SUBJECT: Capital Projects’ Status and Closing Report as of December 31st, 2007 (FCS07081(b)) (City Wide)

RECOMMENDATION:

(a) That the December 31st, 2007, Capital Projects’ Status and Projects’ Closing Report and the attached Appendices A, B, C, D, E and F to report FCS07081(b) for the tax levy and the rate supported capital projects be received for information;

(b) That the Capital Closing Policy in regards to closing surplus, (Section 1,ii).1.c)) outlined on pages 5 & 6 of this Report, be amended to include the following:

"or apply to reduce Outstanding Debt."

(c) That the General Manager of Finance & Corporate Services be directed to close the completed capital projects listed in Appendix B to report FCS07081(b) in accordance with the Capital Closing Policy and that the net transfers be dealt with as listed in Appendix A to report FCS07081(b) and summarized below:
(d) That the funding for projects originally allocated in the 2005-2007 Capital Budgets and outlined in Schedule G be re-allocated between the Federal Gas Tax and Future Fund to concur with the criteria established by The Federal Treasury Board for eligible Federal Gas Tax Projects.

Joseph L. Rinaldo  
General Manager  
Finance and Corporate Services

**EXECUTIVE SUMMARY:**

This report presents the capital projects’ status for both the tax and the rate supported capital budgets, as submitted by operational departments, and is based on estimated and committed expenditures to December 31st, 2007.

Appendix A to report FCS07081(b) summarizes the net transfers of the projects recommended for closure.

Appendix B to report FCS07081(b) lists the individual Tax and Rate Supported projects to be closed. A total of $136.2 million of completed projects are being recommended for closure.

Appendix C to report FCS07081(b) summarizes the Capital Budget Variances by department and also summarizes the projects which are less than 25% spent. As of December 31st, 2007, the total budget is $1.484 billion, of which $968.1 million or 65.2%, is spent or committed. Of this total, $370.4 million of the projects are less than 25% spent making up 25% of the total active projects.
It should be noted that there is a large discrepancy of projects, less than 25%, spent between the Tax Supported Projects and the Rate Supported Projects. The Tax Supported Projects have 13.8% of their total under 25% spent while the Rate Supported Projects have 49.8% under their Projects under 25% spent.

Appendix D to report FCS07081(b) lists tax and rate supported projects that are less than 25% spent.

Appendix E to report FCS07081(b) reflects the tax-supported capital variance by project and consists of projects totalling $1.023 billion of which $798.7 million or 78.0% is spent or committed as of December 31st, 2007.

Appendix F to report FCS07081(b) reflects the rate-supported capital variance by project and consists of projects totalling $460.8 million of which $169.4 million or 36.8% is spent or committed as of December 31st, 2007.

It should be noted that the percentage of completion, as of the end of December 2007, has declined slightly when averaged over the last four years. This can be attributed to the $36.6 million in Rate Supported Projects approved for closure in the 2008 Rate Report and not reflected in this report as approval for closure was already received.

The following Table shows the trend over the last four years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Supported Program</td>
<td>78.0%</td>
<td>81.0%</td>
<td>80.5%</td>
<td>70.2%</td>
<td>74.6%</td>
</tr>
<tr>
<td>Rate Supported Program</td>
<td>39.8%</td>
<td>52.9%</td>
<td>51.2%</td>
<td>51.3%</td>
<td>48.5%</td>
</tr>
<tr>
<td>All Projects</td>
<td>65.2%</td>
<td>72.4%</td>
<td>71.6%</td>
<td>64.3%</td>
<td>67.3%</td>
</tr>
</tbody>
</table>

**Closure Report (Appendices A and B to report FCS07081(b))**

All capital projects have been reviewed and it has been determined that the projects listed in the Closure Report (Appendix B to report FCS07081(b)) are complete and all revenue and expenditure transactions, relating to these projects, have been processed.

The Closure Report lists a funding source for each project in a deficit position and a funding transfer for each project in a surplus position.

The total budget for projects recommended for closure is $136.2 million of which $135.0 million or 99.1% is expended, while total revenues are $136.2 million thus leaving a net transfer of $1.2 million. Appendix B to report FCS07081(b) lists the net transfer for each project.

**Funding Reallocation (Appendix G)**

When preparing the Capital Budget, the Federal Gas Tax is allocated to capital projects based on the interpretation of the criteria established by The Federal Treasury Board for eligible Federal Gas Tax Projects. At a future date, the projects are reviewed by the
Auditors to determine eligibility of the projects. Based on the review, the funding is reallocated between the eligible and ineligible projects.

**BACKGROUND:**

Council approved that capital projects are reviewed in accordance with the City's approved Capital Budget Variance and Closure Policy (report FCS01133/TOE01184). For each variance/closure report, staff determines if projects can be closed (inactivated) and also monitor financial activity to ensure that Council is aware of any capital projects which deviate significantly from approved budgeted amounts.

Inactivating completed projects helps to keep the number of capital projects, in the financial system, to a manageable size and eliminates redundant data from reports.

The financial information in this report is based on spending to December 31st, 2007.

**ANALYSIS/RATIONALE:**

N/A

**ALTERNATIVES FOR CONSIDERATION:**

N/A

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

The Summary of the Net Funding Sources Table (included in Appendix A to report FCS07081(b)) summarizes the recommended net funding transfers, required to fund all closed projects, and their resulting impact on the various funding sources.

**POLICIES AFFECTING PROPOSAL:**

1. **Capital Closing Policy**
   
   i) That any approved Capital project, whose construction stage has not begun after three years, be closed and be resubmitted to Council for approval.
   
   ii) That any closing surplus or deficit be distributed as follows:

   1. **Surplus:**
      
      a) If funded from a specific reserve, return funds to that reserve.
b) If funded from debentures, apply to reduce future debenture requirements.

c) If funded from current contribution, apply to the Unallocated Capital Levy Reserve.

2. Deficit:

   a) If funded from a specific reserve, fund from that reserve.

   b) If funded from debentures, increase future debenture requirements only if no other source of financing is available.

   c) If funded from current contribution, fund from the Unallocated Capital Levy Reserve.

2. Capital Project Monitoring

   That a Capital Status report and Capital Project Closing report be submitted to City Council three times a year as of June 30th, as of September 30th and as of December 31st.

RELEVANT CONSULTATION:

Staff from the following departments have provided information regarding the capital budget variances and project closures:

- Public Works
- Planning and Economic Development
- Corporate Services
- Public Health Services
- Community Services
- Hamilton Police Service
- H.E.C.F.I.
- Hamilton Emergency Services

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Evaluate the implications of your recommendations by indicating and completing the sections below. Consider both short-term and long-term implications.
Community Well-Being is enhanced. ☑ Yes ☐ No

Community Well-Being is enhanced through improved financial sustainability.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The review of the Capital Program three times a year ensures that projects are being completed and closed on timely basis. The quick turnaround on project closure frees up funds which can be reinvested in future capital budgets, thus reducing the impact on future tax funding and future debenture requirements.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No