



Asset Planning

MISSION STATEMENT

"Our City is built on relationships – between citizens and their government, businesses and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together"

REPORT #: C 114/2016	Report Date: 6/2/2016
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	Clerk's File #: AFB/12131
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To: Mayor and Members of City Council

Subject: Semi-annual Capital Project Variance Report - as of March 31, 2016

RECOMMENDATION:

City Wide: Ward(s): _____

THAT City Council **RECEIVE FOR INFORMATION** the 2016 Life-to-Date Capital Project Variance Report as at March 31, 2016 as presented by the Chief Financial Officer and City Treasurer, and

THAT City Council **APPROVE** the capital transfers to/from projects as identified in the Financial Matters section of this report.

EXECUTIVE SUMMARY:

N/A

BACKGROUND:

As per B24-2015, City Council approved the 2016 Capital Budget 5-year capital plan on December 21, 2015. Each year, any new capital projects identified that require funding

are added to the list of existing open/active projects that have not yet been completed from prior years. City Departments continue to administer their respective project portfolios and ensure they are completed on a timely basis and on budget. Any final capital project surplus is normally returned back to its original funding source. Mitigation measures will be presented for those potential capital projects which are expected to result in deficits.

DISCUSSION:

Administration continues to report to City Council semi-annually on the status of all open/active capital projects and project leads are encouraged to report any potential significant variances as soon as they can be projected. Based on past feedback received from City Council relative to the significant detailed nature and complexity of various City Council reports, Administration has amended the Capital Project Variance Report format to provide a more condensed and summarized information package for City Council's review. The changes provided in this report are intended to bring to Council's attention the overall status of the 394 active capital projects as at March 31, 2016 and highlight those projects which are anticipated to have a surplus or deficit variance upon completion.

Appendix A provides a summary status of all projects within each Program Category and further provides detail relative to any projects which are projected to have a surplus or deficit balance upon completion. It is important to emphasize that most projected surpluses or deficits are merely projections based on the current status of the project. Very few projects (4) are in a position to be closed whereby the surpluses are certain. For all other projections the numbers as noted can change prior to the project being closed. In these cases, the projects are closely monitored by Project Leads, Finance and Asset Planning on a monthly basis.

Overall the City has 362 projects projected to be on budget (many of these are in the very early stages or not yet started), 23 projected to be completed with a surplus and 9 projected to be in a deficit position. The details of the surplus and deficit are laid out in a table which can be found in the Financial Matters section.

Specific projects with projected surplus and deficits can be found in Appendix A – Summary of Capital Project Variances. It should be noted that projected variance amounts are based on information as of March 31, 2016 and will continue to fluctuate as projects proceed until such time as they are officially completed and closed with all costs being fully accounted for.

As noted above there are four projects which are complete and will be closed. Three of these projects are within the annual road and bridge rehabilitation capital programs and

funded by Federal Gas Tax dollars. Given there is a limited number of eligible projects for which Federal Gas Tax funds can be used for and generally the City has expended the majority of these funds on road and bridge type works. There is a recommendation in the Financial Matters section requesting that the surplus funds from these projects be reallocated to current annual road and bridge capital programs to continue to address the infrastructure needs in these assets.

The other project has approximately \$94,000 in surplus funds from a road project which was funded in the 2014 enhanced plan. In accordance with standard practice these funds will be returned to the PAYG reserve to be used for funding of upcoming budgets.

RISK ANALYSIS:

The Capital Project Variance Report continues to reflect a low risk to the organization as capital projects are generally managed within budget and surpluses are able to offset deficits. Monthly monitoring by Project Leads, Finance and Asset Planning ensure any issues are addressed immediately and, if necessary as per the relevant policy, reported to Council.

There are approximately \$276.4 million in budgeted expenditures which have yet to be incurred. Asset Planning and Project Leads provide projections on expenditures for significant projects to ensure cash flow projections include this information.

It should be noted that 161 of 394 projects (41%) of the total open projects have incurred expenditures of only 25% or less of their approved budget. This means that there is still the very significant likelihood of shifts in the current variance projections as the projects proceed to completion.

Project surpluses deemed to be certain have been recommended on occasion to offset other project deficits. In these instances Administration will only present such recommendations to Council if the project in a surplus position is certain to be realized and the funding source for both projects is transferrable, as is the case in the recommendations in the Financial Matter section.

The current projections for the various capital projects are estimates which can fluctuate significantly throughout the remaining duration of the project. It is considered a high risk to redeploy project surpluses in these situations if they are not certain to be realized. As projects are completed and closed, any final available surplus will be reported to Council as part of the year-end variance report. While a preliminary surplus of \$5.8 M is projected as at March 31, 2016, it is important to note and consider the limitations noted above relative to use of any such funds at this time.

FINANCIAL MATTERS:

Summary of Capital Variance

As of March 31, 2016, there are 394 open/active capital projects with total budgeted expenditures of approximately \$1.01 billion.

The following table summarizes at this time how many projects are on budget, how many are trending towards coming in under budget and how many are trending to come in over budget. Appendix A – Summary of Capital Project Variances highlights those projects which are in a surplus or deficit position.

NUMBER OF PROJECTS	PROJECTED FINAL VARIANCE TREND	AMOUNT* Surplus/(Deficit)
362	On Budget (Note that this is based on current projections, including for many projects just starting. Unforeseen circumstances may result in significant variances.)	-
23	Surplus	\$7,096,158
9	Deficit	(\$1,257,400)
394	Total	\$5,838,758
	Contingency for Unfinished Projects	\$5,838,758
	Currently Available Funds for Redeployment	\$0

*These amounts are reflected as at March 31, 2016 and therefore may vary considerably from the current figures. These amounts also include projects which are funded from designated sources (i.e. Sewer Surcharge, Federal Gas Tax, etc.) and therefore the ability to divert such funds to other initiatives is rather limited. The table below summarizes the funding source impact of all projected surpluses and deficits:

Funding Source	Projected Net Surplus/(Deficit) Impact*	Notes
Sewer Surcharge	\$5,078,290	Non-discretionary Funding Source – only to be used toward funding sewer related projects.
Pollution Control Reserves	(\$186,000)	Discretionary Funding Source –normally used to offset potential project deficits that may materialize throughout the year for pollution control projects.
Federal Gas Tax Reserve	\$1,031,605	Non-discretionary Funding Source – only to be used toward funding eligible projects as per funding agreement.
Pay-As-You-Go Capital	(\$90,137)	Discretionary Funding Source –normally used to offset potential project deficits that may materialize throughout the year.
Pay-As-You-Go Leasing	\$5,000	Discretionary Funding Source –normally used to offset potential project deficits that may materialize throughout the year.
	Total: \$5,838,758	

*With the exception of the projects identified below it should be noted that these amounts are “projected” net surpluses from projects that are not actually complete. Based on preliminary project analysis, these amounts could potentially materially change should other unforeseen circumstances occur which may bear additional cost. Administration balances and closes capital projects as they become complete and these

are reported to Council as part of the year-end variance report. Reallocation of any projected surpluses prior to completion and closure of capital projects is not recommended as project costs may be subject to variability and unexpected cost drivers until such time as the project is complete hence making any preliminary surpluses potentially unavailable for reallocation.

Recommended Allocations

The three projects below are in a position to be closed and therefore the surpluses are expected to be realized. These projects are all funded from Federal Gas Tax, which has a limited number of eligible project types which can use these funds. It is recommended that the funds from previous annual road and bridge rehabilitation projects be reallocated to more current annual road and bridge projects to allow for these programs to continually assist in addressing our infrastructure deficits for these assets.

Project From	Project To	Amount
2014 E.C. Row Rehabilitation (7141026)	2016 Road Rehabilitation (7161027)	\$598,717
Conrail Bridge Rehabilitation (7141027)	2016 Bridge Rehabilitation (7161028)	\$111,981
2015 Bridge Rehabilitation (7151009)	2016 Bridge Rehabilitation (7161028)	\$320,907

Available Unallocated Funds

There is approximately \$224,000 in the Federal Gas Tax reserve fund currently unallocated. The funds have been accumulated since inception from interest earned to date. The use of these funds is required to be for projects which meet the spending criteria for Federal Gas Tax. Administration recommends use of these funds be recommended to Council through the Capital Budget process. This will allow Administration to address unexpected and priority projects not previously identified in the 5-year capital budget which require funding.

Previous budgets have identified PAYG funding to be held as Placeholder Contingencies as many estimated projects/costs were preliminary in nature or subject to inflationary pressures. As of January 2014 there was \$12,722,500 in placeholder contingency originating from \$12,578,000 in the 2014 enhanced placeholder and \$144,500 from 2012. As the related projects have been approved and estimates have been refined and the inflationary pressures have been addressed, funds have been allocated to various projects leaving the current balance of unallocated placeholder contingency funds at \$1,638,500. The table below details the approved projects, and

corresponding Council resolutions, which has allocated \$11,084,000 of the funds to date.

The unallocated placeholder contingency funds of \$1,638,500 as noted above remain in corporate reserves for the purpose of funding future capital expenditures. The following table provides a continuity of these placeholder/contingencies.

	<u>Project Description</u>	<u>Amount</u>
2012 Placeholder	Contingency	\$144,500
2014 Placeholder	Contingency	\$12,578,000
	Total Placeholders Contingency	\$12,722,500
Approved Council Report		
B24-2015	New City Hall	\$1,500,000
CR42/2014	Fire Hall Strategic Re-Alignment	\$5,000,000
CR105/2014	Afghanistan Monument	\$100,000
B21-2015	W.I.A.T.C. Solar Photovoltaic Installation	\$1,200,000
CR34/2015	Oakwood Community Centre	\$1,701,000
CR69/2015	Tecumseh/Brock Monument Statue	\$35,000
CR93/2015	WFCU East Windsor Community Pool	\$900,000
CR248/2015	Fairbairn Cemetery - Repairs	\$48,000
CR95/2015	Riverside Library Roof Repairs/Minor Renovations	\$100,000
CR89/2014	Financing Costs	\$500,000
	Total Approved Projects for Contingency Use	\$11,084,000
	Total Unallocated Placeholder Contingency Balance	\$1,638,500

CONSULTATIONS:

All project leads and their respective Financial Planning Administrator provided capital project status updates to augment the analysis performed by the Manager of Capital Budget & Corporate Reserves.

CONCLUSION:

A comprehensive report on all open/active capital projects indicates that overall the 394 projects are currently trending towards an overall net surplus position. Given the number of projects and the fact that construction of many will continue into the following year and beyond, significant fluctuation in the projections is likely. Regular reports will keep Council apprised of the projects' status as they proceed.

PLANNING ACT MATTERS:

N/A

APPROVALS:

Name	Title
Victor Ferranti	Manager of Capital Budget & Reserves
Melissa Osborne	Senior Manager, Asset Planning
Joe Mancina	City Treasurer and Chief Financial Officer
Onorio Colucci	Chief Administrative Officer

NOTIFICATIONS:

Name	Address	Email

APPENDICES:

1. APPENDIX A - Summary of Capital Project Variances

APPENDIX A – Summary of Capital Project Variance

Listed below is a summary by Department/Program as to the status of each capital project portfolio. Projects with any projected final variance are detailed in a table within the respective Department / Program summary.

Office of the City Engineer

Street Lighting:

Currently there are only three active capital projects in this area being administered by the Engineering department. Each project remains on budget with no final variance expected.

Roadways:

There are 15 active capital projects in this area that are being administered by the Engineering department. All projects are projected to be on budget with the exception of two:

Projects with projected deficit / surplus	Estimated Deficit/ Surplus Amount	Brief Explanation
Road Improvements Walker (7035014)	(\$5,000)	Deficit to be offset by other capital projects surpluses as they are deemed complete.
Tecumseh Rd. E. Road Improvements - ISF (7092017)	(\$225,000)	Projected deficit is result of a potential business claim expected to be complete by the end of 2017. The deficit has been mitigated and factored into the net ISF capital projects final surplus.

Sewer Rehabilitation:

There are 37 active capital projects in this area that are being administered by the Engineering department. In total there are 13 of the 37 projects with a projected net variance totalling approximately \$4,703,290 in surplus. These projects are identified in the table below. These projects have been funded from Sewer Surcharge. Surpluses upon final project completion will be returned to the Sewer Surcharge Reserve allowing for those funds to offset against any final projects completed with deficits and or fund future sewer related projects requested through the Capital Budget process.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
Alley West of Chilver – Ypres/Memorial (7082018)	(\$50,000)	The anticipated deficit will be mitigated by a transfer of surplus funds from other sewer related projects upon completion.
Gladstone – Wyandotte	\$4,328	Project is complete and closed with

E./Erie E. (7092008)		surplus transferred back to the Sewer Surchage reserve.
Parent – Erie E./Wyandotte E. (7092009)	\$75,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
Cross/Baby St. – Chippawa/South (7121017)	\$85,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
Hall Ave. – Riverside/Wyandotte (7121018)	\$160,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
Cadillac – Alice/Drouillard and Hickory – Seminole/Metcalf	\$337,226	Project is complete and closed with surplus transferred back to the Sewer Surchage reserve.
Fairview – St. Rose/Edgar	\$300,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
St. Rose – Lauzon/Fairview (7122000)	(\$110,000)	The anticipated deficit will be mitigated by a transfer of surplus funds from other sewer related projects upon completion.
Jos. St. Louis – Rose/South Cul de sac (7134000)	\$700,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
King St. – Prince/South (7134001)	\$900,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
Bruce Ave. – West Grand/Norfolk (7134002)	\$700,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
California – Wyandotte/University (7141000)	\$251,736	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
Erie St. – Wellington/Crawford (7141004)	\$1,350,000	A large surplus is anticipated due to a change in scope and the combining of the tender with project 7111014 – Elm – Giles/Tecumseh.

Storm Sewers:

There are 18 active capital projects in this area administered by the Engineering department. There are 2 projects identified in the table below with projected surplus variances.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
Villaire/Edgar Prado/Glidden (7150001) –	\$300,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.
Ontario St. Raymo/Pillette (7151000) –	\$300,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates.

Sanitary Sewers:

There are 7 active capital projects in this area administered by the Engineering department. There is only one project not anticipated to come in on budget.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
Sandwich South Lands ISF (7092019)	(\$225,000)	Projected deficit is due to ongoing sewer repairs which were non-recoverable. The deficit will be mitigated through other sewer surcharge funded projects with projected surplus funds.

Corporate Projects:

There are 15 active capital projects in this area administered by the Development, Projects and ROW department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Border Infrastructure Fund:

There are only 3 active capital projects in this area administered by the Development, Projects and ROW department. These projects are expected to be on budget as they are fully funded by the Ministry of Transportation. These projects are expected to be complete by the end of 2016.

Development:

There are only 3 active capital projects in this area administered by the Development Projects and ROW department. These projects are expected to be on budget as well. No final variance is expected with these projects.

Pollution Control:

There are 39 active capital projects in this area administered by the Pollution Control department. All of these projects are funded from dedicated reserves (i.e. the West Windsor Pollution Control Reserve, the Little River Pollution Control Reserve and the Pumping Stations Reserve). 36 projects are projected to be on budget. 3 projects are anticipating a final project surplus and one a deficit, all are identified in the table below.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
LRWRP BAF Valve Replacement Program (7141037)	\$175,000	Anticipated surplus is due to favourable tender results, and will be returned to the appropriate dedicated reserve fund.
LRWRP BAF FCS Spare Screen (7141038)	\$125,000	Anticipated surplus is due to favourable tender results, and will be returned to the appropriate dedicated reserve fund.
LRWRP Annual Repair Costs (7091009)	(\$526,000)	As per CR429/2010, a separate report will be brought to Council explaining the status of this project.
Caron Ave. Pumping Station Repairs (7161045)	\$40,000	Budget established was only a preliminary estimate.

Environmental Services:

There are only 2 active capital projects in this that are being administered by the Pollution Control department. These projects are expected to be on budget as well. No final variance is expected with these projects.

Contracts & Field Services:

There are 6 active capital projects in this area that are all being administered the Public Works Operations department. Each project remains on budget with no final variance expected.

Road Rehabilitation:

There are 26 active capital projects in this area that are all being administered by the Public Works Operations department. Four projects are completed and have a surplus balance as detailed in the table below. Three of these projects are funded by the use of the Federal Gas Tax, and one is funded by PAYG. The Financial Matters section of the report details Administrations recommendation on the reallocation of the Federal Gas Tax funds and the return of the PAYG funds to the reserve.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
2014 E.C. Row Rehabilitation (7141026)	\$598,717	Project surplus is a result of favourable tender pricing with balance of unspent fuel tax dollars being recommended to be transferred to the ongoing road rehab. program.
Conrail Bridge Rehabilitation (CASO) (7141027)	\$111,981	Project surplus is a result of favourable tender pricing with balance of unspent fuel tax dollars being recommended to be transferred to the ongoing bridge rehab. program.
Tecumseh E. – Forest	\$94,263	Surplus from this 2014 enhanced

Glade/Robinet (7142004)		placeholder project is a result of favourable tender pricing from initial budget estimates. It is recommended these funds returned to the PAYG reserve for future use.
2015 Bridge Rehabilitation (7161028)	\$320,907	Project surplus is a result of favourable tender pricing with balance of unspent fuel tax dollars being recommended to be transferred to the ongoing bridge rehab. program.

PW Maintenance:

There are 4 active capital projects in this area administered by the Public Works Operations department. These projects are expected to be on budget. No final variance is expected with these projects.

Traffic Transportation Planning:

There are 12 active capital projects in this area administered by the Public Works Operations department. These projects are expected to be on budget. No final variance is expected with these projects.

Fleet Operations:

There are 11 active capital projects in this area administered by the Fire and Rescue department and the Public Works Operations department. These projects are expected to be on budget. No final variance is expected with these projects.

Forestry:

There are only 2 active capital projects in this area administered by the Parks department. The Tree Maintenance Backlog project (7131021) is expected to be completed by 2018 and on budget. The Jefferson Ave. Berm project (7143000) is projected to come in under budget by approximately \$150,000 because not all the trees identified are actually dead and do not require replacement.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
Tree Replacement - Jefferson Ave. Berm (7143000)	\$150,000	As noted above, not all the trees identified are actually dead and may not require replacement.

Horticulture:

The Bert Weeks Capital Restoration project (7142008) is being administered by the Parks department. This project is for the refurbishment of the pumps and expected to be complete by the Fall of 2016. This project is expected to be on budget with no final variance.

Parks Operations:

There are 23 active capital projects in this area administered by the Parks department. 19 projects are projected to be on budget while the other 4 are projecting a net deficit of approximately \$104,400 as a result of unfavourable tender results. Administration is looking at various options to address and offset these deficits including from potential surpluses in other projects.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
Neighbourhood Parks (7129003)	\$12,000	Anticipated surplus is a result of favourable tender pricing from initial budget estimates. This surplus will mitigate any anticipated project deficits that may materialize upon project completion.
New Parks (7129004)	(\$4,400)	Project deficit is a result of unfavourable tender results whereby Administration is looking at various options to offset this deficit from potential surpluses in other projects.
Structures (7129005)	(\$59,000)	Project deficit is a result of unfavourable tender results whereby Administration is looking at various options to offset this deficit from potential surpluses in other projects.
Community Parks (7129011)	(\$53,000)	Project deficit is a result of unfavourable tender results whereby Administration is looking at various options to offset this deficit from potential surpluses in other projects.

Facility Operations:

There are 36 active capital projects in this area administered by the Facilities department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Mayor's Office

Mayor's Office:

There are only 2 active capital projects in this area administered by the Mayor's office. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Office of the Chief Administrative Officer

Office of the Chief Administrative Officer:

There are only 2 active capital projects in this area managed by the Office of the CAO. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Office of the City Solicitor

Fire and Rescue:

There are 6 active capital projects in this area that are being administered by the Fire and Rescue department. One project as identified in the table below is expected to come in under budget.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
Crisys System (7161037)	\$5,000	Actual cost of the CAD system replacement coming in under budget.

Legal Services:

There are 7 active capital projects in this area that are being administered by the Legal Department. One project as identified in the table below is expected to come in under budget.

Projects with projected deficit / surplus	Deficit/ Surplus Amount	Brief Explanation
'99 CP Railway Cut (7995537)	Unknown	The matter remains before the courts and as such the potential deficit amount is not able to be quantified.

Planning:

There are 16 active capital projects in this area that are being administered by the Planning department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Office of the City Clerk

Windsor Public Library:

There are 5 active capital projects in this area that are being administered by the Windsor Public Library and the Development, Projects and ROW department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Records and Elections:

There are only 2 active capital projects in this area that are being administered by the Council Services department. No project variance is anticipated as both of these projects are currently expected to come in on budget.

Human Resources:

There are 3 active capital projects in this area that are being administered by the Human Resources department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Office of the Chief Financial Officer

Financial Planning:

There are 5 active capital projects in this area that are being administered by the Financial Planning division. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Corporate Asset Planning:

There are 17 active capital projects in this area that are being administered by the Asset Planning division. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Taxation and Financial Projects:

There is only 1 active capital project in this area that is being administered by the Taxation and Financial Projects division. No project variance is anticipated as this project is currently expected to come in on budget.

Information Technology:

There are 13 active capital projects in this area that are being administered by the Information Technology department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Community Development and Health

Huron Lodge:

There are only 2 active capital projects in this area that are being administered by Huron Lodge. No project variance is anticipated as both of these projects are currently expected to come in on budget.

Recreation Facilities:

There are 12 active capital projects in this area that are being administered by the Recreation & Culture department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Cultural Affairs:

There are 5 active capital projects in this area that are being administered by the Recreation and Culture department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Transportation Services

Transit Windsor:

There are 10 active capital projects in this area that are being administered by Transit Windsor. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Windsor Airport:

There are 5 active capital projects in this area that are being administered by the Development, Projects and ROW department. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Agencies and Boards

Windsor Police Services:

There are 17 active capital projects in this area that are being administered by various WPS departments. No project variance is anticipated as all of these projects are currently expected to come in on budget.

Roseland Golf and Curling Club:

There is only 1 active capital project in this area that is being administered by the General Manager for Roseland. No project variance is anticipated as this project is currently expected to come in on budget.