



SUBJECT: 2019 Capital Budget Variance and Project Closure

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-32-19

Wards Affected: All

File Numbers: 435-06

Date to Committee: July 8, 2019

Date to Council: July 15, 2019

Recommendation:

Direct the Director of Finance to proceed with the closure of 77 capital projects identified as being completed in finance department report F-32-19.

Purpose:

An Engaging City

- Good Governance

The purpose of this report is to provide a summary of capital project closures and associated variances.

Background and Discussion:

Unlike expenditures reflected in the operating budget, capital projects do not close off on an annual basis. The capital projects are closed following the completion of all work and when all costs and financing have been finalized. The time between identifying the need for a capital project to its final completion can span a number of years for a major project.

Capital Project Analysis

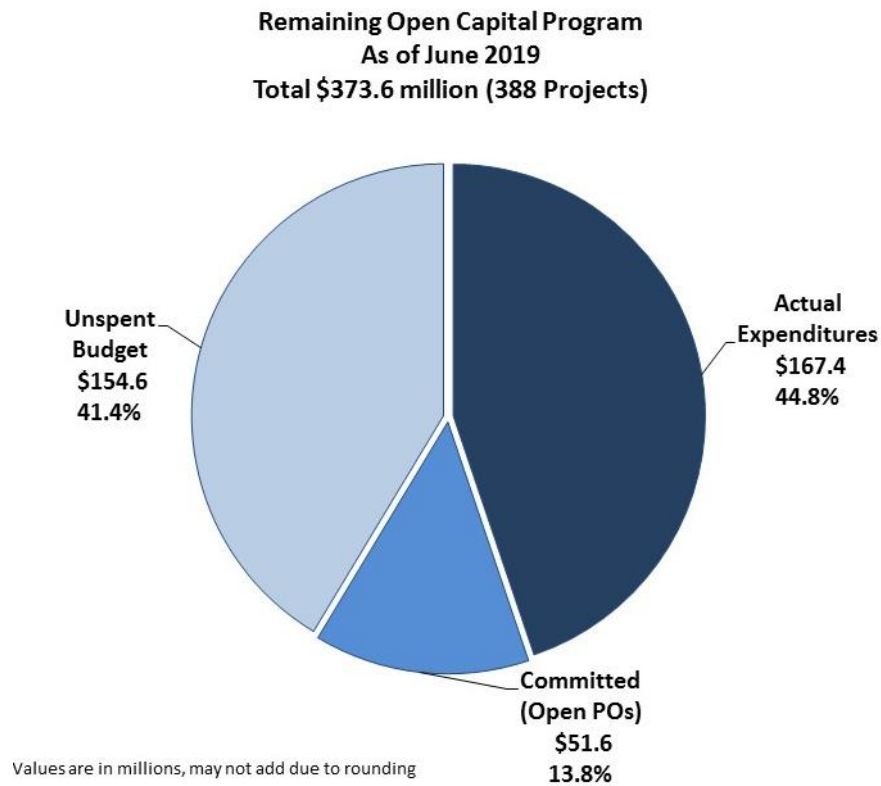
As part of the ongoing capital project management, staff review the status of all open projects to ensure that as projects are completed, and an asset goes into service, they are closed. The reporting of capital variances is in accordance with Delegated Authority By-law 99-2012.

As of June 2019, the City had 465 open capital projects with a total approved capital budget of \$428.7 million as identified in Appendix A. Roadways, Facilities and Buildings, and Parks and Open Space asset categories combined make up 338 of the total number of projects underway in the City and accounts for \$326.6 million or 76.2% of the total value of the capital program.

Of the 465 (\$428.7 million) open capital projects, staff have identified 77 capital projects or 16.6% with a total approved budget of \$55.0 million to be closed.

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 four capital projects that fall under this category, of which one is being closed and three will remain open as the project managers have indicated they will commence in 2019. The project being closed was intended to construct a lunchroom at the Burlington GO Station, it has been determined that staff can utilize the existing space and the project can be cancelled.

The following chart provides the status of the approved \$373.6 million budget of the 388 remaining open projects. Of the total, \$219.1 million or 58.6% of the approved budget has been either spent (\$167.4 million) or committed through purchase orders (POs) (\$51.6 million). Therefore, the total unspent balance in open capital projects is \$154.6 million or 41.4% as of June 2019, reflecting the multi-year nature of the capital projects.



Financial Matters:

Variance Analysis

A summary of the net transfer of approved project funding is presented in Appendix B. The 77 capital projects ready for closure are categorized into favourable and unfavourable variances by asset category. There are 60 capital projects (77.9%) for closure with favourable variances totaling \$4.8 million. Roadways, Facilities and Buildings and Parks and Open Space combined account for \$4.1 million of this favourable variance.

The favourable variance of \$4.8 million is partially offset by the remaining 17 capital projects having unfavourable variances totaling approximately \$0.1 million, resulting in an overall net positive variance of \$4.7 million.

Appendix C summarizes the net funding transfers back to reserve funds to close the 77 capital projects.

One of the 77 projects identified for closure was related to the emergency work required as a result of the August 2014 flood. Immediately after the flood, a significant amount of work was completed to repair flood damage to city infrastructure. Capital expenditures were incurred prior to budget funding approved as part of the 2015 budget for flood mitigation. The project in the amount of \$685,142 is now being closed with funding applied from the 2015 project.

Conclusion:

Finance report F-32-19 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 77 capital projects or 16.6% of all projects.

Respectfully submitted,

Andrea Hagley
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Appendices:

Appendix A: All Capital Projects by Asset Category

Appendix B: Capital Project Variances by Asset Category for Closure

Appendix 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.