 11087 - Public Opinion (BMFT) - Public Opinion - Budget of \$80,000 with remaining funds of \$64,736 (81% of project budget). This project was intended to ascertain/confirm public opinion on the next version of Building Markham's Future Together (BMFT) for the Council term 2011 to 2014. Consulting costs in the amount of \$15,264 were incurred before a decision was made to postpone the project (end of Council term). When timing of the initiative is deemed appropriate, the project will be resubmitted for approval.

b) Asset Management - Facility Assets:

- Project 13304 - Municipal Building Backflow Prevention Testing - Budget of \$71,200 with remaining funds of \$62,386 (88% of project budget). The scope of work was completed. The budget needs were over-estimated. The Life Cycle Reserve Study will be updated accordingly in 2015.

c) Operations - Parks:

- Project 13427 - Volunteer Ice Rink Program – Budget of \$30,500 with remaining funds of \$28,345 (93% of project budget). This project is dependent on the number of applications from community groups, and requests for installation of winterized water service from new applicants. Only 2 applications for cost reimbursement were submitted in the 2013-2014 season (Chelsea Park & Cornell Mews); neither required winterized water service.

Development Charge Reserves

Funds in the amount of \$424,233 will be returned to the DC Reserves from the closure of capital projects.

There are three (3) projects listed in Exhibit B with surplus funds of more than \$500,000 or 50% of the approved budget that will be returned to original sources and represent approximately 72% of the total funds to be returned to the DC Reserves, details of which are outlined below.

a) Fire Services:

- Project 14122 - Fire Communications Dispatch Radio Console - Budget of \$50,900 with remaining funds of \$50,900 (100% of project budget). This is no longer required as it is part of York Region's regional radio replacement program.

b) Design:

- Project 11050 - Hwy. 48 Precinct Study (16th Ave. to Major MacKenzie) - Budget of \$89,810 with remaining funds of \$77,310 (86% of project budget): \$69,579 to DC Reserves and \$7,731 to the Life Cycle Replacement and Capital Reserve. Phase 1 of this Urban Design Study was completed. However, due to the evolving official plan and to secondary plan matters, it was decided to cancel the remainder of the project.
- Project 12027 - Majestic Court Park Developer Reimbursement. - Budget of \$250,000 with remaining funds of \$207,950 (83% of project budget): \$187,155 to DC Reserves and \$20,795 to the Life Cycle Replacement and Capital Reserve. The anticipated reimbursement amount was over-estimated and as such, the remaining funds are no longer needed.

Waterworks Stabilization/Capital Reserve

Funds in the amount of \$684,867 will be returned to the Waterworks Stabilization/Capital Reserve resulting from the closure of capital projects.

There are two (2) projects listed in Exhibit B with surplus funds of more than \$500,000 or 50% of the approved budget that will be returned to the Waterworks Stabilization/Capital Reserve and represent approximately 96% of the total funds to be returned to this funding source, details of which are outlined below.

a) Waterworks:

- Project 14302 - Carlton Road Pumping Station Upgrade - Budget of \$506,500 with remaining funds of \$506,500 (100% of project budget). Bids came in over budget when tendered in 2014. This will be resubmitted in the 2015 budget with some scope changes to reduce overall project cost.
- Project 14310 - Sanitary Sewer Construction/Replacement Design - Budget of \$152,600 with remaining funds of \$152,600 (100% of project budget). This project has been deferred due to development in the Steelcase/Woodbine area. Project budget needs will be reassessed in 2016.

CAPITAL CONTINGENCY PROJECTS

In accordance with the Capital Budget Control Policy, the established Capital Contingency Projects are topped up to the maximum approved funding amount through the semi-annual Status of Capital Projects report to Council.

The Non-DC Capital Contingency Project was approved to a maximum of \$250,000. Currently, the account has a negative balance of \$154,420 and therefore requires a top up of \$404,420 from the Life Cycle Replacement & Capital Reserve Fund.

Overspending of the contingency resulted from the following three requirements:

- Emergency roof repairs for the Chapman House and Baptist Church at the Markham Museum - \$78,305 (project submitted for approval in this report-refer to page 6);
- Emergency work resulting from the Don Mills Channel slope failure behind 130 Denison Street - \$43,718 (emergency procurement approved by CAO); and
- Scope change to the “City Wide Stream Erosion Master Study Update” project - \$40,308. In order to refine the funding mechanism of erosion restoration site within private properties, Legal recommended that our consultant analyse the % ratio of erosion caused by upstream development vs. natural processes and site-alteration by property owners. This refined task was not part of the original scope of work. The additional scope of work provides supporting justification for the cost-sharing proportion between the City and landowners for the erosion restoration works within private properties.

NOTE: From January to September 2014, \$1.51M has been returned to the Life Cycle Replacement & Capital Reserve Fund from budget remaining from awards of contracts.

The Engineering DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$81,713, requiring a top-up of \$18,287 from the City-Wide Hard DC Reserve.

The Design DC Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$55,123 and requires a top-up of \$44,877 from the Design DC Reserve.

The Planning DC Capital Contingency Project was approved to a maximum of \$50,000. It is currently at the maximum balance and as such, no top-up is required at this time.

The Waterworks Capital Contingency Project was approved to a maximum of \$100,000. The project currently has a balance of \$20,004 and therefore, requires a top-up of \$79,996 from the Waterworks Stabilization/Capital Reserve.

STATUS OF OPEN CAPITAL PROJECTS

After the closure of 66 projects, there are 588 open capital projects/project groups with a total budget of \$564.9 M, as of September 30, 2014. (The term “open” refers to projects which have been approved, but have not started, or are at various stages of completion.)

Of the 588 open projects, 238 projects (40%) were approved in December 2013 as part of the 2014 budget.

The following table summarizes the status of open capital:

Encumbered/Committed	\$ 429.6 M	76%
Unencumbered/Uncommitted	<u>\$ 135.3 M</u>	24%
Total Open Capital	<u>\$ 564.9 M</u>	

Encumbered/Committed

The total encumbered amount of \$429.6M includes expenditures of \$316.8M and commitments of \$112.8 M. (Expenditures refer to payments issued for goods/services received, and commitments refer to purchase orders on file with the Purchasing Department.)

Unencumbered/Uncommitted

Projects approved in the 2014 budget, account for \$54.6M (40%) of the total \$135.3M unencumbered amount.

Minor or Annual projects from 2013 and prior (which must be completed by 2014 year end and closed no later than Q1, 2015) account for \$8.2M (6%) of the total unencumbered amount.

Major projects from 2013 and prior, that are pending developer funding, account for \$5.1M (4%) of the total unencumbered amount.

Other major projects accounting for the remaining \$67.5M (50%) of the total unencumbered amount, include: Pan Am, Southeast Markham Community Centre, Hwy. 404 Mid-block Crossing North of Hwy. 7, South Unionville Ave. Extension, Kirkham Dr. Park-Phase 2 Construction, Angus Glen Community Park Construction-Final Phase, Hwy. 7 Streetscape (Verclaire to Sciberras), and Watermain Construction & Replacement Program-Hwy. 7.

Staff will continue to monitor the status of all capital projects to promote the timely closure and return of surplus funds, and will report to Council semi-annually.

NEW PROJECT – EMERGENCY ROOF REPAIRS AT THE MARKHAM MUSEUM

On August 8th, 2014, Museum staff found water leaking into the interior of the Chapman House. Sproule Roofing, the City's current roof repair contractor was called for repairs on the same day. Sproule reported that bricks from the chimney had fallen in through the roof, due to the poor condition of the roof. Sproule also informed Staff that although they had patched the roof, the roof would not last through the winter. The roof of the Chapman house was identified as needing immediate repair in the condition assessment report by Genivar (December 2013). There is water damage to the interior of the Chapman House and the building has been closed to the public for safety reasons.

Museum Staff found water leaking into the interior of the Baptist Church on August 12th, 2014. Sproule Roofing was called to carry out the repairs. Sproule reported that there was a bald spot (no shingles) at the peak of the roof. Sproule informed Staff that the repair would not hold through the winter and that the roof needed to be replaced prior to winter. Like the Chapman House, the roof of the Baptist Church was identified in the Genivar (December 2013) condition assessment as requiring replacement within 2-3 years.

For public safety reasons and to prevent serious damage to both buildings, roof replacement needed to be done immediately.

In accordance with Purchasing By-Law 2004-341, Part II, Section 7 Non Competitive Procurement, item 3 (c) "when an emergency purchase has been made and the amount of the purchase exceeds \$25,000 but is less than \$350,000, the Commissioner of Corporate Services and the Chief Administrative Officer shall be advised forthwith in writing by the User Department." This protocol was followed, and the required repairs were completed using advance funding from the Non-DC Capital Contingency Project. The amount drawn (\$78,305) has been included in the requested top up to the Contingency Project.

Staff request that a new capital project be approved to record all transactions related to the emergency roof repairs at the two Markham Museum buildings.

SUMMARY OF FINANCIAL CONSIDERATIONS:

The net amount of \$959,120, as summarized below, will be transferred to Reserves and Reserve Funds as a result of capital projects closing and capital contingency projects top-up.

	<u>Return to Reserves / Reserve Funds from Closed Projects</u>	<u>Top up Contingency Projects from Reserves / Reserve Funds</u>	<u>Net Change to Reserves / Reserve Funds</u>
LIFE CYCLE REPLACEMENT AND CAPITAL RESERVE	397,600	(404,420)	(6,820)**
DEVELOPMENT CHARGE RESERVES	424,233	(63,164)*	361,069
WATERWORKS STABILIZATION/CAPITAL RESERVE	684,867	(79,996)	604,871
NET CHANGE TO RESERVES & RESERVE FUNDS - Increase / (Decrease)	1,506,700	(547,580)	959,120

* Engineering Capital Contingency Project \$18,287 and Design Capital Contingency Project \$44,877.

** Excludes the \$1.51M returned to the Life Cycle Replacement & Capital Reserve Fund from budget remaining from awards of contracts.

HUMAN RESOURCES CONSIDERATIONS

Not Applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not Applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

All business units managing capital projects have been consulted in the development of the capital status update.

RECOMMENDED BY:

07/11/2014

07/11/2014

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

[Exhibit A - Summary of funding from Closed Capital Projects to be returned to Funding Sources as of September 30, 2014](#)

[Exhibit B - Details of Capital Projects to be closed with Funding to be returned to Funding Sources as of September 30, 2014](#)

[Exhibit C - Summary of Capital Projects to be Closed that are Fully Expended as of September 30, 2014](#)