



SUBJECT: 2017 capital budget variance and project closure

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-30-17

Wards Affected: All

File Numbers: 435-06

Date to Committee: June 26, 2017

Date to Council: July 10, 2017

Recommendation:

Direct the Director of Finance to proceed with the closure of 58 capital projects identified as being completed in finance department report F-30-17.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

The financial matters section of this report has been separated into two sections along with the use of appendices to assist in the summary and presentation of material referenced.

Section "A" references Appendix A titled "All Capital Projects by Asset Category" which summarizes the following:

- An overview of the financial commitment that makes up the capital program;
- Budgets of 413 open capital projects by asset category; and
- Distribution of the 58 capital projects by asset category recommended for closure.

Section "B" addresses the requirements of the variance reporting policy for capital projects and summarizes the following:

- The number and dollar value of capital projects in a favourable or unfavourable variance by asset category proposed for closure.

Appendix C identifies the overall return of net funding variances to the original funding source(s) as part of the capital project closures.

In 2017, there are 413 open projects of which 58 or approximately 14% are recommended for closure with a total net favourable funding variance of \$4.4 million. Over the past five years (2012-2016), an average of 20% of open capital projects were closed annually.

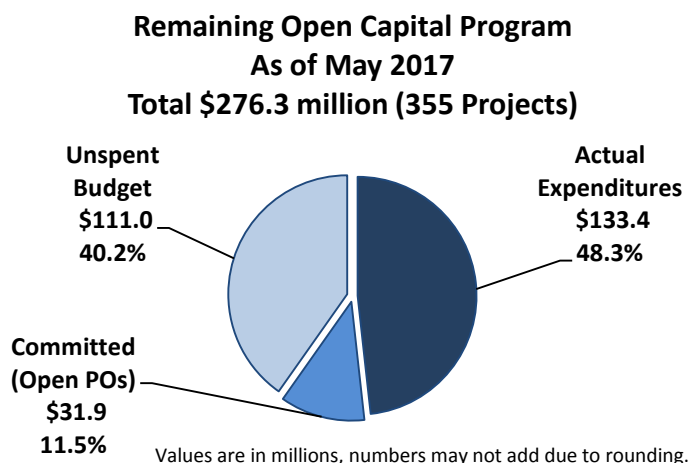
Financial Matters:

Section A: Capital Project Analysis

As of May 2017, the City had 413 open capital projects sharing a total approved capital budget of \$310.3 million, as indicated in Appendix A. Roadways, facilities and buildings, and parks and open space asset categories combined make up 288 of the total number of projects underway in the City and accounts for \$237.7 million or 76.6% of the total value of the capital program.

Of the 413 (\$310.3 million) open capital projects, staff have identified 58 capital projects with a total approved budget of \$34.0 million to be closed.

The following chart provides the overall status of the approved \$276.3 million budget of the 355 remaining open projects. Of the total, \$165.3 million or 59.8% of the approved budget has been either spent (\$133.4 million) or committed in open purchase orders (POs) (\$31.9 million). Therefore, the total unspent balance in open capital projects is \$111.0 million or 40.2% as of May 2017, reflecting the multi-year nature of the capital projects.



Section B: Capital Project Closures

As part of the ongoing capital project management, staff review the status of all open projects to ensure that as projects are completed and an asset goes into service, they are closed. The reporting of capital variances is in accordance with Delegated Authority By-law 99-2012. Variance approvals require:

- Approval from the respective staff level and the Director of Finance prior to the over expenditure;
- Approvals are to be documented in writing and a funding source identified in advance of any over expenditure;
- Where written documentation is not in place prior to spending, a staff report is required to go before Council as part of the annual capital variance and closure report; and
- All capital project (expenditure and funding) variances greater than \$50,000 are to be reported.

Staff continue to support the closure of capital projects which have not commenced after three years from budget approval. As part of this closure process, staff have recognized five capital projects that fall under this category, of which three are being closed and two will remain open. One of the two remaining open capital projects will be underway in 2017. The other project will remain open awaiting coordination with an external party.

Variance Analysis

A summary of the net transfer of approved project funding is presented in Appendix B where the 58 capital projects ready for closure are categorized into favourable and unfavourable variances by asset category. There are 49 capital projects (84.5%) for closure with favourable variances totaling \$4.5 million. Roadways, facilities and buildings and parks and open space combined account for \$4.0 million of this favourable variance.

The favourable variance of \$4.5 million is offset by the remaining 9 capital projects having unfavourable variances totaling approximately \$92,300, resulting in an overall net positive variance of \$4.4 million.

Appendix C summarizes the net funding transfers back to reserve funds to close the 58 capital projects.

Of the 58 capital projects identified for closure, there were no unfavourable variances greater than the \$50,000 reporting threshold.

Conclusion:

Finance department report F-30-17 was prepared in keeping with the capital project monitoring and control policy and Council delegation of authority report. Staff in various departments who have capital project responsibilities conducted a diligent review of their capital projects, resulting in the recommended closure of 58 capital projects or 14% of all projects.

Respectfully submitted,

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Appendices:

- A. All Capital Projects by Asset Category
- B. Capital Project Variances by Asset Category for Closure
- C. Funding Sources for Capital Project Variances by Asset Category for Closure

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.