



SUBJECT: Capital budget variance and project closure as of December 31, 2023

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-11-24

Wards Affected: All

File Numbers:435-06

Date to Committee: March 4, 2024

Date to Council: March 19, 2024

Recommendation:

Receive and file finance department report F-11-24, which reports on the capital budget variance and project closure as of December 31, 2023.

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

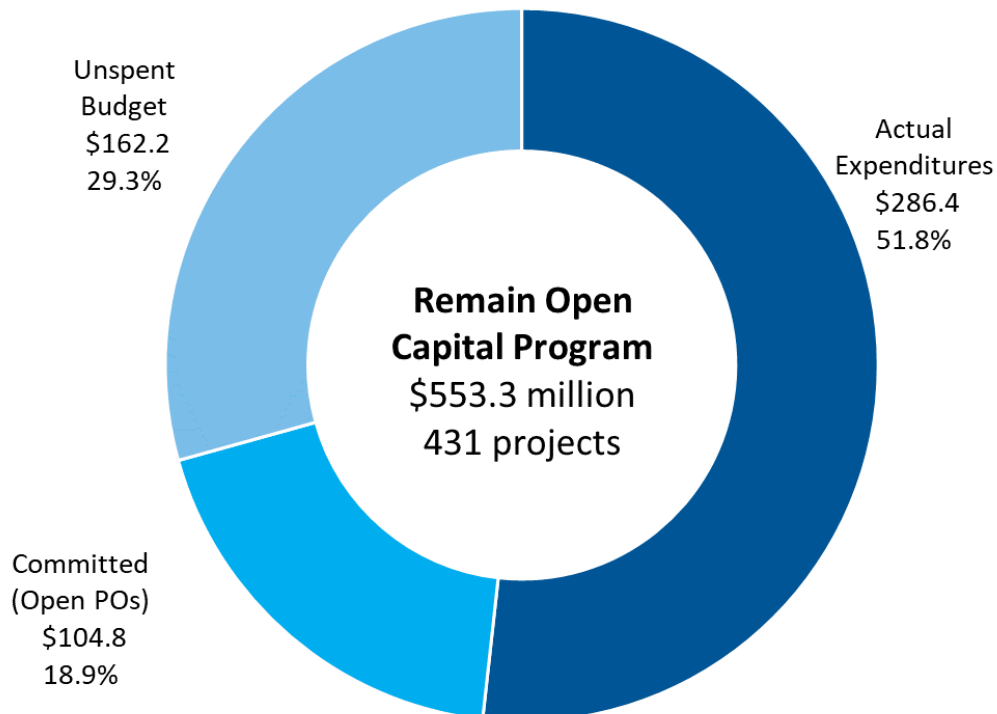
As part of the ongoing capital project management, staff review the status of all open projects to ensure that as projects are completed and an asset goes into service, they

are closed. The reporting of capital variances is in accordance with Delegated Authority By-law 71-2023.

As of December 2023, the City had 473 open capital projects with a total approved capital budget of \$597.9 million. Of these open capital projects, staff have identified 42 capital projects with a total approved budget of \$44.6 million, or 7.5% 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 ten capital projects that fall under this category. These projects will be starting in 2024, waiting for the completion of the Prosperity Corridor Study, require additional funding or are being deferred while they coordinate with external parties.

The following chart provides the status of the approved \$553.3 million budget of the 431 remaining open projects. Of the total, \$391.2 million or 70.7% of the approved budget has either been spent or committed through purchase orders (POs). Therefore, the total unspent balance in open capital projects is \$162.2 million or 29.3% as of December 2023, reflecting the multi-year nature of the capital projects.



Values are in millions and may not add due to rounding

Financial Matters:

Variance Analysis

The 42 capital projects that have been closed are categorized into favourable and unfavourable variances by asset category. There were 39 capital projects (92.9%) with favourable variances totaling \$2.0 million. The favourable variance of \$2.0 million is partially offset by the remaining three capital projects having unfavourable variances totaling approximately \$0.2 million, resulting in an overall net positive variance of \$1.8 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 for the 42 capital projects.

Unfavourable Variances

Of the 42 capital projects closed, there was one capital project with an unfavourable variance greater than the \$100,000 reporting threshold.

The Transit – Conventional Bus Replacement - 2022 project has an unfavourable variance of approximately \$197,435 due to increased costs for buses and peripherals. Additionally, to support health and safety initiatives, a driver protection screen is now purchased and installed on each new bus. The increased and additional costs were not known at the time of budget approval.

This unfavourable variance will be covered by the Canada Community-Building Fund (formerly Federal Gas Tax) and Provincial Gas Tax Reserve Funds.

Climate Implications:

Not Applicable.

Engagement Matters:

Not Applicable.

Conclusion:

Finance report F-11-24 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 closure of 42 capital projects or 8.9% of all projects.

Respectfully submitted,

Andrea Hagley
Financial Analyst, Budgets

Anna Rutkowski
Financial Analyst, Budgets

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.