



SUBJECT: 2021 capital budget variance and project closure

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

FROM: Finance Department

Report Number: F-17-21

Wards Affected: All

File Numbers: 435-06

Date to Committee: June 7, 2021

Date to Council: June 22, 2021

Recommendation:

Direct the Chief Financial Officer to proceed with the closure of 67 capital projects identified as being ready for closure in finance department report F-17-21.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation

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.

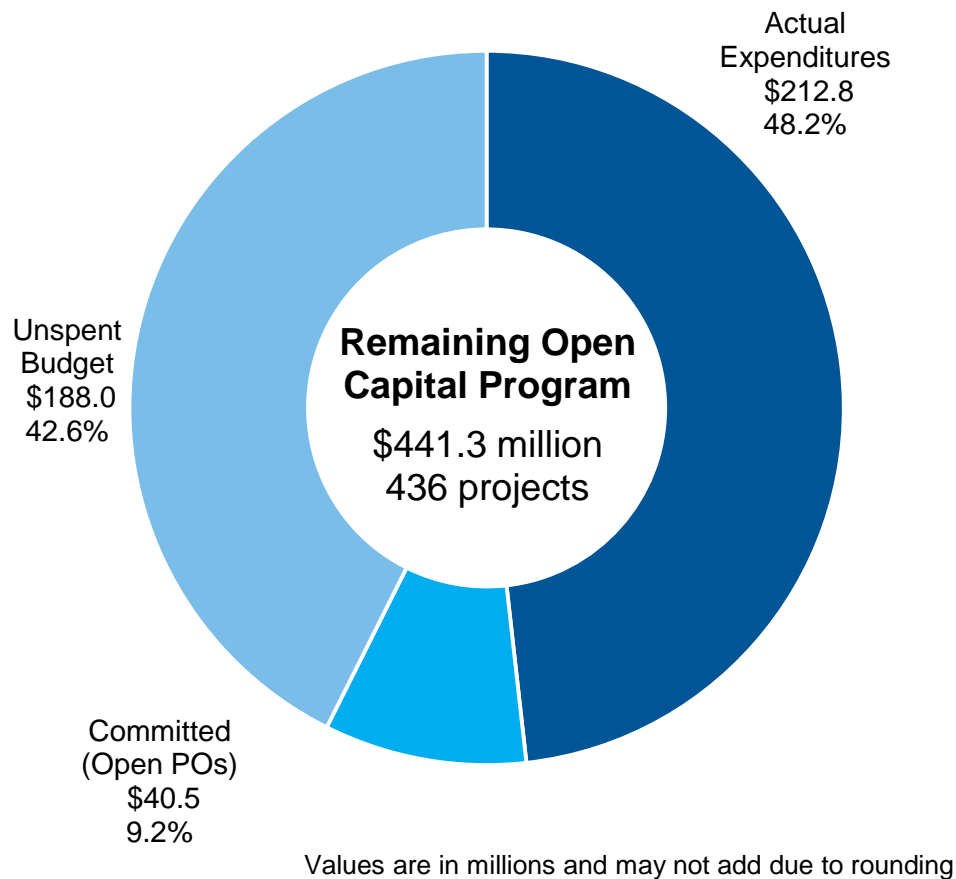
Capital Project Analysis

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 May 3, 2021, the City had 503 open capital projects with a total approved capital budget of \$493.6 million. Of the 503 open capital projects, staff have identified 67 capital projects with a total approved budget of \$52.3 million, or 10.6% of the total program, to be closed. For a breakdown of the capital program by asset category 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 eight capital projects that fall under this category, of which six will commence in 2021. The other two projects will remain open awaiting coordination with an external party.

The following chart provides the status of the approved \$441.3 million budget of the 436 remaining open projects. Of the total, \$253.3 million or 57.4% of the approved budget has either been spent or committed through purchase orders (POs). Therefore, the total unspent balance in open capital projects is \$188.0 million or 42.6% as of May 2021, reflecting the multi-year nature of the capital projects.



Financial Matters:

Variance Analysis

The 67 capital projects ready for closure are categorized into favourable and unfavourable variances by asset category. There are 57 capital projects (85.1%) for closure with favourable variances totaling \$3.6 million. The favourable variance of \$3.6 million is partially offset by the remaining 10 capital projects having unfavourable variances totaling approximately \$0.2 million, resulting in an overall net positive variance of \$3.4 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 67 capital projects. Of the 67 capital projects identified for closure, there were no unfavourable variances greater than the \$50,000 reporting threshold.

Climate Implications

Not Applicable.

Engagement Matters:

Not Applicable.

Conclusion:

Finance report F-17-21 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 67 capital projects or 13.3% of all projects.

Respectfully submitted,

Andrea Hagley
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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, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.