



**SUBJECT: 2020 capital budget variance and project closure**

**TO: Corporate Services, Strategy, Risk & Accountability Cttee.**

**FROM: Finance Department**

Report Number: F-14-20

Wards Affected: All

File Numbers: 435-06

Date to Committee: May 14, 2020

Date to Council: May 25, 2020

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**Recommendation:**

Direct the Chief Financial Officer to proceed with the closure of 55 capital projects identified as being ready for closure in finance department report F-14-20.

**PURPOSE:**

**Vision to Focus Alignment:**

- Deliver customer centric services with a focus on efficiency and technology transformation
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**Background and Discussion:**

Unlike expenditures reflected in the operating budget, capital projects do not close 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.

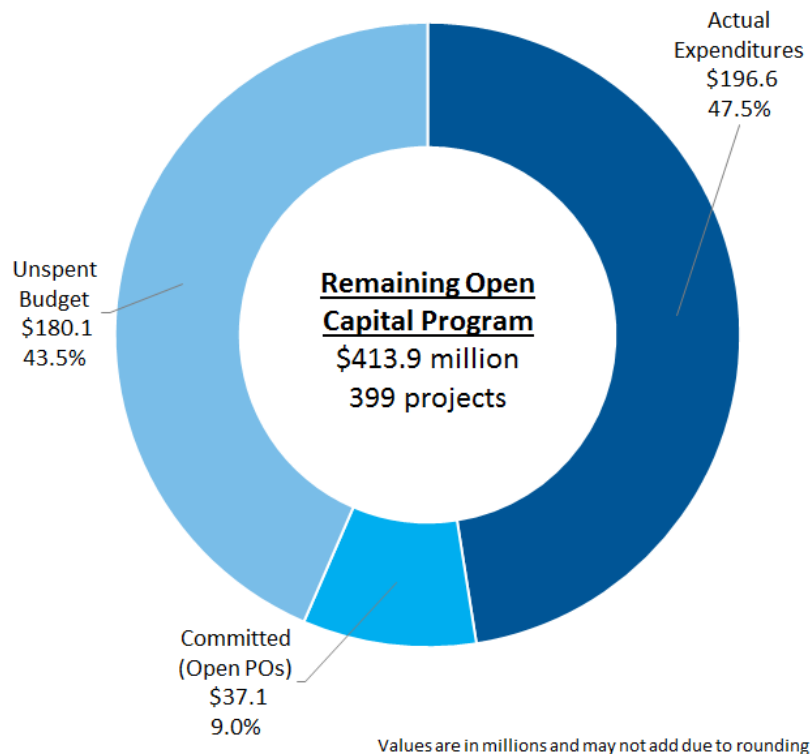
**Capital Project Analysis**

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 March 18, 2020, the City had 454 open capital projects with a total approved capital budget of \$456.2 million. Of the 454 open capital projects, staff have identified 55 capital projects with a total approved budget of \$42.3 million, or 9.3% of the total program, to be closed. For a breakdown of the capital program by asset category and a chart of the remaining open projects please see Appendix A.

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 seven capital projects that fall under this category, of which two will be closed and five remain open as the project managers have indicated they will commence in 2020.

The following chart provides the status of the approved \$413.9 million budget of the 399 remaining open projects. Of the total, \$233.8 million or 56.5% of the approved budget has either been spent or committed through purchase orders (POs). Therefore, the total unspent balance in open capital projects is \$180.1 million or 43.5% as of March 2020, reflecting the multi-year nature of the capital projects.



## **Financial Matters:**

### **Variance Analysis**

The 55 capital projects ready for closure are categorized into favourable and unfavourable variances by asset category. There are 49 capital projects (89.1%) for closure with favourable variances totaling \$4.3 million. The favourable variance of \$4.3 million is partially offset by the remaining 6 capital projects having unfavourable variances totaling approximately \$0.08 million, resulting in an overall net positive variance of \$4.2 million. A summary of the variances by asset category is presented in Appendix B.

Appendix C summarizes the net funding transfers back to reserve funds to close the 55 capital projects. Of the 55 capital projects identified for closure, there were no unfavourable variances greater than the \$50,000 reporting threshold.

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### **Climate Implications**

Not Applicable

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### **Conclusion:**

Finance report F-14-20 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 55 capital projects or 12.1% of all projects.

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Respectfully submitted,

Andrea Hagley

Financial Analyst – Budgets and Policies

(905) 335-7600 ext. 7390

Christopher Schneider

Financial Analyst – Budgets and Policies

(905) 335-7600 ext. 7852

**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, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.