

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 #: S 31/2016	Report Date: 1/29/2016
Author's Contact: Victor Ferranti, Manager of Capital Budget & Corporate Reserves (519) 255-6100 Ext. 1732	Date to Council: 2/22/2016
	Clerk's File #: AFB/11935

To: Mayor and Members of City Council

Subject: Capital Project Variance Report as at September 30, 2015 - City Wide

RECOMMENDATION:

THAT Council RECEIVE FOR INFORMATION the 2015 Life-to-Date Capital Project Variance Report as at September 30, 2015 from the Chief Financial Officer and City Treasurer (refer to Appendix A), and

THAT Council APPROVE the transfers of project surplus balances to/from capital projects as identified in the Financial Matters section of the report.

EXECUTIVE SUMMARY:

N/A

BACKGROUND:

Administration continues to report to City Council semi-annually on the status of all open/active capital projects. The reporting of all capital projects allows for a clear view and understanding of the entire capital budget expenditures. This ensures full transparency of the capital projects and their respective financial positions. Project leads are encouraged to report any potential significant variances as soon as they can be projected.

As per CR199/2015, City Council approved that the Capital Variance Report for the period ending September 30, 2015 normally presented in the late Fall of 2015 be deferred to the first quarter of 2016. This report is now coming forward for City Council's information.

DISCUSSION:

Attached is Appendix A that lists all open/active capital projects summarized by Department/Program as at September 30, 2015. The comments for each of the 353 projects are based on Departmental analysis and Finance review. For each project, data is provided detailing total funding and expenses as of September 30, 2015 for both Actual and Budget and any variances along with a life-to-date Actual surplus or deficit. Project comments have been provided explaining the status of each project from the Project Lead(s) and Finance review.

RISK ANALYSIS:

Overall, approximately \$251.95 million in budgeted expenditures have yet to be incurred as noted on the last page of the Appendix. There are 126 of the 353 (36%) total active projects that have incurred expenditures of only 25% or less of their approved budget. This means that there is still the likelihood of very significant 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 City Council if the project in a surplus position is certain to be realized and the funding source for those projects is consistent / transferrable. Generally the project in a surplus position being recommended for use is also close to completion if not already complete.

The current projections put forth for the various capital projects are estimates which can fluctuate significantly throughout the remaining duration of the project. It is considered 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 City Council as part of the normal year-end variance report. While a preliminary surplus of approximately \$6.1 million is projected in Appendix A as at September 30, 2015, it is important to note and consider the limitations noted above relative to use/reallocation of such funds at this time.

FINANCIAL MATTERS:

There are 353 open/active capital projects with total budgeted expenditures of approximately \$1.1 billion (refer to last page of Appendix A). The following table summarizes how many projects are on budget, how many are trending to come in under budget and how many are trending to come in possibly over budget.

Number of Projects	Projected Final Variance Trend	Amount* Surplus/(Deficit)
317	On Budget (Note that this is based on current, and in many cases, very preliminary information. Unforeseen circumstances may result in significant variances.)	-
29	Surplus	\$6,597,937
6	Deficit	(\$481,069)
1	TBD	-
353	TOTAL	\$6,116,868
	Contingency for Unfinished Projects	\$6,116,868
	Currently Available Funds for Redeployment	-

*These amounts are reflected as at September 30, 2015 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	\$4,594,671	Non-Discretionary Funding Source – only to be used toward funding sewer related projects.

Development Charges	\$21,127	Non-Discretionary Funding Source – only to be used toward funding growth related projects.
Federal Gas Tax	\$100,000	Non-Discretionary Funding Source – only to be used toward funding eligible projects as per funding agreement.
Parkland Reserve	\$900,000	Dedicated Funding Source – normally deposited to further fund capital parkland initiatives.
Pay-As-You-Go Capital	\$501,070	Discretionary Funding Source – normally used to offset potential project deficits that may materialize throughout the year.
	TOTAL: \$6,116,868	

*It should be noted that these amounts are “projected” net surpluses from projects that are not actually complete. Based, in many cases, on very preliminary project analysis, these amounts could potentially materially change should other unforeseen circumstances occur as the projects unfold, which may result in additional cost.

Administration balances and closes capital projects as they become complete. These are generally reported to City Council as part of the year-end or semi-annual variance reports. There are four specific projects which are complete that Administration is proposing to be closed with surplus balances transferred to related projects. They are:

From Project	To Project	Amount	Notes
7062010 – Streetlighting Data Inventory	7035011 – Various Streetlighting City Wide	\$39,104	Transfer of PYG surplus funds is being recommended to continue the streetlight program funding.

7052089 – Station 7 – New Fire Hall	7139004 – Firehall Strategic Realignment (Fire Halls 2 & 5)	\$134,920	Transfer of PYG surplus funds is being recommended to address unexpected costs relating to the outstanding Species at Risk issues.
7085005 – City Centre West Incentive Program	7011022 – City Centre Community Planning	\$185,000	Transfer of PYG surplus funds is being recommended to implement the recommendations of the Downtown Community Improvement Plan.
7121004 – Kronos Software Upgrade	7045018 – Transit Windsor Customer Service Improvements	\$45,000	Transfer of PYG surplus funds is being recommended to address ongoing customer service improvements.
		TOTAL: \$404,024	

CONSULTATIONS:

All Project Leads provided capital project status updates to augment the analysis performed by the Manager of Capital Budget and Corporate Reserves.

CONCLUSION:

A comprehensive report on all open/active capital projects indicates that overall the 353 projects are currently trending towards being on budget and/or within an overall net surplus position. Given the volume of capital 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 City Council apprised of the projects' status.

PLANNING ACT MATTERS:

N/A

APPROVALS:

Name	Title
Victor Ferranti	Manager of Capital Budget and Corporate Reserves
Melissa Osborne	Senior Manager of Asset Planning
Onorio Colucci	Chief Financial Officer/City Treasurer
Mark Winterton	City Engineer
Helga Reidel	Chief Administrative Officer

NOTIFICATIONS:

Name	Address	Email

APPENDICES:

1. Appendix A: Capital Variance Report - As at September 30, 2015