



**SUBJECT:** 2022 capital budget variance and project closure

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

**FROM:** Finance Department

Report Number: F-16-22

Wards Affected: All

File Numbers: 435-06

Date to Committee: May 4, 2022

Date to Council: May 17, 2022

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### **Recommendation:**

Direct the Chief Financial Officer to proceed with the closure of 65 capital projects identified as being ready for closure in finance department report F-16-22.

### **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.

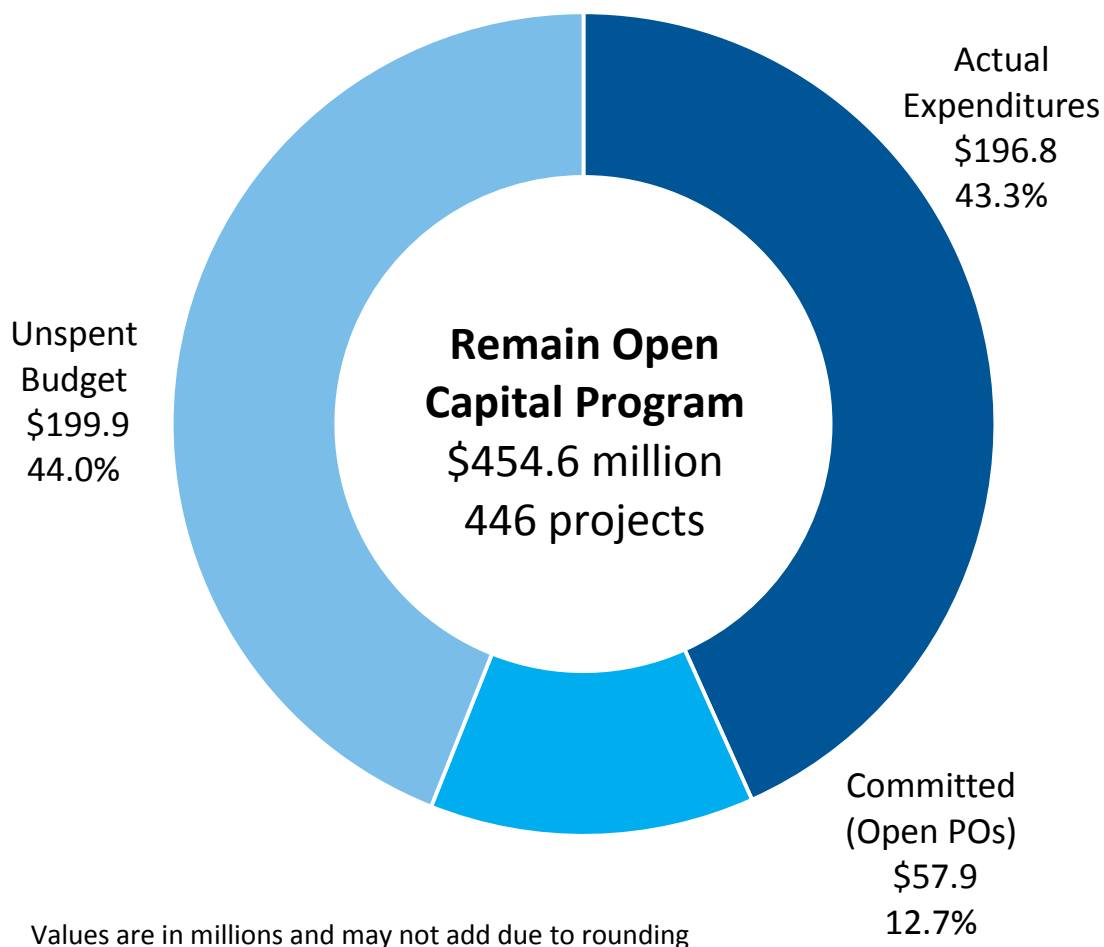
#### **Capital Project Analysis**

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 07-2022.

As of April 2022, the City had 511 open capital projects with a total approved capital budget of \$534.8 million. Of these open capital projects, staff have identified 65 capital projects with a total approved budget of \$80.2 million, or 15% of the total program, to be closed. For a breakdown of the capital program by asset category please refer to 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 six capital projects that fall under this category. These projects will be starting in 2022 or are being deferred while they coordinate with external parties.

The following chart provides the status of the approved \$454.6 million budget of the 446 remaining open projects. Of the total, \$254.7 million or 56.0% of the approved budget has either been spent or committed through purchase orders (POs). Therefore, the total unspent balance in open capital projects is \$199.9 million or 44.0% as of April 2022, reflecting the multi-year nature of the capital projects.



## **Financial Matters:**

### **Variance Analysis**

The 65 capital projects ready for closure are categorized into favourable and unfavourable variances by asset category. There are 54 capital projects (83.1%) for closure with favourable variances totaling \$5.9 million. The favourable variance of \$5.9 million is partially offset by the remaining 11 capital projects having unfavourable variances totaling approximately \$0.4 million, resulting in an overall net positive variance of \$5.6 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 65 capital projects.

### **Roadways**

The Roadways asset category is closing 17 projects and returning approximately \$4,400,000 in City funds. Over the last three years, Roadways has returned on average \$2,900,000. This year's increase of \$1,500,000 above average can be attributed to tendering construction projects early in the year after capital budget approval, combining smaller projects to achieve economies of scale, and receiving higher than expected external recoveries.

### **Unfavourable Variances**

Of the 65 capital projects identified for closure, there were two capital projects with unfavourable variances greater than the \$100,000 reporting threshold.

The Lakeshore Road Resurfacing project had an unfavourable variance of approximately \$145,000 due to a change of scope during construction. These changes included improvements to pedestrian facilities, soil remediation and additional sanitary sewer work required.

Elgin Street Promenade (Phase II & III) had an unfavourable variance of approximately \$156,000 as a result of less than anticipated recovery of senior level funding.

These unfavourable variance will be covered from other Roadway projects that are getting closed with a favourable variance.

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## **Climate Implications**

Not Applicable.

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## **Engagement Matters:**

Not Applicable.

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## **Conclusion:**

Finance report F-16-22 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 65 capital projects or 12.7% of all projects.

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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.