SUBJECT: Amendments to Capital Budget Pre Approval Policy
(PW05117/FCS05104) - (City Wide)

RECOMMENDATION:
That the existing pre-approval policy as approved by Council February 6, 2001 allowing City Departments to pre-spend up to 33% of the value of the preceding year's approved capital budget for roads, water, wastewater, storm sewers, waste management, community services, police services and transit projects on replacement, repair, or rehabilitation - type construction projects, in accordance with the approved purchasing policies and procedures, prior to the annual budget be amended as follows:

(a) The pre-approval allocation be increased from 33% to 50%
(b) Capital Budgets for Open Space Development & Parks Planning and Fleet & Facilities be included in the pre-approval policy.

EXECUTIVE SUMMARY:
Council approved a Pre-Approval Capital Budget Policy in 2001 which recommended that Departments within Public Works could pre-spend up to 33% of the value of the preceding year’s approved capital budget for roads, water, wastewater, storm sewer,
waste management, community services, police services and transit projects on replacement, repair or rehabilitation for the upcoming budget year. New capital projects, being projects not previously identified within the Capital program would not be covered under the pre-approval policy unless they have been previously approved by Council to proceed to construction.

The approved policy represents an annual guideline that applies to all projects / programs within the roads, water, wastewater, storm sewer, waste management, community services, police services and transit budgets. The policy is limited to these capital programs only, because they have regular annual allocations that do not tend to fluctuate widely from year to year. However, one exception to this rule would be where a project for a service other than those listed above is planned and budgeted over the course of two or more years and the first year has already been approved, then the pre-budget approval spending authority would also apply to the second phase/part/year of the project.

With the ongoing increases within both Levy and Rates Capital programs for infrastructure projects, additional planning time is required by staff and industry to implement projects. Additional pre-approval allocation will allow the timing to provide a successful, cost effective delivery within the current budget year and is fully supported by Industry Associations as they can better schedule their annual program.

To address these ongoing concerns, staff recommend the existing pre-approval policy be amended from 33% to reflect a 50% pre-approval allocation for projects meeting the criteria specified under the current policy with the following amendment:

1. That the current policy be amended to include the capital budgets for Open Space Development & Parks Planning and Fleet & Facilities.

For the 2006 Open Space Development and Parks Capital program, the 50% pre-approval allocation allows additional projects, as identified in Appendix “A”, to be initiated prior to budget approval.

Although there are currently no Fleet & Facilities projects on the proposed pre-approval list, it is being recommended that Fleet & Facilities be included in approved programs under the Capital Budget pre-approval policy for future purposes, similar to other areas of Public Works allowing additional time for the tender process enables the City to receive better contract prices.

**BACKGROUND:**

The information provided in this report affects various wards and has city wide implications.

Each year, City Departments prepare a 10-year Capital Budget & Forecast. In order to begin the new construction process prior to the approval of the Capital Budget, Council authorization is required for the calling of tenders to commence the construction program. The earlier that projects can be placed for tender in the new year provides the opportunity for the City to receive better contract prices and therefore creating a cost effective approach to address the rising cost of construction. With favourable tenders, the possible creation of surplus funding within the Capital program may result in additional supplementary projects to be accelerated and therefore reducing Capital funding pressures. Also, more contractors will respond and provide tender prices prior
to establishing their construction programs / projects for the year. Co-ordination of all infrastructure services (e.g., water, roads, and sewers) is taken into consideration when the tenders are requested from contractors.

The Capital Planning and Implementation Division has identified a need to commence capital works projects for the upcoming budget year prior to budget approval, in order to take advantage of lower tender prices (early in the construction season) and/or to ensure completion by the end of 2006. This approach is supported by various Industry Associations. The capital budget for rehabilitation and replacement is forecast to increase over the coming years as there are funding programs being introduced by Senior Levels of Government to address the accumulated deficits in the City’s aging infrastructure.

Schedule A is comprised of the projects being proposed under the amended pre-approval policy allowing for the increase to 50% and the inclusion of Open Space Development & Parks Planning. Projects identified in Schedule A are projects which were identified within the 2005 Capital Budget as proposed projects for 2006 implementation.

Schedule B is comprised of the projects being proposed under the existing pre-approval policy which would allow for 33% pre-spending authority and the exclusion of all Open Space Development & Parks Planning. Projects identified in Schedule B are projects which were identified within the 2005 Capital Budget as proposed projects for 2006 implementation.

ANALYSIS OF ALTERNATIVES:

Should Council not approve the amendments to the Capital Budget pre-approval policy, approximately $525,000 of Open Space Development & Parks Planning projects would be delayed until the approval of the Capital Budget. This impact may result in the failure to successfully complete projects within the programmed year of Open Space Development & Parks Planning improvements.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Outlined in Schedule A and B

POLICIES AFFECTING PROPOSAL:

Pre Approval Policy approved by Council February 6, 2001 - FCS01005

CONSULTATION WITH RELEVANT DEPARTMENTS/AGENCIES:

Budgets & Finance, Finance & Corporate Services Department

CITY STRATEGIC COMMITMENT:

City of Hamilton strategic commitment for “A city that spends wisely and invests strategically” is being met through the implementation of the pre-approval policy for Capital Projects.
## PROPOSED ALLOCATION OF CAPITAL BUDGET PRE-APPROVAL

### Public Works

<table>
<thead>
<tr>
<th>Road Allocation</th>
<th>Water Allocation</th>
<th>Waste Allocation</th>
<th>Open Space Allocation</th>
<th>Preapproval Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$19,717,500</td>
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<td>$20,601,500</td>
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### Approved Funding Allocation Under Policy

**Part A - Projects identified in the 2005 Capital Budget for 2006 implementation (50%)**

- **Annual Coordination - Road Replacement**: $5,000,000
- **Annual Major Road Maintenance**: $550,000
- **Annual Roadside Substandard Drainage**: $600,000
- **Annual Bridge & Culvert Program**: $600,000
- **Annual Resurfacing Program**: $3,730,000
- **Annual Watermain Replacement - Coordinated with Roads**: $950,000
- **Anson / Gatineau / Rapallo / Rideau**: $1,430,000
- **Bridge 180 - Mary Street / Ferguson**: $1,000,000
- **East 13th Street - Queensdale to Fennell**: $640,000
- **East 27th Street / Russel Street - Crockett to Upper Sherman**: $440,000
- **Glennie Av / Adeline Av - Barton to end**: $950,000
- **Herkimer Street - Bay to James**: $750,000
- **Kenwood Crescent - Kingsea to end**: $350,000
- **Lydia Street - Lawrence to end**: $200,000
- **Sulphur Springs - Wilson to Lovers Lane***: $800,000
- **Pavement Management Network Analysis**: $450,000
- **Sherwood Rise - High to Morningside**: $650,000
- **Traymore Avenue / Arnold Street**: $690,000
- **Community Recycling Centres**: $1,035,000
- **SWMMP - Green Cart Implementation**: $4,150,000
- **Annual - Recycling & Litter Container Replacement Blue Boxes**: $90,000

### Additional Projects

- **2005 SUPP Conservation Run/Deloittinville**: $105,000
- **2005 SUPP Glenbrook Sports Park**: $100,000
- **2005 SUPP Jackson Heights Park**: $120,000
- **2005 SUPP Moorland Park**: $85,000
- **2005 SUPP Southampton Park**: $55,000
- **2005 SUPP Victoria Park**: $60,000
- **Multi-year Winona Noise Wall**: $250,000
- **Multi-year Ancaster Heights Phase III**: $1,200,000
- **Multi-year East Escarpment Stairs**: $425,000
- **Multi-year Carpenter Park Development**: $130,000
- **Multi-year Peace Memorial School**: $105,000
- **Multi-year Southbrook Park**: $420,000
- **Multi-year Churchill Park**: $250,000

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* time sensitive due to 2006 Bell Canadian Open
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### Part A - Projects identified in the 2005 Capital Budget for 2006 implementation (33%)

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