**Agenda - Council – May 27, 2009**

**Report - Standing Policy Committee on Finance - May 14, 2009**

**Item No. 1 Open Capital Projects Status Report to October 31, 2008**
**eFile FC(2008)**

STANDING COMMITTEE RECOMMENDATION:

On May 20, 2009, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submits the following to Council:

1. That $1.6 million in surplus capital funding (Corporate unspecified capital account) be allocated to the 2009 Regional and Local Streets Capital Program (Sidewalk and Bike Path Renewal capital project (Project ID #180400XX09)).

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Report - Standing Policy Committee on Finance - May 14, 2009**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 20, 2009, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On May 14, 2009, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

**RE: OPEN CAPITAL PROJECTS STATUS REPORT TO OCTOBER 31, 2008**

**REPORT DATE: APRIL 17, 2009**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| Paul Olafson/ Jason Ruby | Michael Ruta | Michael Ruta | Michael Ruta Deputy CAO |

**FOR SUBMISSION TO: STANDING POLICY COMMITTEE ON FINANCE**

**RECOMMENDATION:**

1. That $1.6 million in surplus capital funding (Corporate unspecified capital account) be allocated to the 2009 Regional and Local Streets capital program (Sidewalk and Bike Path Renewal capital project (Project ID #180400XX09)).

## Report Summary

**Key Issues:**

- Comprehensive in its disclosure, this report is designed to be fully transparent. It provides an update on the progress by the Public Service in delivering approved capital projects, thereby enhancing accountability to the public. Reporting on the progress of all open capital projects supports the Public Service in ensuring that financial resources are being utilized in a timely manner and properly prioritized.

- As at October 31, 2008, the City's open capital projects have a total amended budget of $1,408 million.

- As at October 31, 2008, a total of $843 million has been expended on those same projects.

- This report indicates that the Public Service has made progress in delivering upon it's capital projects in a more timely fashion:
    - 83% of the unspent amounts are from projects approved in 2006 through 2008. This has increased from 78% in the last report.
    - The majority of 2006 unspent amounts are found in the Sewage Disposal Utility which has a number of significant upgrade projects underway.

- From the last report and following up on what appeared to be a significant number of "complete" projects, the Public Service closed out all amounts in excess of existing commitments on all significantly complete projects.
- In a related process, the capital closures produced approximately $14 million in surplus funds. In addition to what remains available to departments, the surplus funds were utilized in adopting the 2009 Operating and Capital Budgets, as well as funding the recommendation made in this report.
- The number of tax-supported open capital projects older than three years decreased by one-third.
- A total of 350 capital projects with actual expenditures of $289 million have been closed since the last report.

- The recommendation will increase the service level for local sidewalks on collector and residential streets, provide for sidewalk decorative stone sidewalk renewal with focus on the Exchange District and will rehabilitate existing bike paths which are presently not funded. It will also allow any accessibility issues on identified projects to be brought up to current standards.

- Included for the first time is information on adopted budgets for projects and closed capital projects.

**Implications of the Recommendation(s):**

**General Implications**

(X) None

( ) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

**Policy Implications**

(X) No

( ) Yes

Comment(s):

**Regulatory Implications**

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

**Environmental Implications**

(X) No

( ) Yes

Comment(s):

**Human Resources Implications**

(X) No

( ) Yes

Comment(s):

**Financial Implications**

( ) Within approved current and/or capital budget

(X) Current and/or capital budget adjustment required

Comments(s):

The 2009 Regional and Local Streets capital program (Sidewalk and Bike Path Renewal capital project (Project ID #180400XX09)) will be increased by $1.6 million, funded entirely by surplus capital funding in the Corporate unspecified capital account.

## Report

### REASON FOR THE REPORT:

Upon tabling the Preliminary 2008 Capital Budget and the 2009 to 2013 Capital Forecast, in a letter from the Mayor and the Chairperson of the Standing Policy Committee on Finance to all members of Council, a request was made that the Chief Financial Officer report on the status of capital projects.

Council has the authority to transfer funds from one capital account to another existing capital account.

### HISTORY:

The very first report was made by the Chief Financial Officer to the Standing Policy Committee on Finance in May, 2008, reporting on open capital projects as of December 31, 2007.

As part of the preparation of the 2009 Capital Budget, the Public Service undertook a review of all open capital projects to identify any surpluses (unused funds) that could be utilized for other purposes. As a result of this review, approximately $14 million in surplus was identified and was closed out to departmental unspecified capital accounts. As a result, where the departmental unspecified capital account exceeded its limit, any excess funds were transferred to a Corporate unspecified capital account. This totaled $7.5 million.

On December 16, 2008, Council adopted the 2009 Annual Capital Budget and 2010 to 2014 Five Year Capital Forecast. Included was a recommendation that $3.925 million in prior years' tax-supported capital surplus be utilized to fund tax supported capital projects in the 2009 Capital Budget.

On March 24, 2009, Council adopted the 2009 Operating Budget – 2010 and 2011 Preliminary Financial Plans. Included was a recommendation that $2.0 million in prior years' tax supported capital surplus be utilized to reduce tax supported debt and finance charges in the 2009 tax supported operating budget.

### DISCUSSION:

Using existing financial systems, the Winnipeg Public Service has generated the data for this report.

The 'actual costs' being reported represent all costs charged to capital projects in the City's financial systems. They do not include any commitments that have been made on those projects. For example, if a tender has been awarded and/or a purchase order

issued on a project but no related expenditures have been made, no amount will be included in any of the balances being reported.

To October 31, 2008, a total of $843 million has been expended against open capital projects having a total amended budget of $1,408 million (this does not include any first charges against future year's capital budgets). This leaves an unspent balance of $565 million on a city-wide basis as at October 31, 2008. Being open, it is anticipated that these capital projects are ongoing and incomplete because once a capital project has been completed, financial systems are to be updated to close the project.

**Related Financing Sources**

It is important to note that the unspent amount does not mean that the City has an equal amount of unused cash on hand. There are amounts that will be accessed in the future through outstanding borrowing authority and parties external to the City of Winnipeg (eg./ Federal and Provincial governments) only as expenditures are incurred and as required. The following table depicts the sources of financing related to the unspent amounts:

| **Schedule A - Sources of Financing for Unspent Amounts (in millions)** | | |
|---|---|---|
| Pre-financed | | |
| Utility retained earnings | $121 | |
| Reserves | 105 | |
| Cash to capital | 67 | **$293** |
| Outstanding borrowing authority | | |
| Tax supported (incl. Transit and Local Improvements) | 101 | |
| Sewage Disposal utility | 61 | |
| Waterworks utility | 17 | **179** |
| External parties | | **93** |
| **TOTAL** | | **$565** |

This report does not include those projects approved in the 2009 Capital Budget, adopted by Council on December 16, 2008.

**Summary of Unspent Balances**

As at October 31, 2008, Table 1 presented on the next page is a summary of all open capital projects by department and by capital budget authorization year:

**Table 1 - Open Capital Projects Unspent Balances**
**by Department and Capital Budget Authorization Year**
**(in thousands)**

| | 2003 and prior | 2004 | 2005 | 2006 | 2007 | 2008 | Other | Total Unspent 31/10/08 |
|---|---|---|---|---|---|---|---|---|
| **Tax Supported** | | | | | | | | |
| Public Works | $ 3,124 | $ 2,425 | $ 399 | $ 3,275 | $ 27,871 | $ 38,816 | $ - | $ 75,910 |
| Transit | - | - | 1,066 | 19,169 | 13,219 | 15,989 | | 49,443 |
| Building Services | 296 | 773 | 1,507 | 9,683 | 25,983 | 4,239 | | 42,481 |
| Water & Waste - (land drainage and flood control) | 303 | 888 | 2,635 | 5,128 | 15,879 | 10,879 | | 35,712 |
| Civic Accommodations | 80 | 4,643 | 4,840 | 8,201 | 11,697 | 5,802 | | 35,263 |
| Planning, Property and Development | 1,453 | 2,456 | 2,840 | 2,099 | 2,434 | 6,010 | | 17,292 |
| Local Improvements | - | 336 | 321 | 1,795 | 3,383 | 3,794 | | 9,629 |
| Community Services (including Community Incentive Grant programs) | - | 2,955 | 638 | 524 | 2,151 | 3,140 | | 9,408 |
| Winnipeg Police Service | - | - | 407 | - | - | 4,859 | | 5,266 |
| Internal Services | - | 77 | 68 | 594 | 1,535 | 2,913 | | 5,187 |
| Corporate Projects | - | 166 | - | 650 | 1,974 | 2,000 | | 4,790 |
| Fire Paramedic Service | - | - | - | 1,166 | - | 1,792 | | 2,958 |
| City Clerks | 109 | - | - | 601 | - | 150 | | 860 |
| Assessment and Taxation | - | - | - | - | 348 | - | | 348 |
| Total - Tax Supported | $ 5,365 | $ 14,719 | $ 14,721 | $ 52,885 | $ 106,474 | $ 100,383 | $ - | $ 294,547 |
| **Utilities** | | | | | | | | |
| Sewage Disposal Utility | $ 14,357 | $ 7,826 | $ 15,626 | $ 11,357 | $ 28,235 | $ 89,290 | $ 17,296 | $ 183,987 |
| Waterworks Utility | 2,865 | 3,199 | 3,798 | 5,003 | 2,049 | 13,451 | 54,919 | 85,284 |
| Solid Waste Disposal Utility | - | - | 494 | 44 | - | 611 | - | 1,149 |
| Total - Utility | $ 17,222 | $ 11,025 | $ 19,918 | $ 16,404 | $ 30,284 | $ 103,352 | $ 72,215 | $ 270,420 |
| Total - Tax Supported & Utility | $ 22,587 | $ 25,744 | $ 34,639 | $ 69,289 | $ 136,758 | $ 203,735 | $ 72,215 | $ 564,967 |

Note: Unspent balances are based on Actual Costs and do not include any commitments that may exist on open capital projects.

A complete listing of all open projects has been included as Appendix A.

With respect to the 'Other' category above, a small number of projects are on-going in nature and have not been assigned a project year. An example of one of these types of projects is the Water Treatment Plant.

Ignoring this category, 83% of the unspent amounts are from 2006 through 2008 projects. This has improved from the last report when 78% of unspent amounts were from the most recent three years.

The majority of the pre 2006 unspent amounts are found in the Sewage Disposal Utility that has a number of upgrade projects underway to its infrastructure including its water pollution control centres. These are major, multi-year projects.

**Action Items from Last Reporting Date**

**Completed Projects**

The last report on the status of capital dated May 1, 2008 was based on December 31, 2007 balances. At that time, the Standing Policy Committee on Finance observed that there were many projects appearing on the open capital listing that were or appeared to be "complete".

As a follow-up to this observation, the Public Service reviewed all projects that were 95% complete or greater or had unspent balances of $5,000 or less as at July 15, 2008. All unspent balances greater than existing commitments (i.e. – purchase orders) were closed out.

In most instances, any unspent balances remaining for projects 95% or greater complete relate to existing commitments on the project.

Compared to the last report, the number of projects in this category was reduced by approximately one-third.

**Annual Capital Review Process**

All capital projects greater than five years old are reviewed on an annual basis with an intent to identify any surplus (unused funds).

Since the last report, all projects were reviewed in conjunction with the preparation of the 2009 Capital Budget. As a result of this review, $14 million in surplus was identified and has been closed out. A portion of this surplus has been used in the adopted 2009 Operating and Capital Budgets. In addition to what is available to departments, there remains approximately $1.6 million in undesignated surplus.

For tax-supported projects, the results of these reviews resulted in a reduction of open tax-supported projects older than three years by approximately one-third. For those remaining open, this will be attributable to a commitment remaining on the project, including agreements

with external funding parties. All remaining projects included in the caption '2003 and prior' in Table 3 that follows have been approved for carry forward.

As of March, 2009, the following amounts are accounted for in tax-supported (including Transit) departmental non-specified capital accounts:

| Schedule B – Non-specified Capital Account Balances (in thousands) | |
|---|---|
| Department | |
| Assessment and Taxation | $100 |
| City Clerk's | 6 |
| Community Services | 100 |
| Corporate Finance | 100 |
| Internal Services | 100 |
| Fire Paramedic Service | 100 |
| Planning, Property and Development | 2,000 |
| Public Works | 800 |
| Water and Waste – Land Drainage and Flood Control | 91 |
| Corporate | 1,638 |
| **TOTAL** | **$5,035** |

**Allocation of Corporate unspecified capital account**

In consultation with the Public Works Department, the Public Service is recommending that $1.6 million in the Corporate non-specified capital account be allocated to the 2009 Regional and Local Streets capital program (Sidewalk and Bike Path Renewal capital project (Project ID #180400XX09)). Specifically, these funds would be utilized as follows:

1. Increase the service level for local sidewalks on collector and residential streets ($640,000).
2. Regional sidewalk decorative stone sidewalk renewal with focus on the Exchange District ($640,000).
3. Bicycle path renewal which will rehabilitate existing bike paths which are presently not funded ($320,000).

This program will improve service levels and the safety on sidewalk and bike path facilities. It will also allow any accessibility issues on identified projects to be brought up to current standards. This funding will supplement the existing Regional and Local Streets capital program (2009 Capital Budget of $43.169 million).

**Closed Projects**

Since the last report, over 350 capital projects were closed out. Appendix B provides a listing of these projects, comparing actual dollars spent to both adopted and amended budgets.

The following two tables (Tables 2 and 3) depict how the unspent balances have changed since the last report.

**Table 2 - Change in Unspent Balances from Last Report (December 31, 2007) by Department (in thousands)**

| Department | Unspent Per 12/31/2007 Report | 2008 projects | Expenditures | Transfers | Unspent Per 10/31/2008 Report |
|---|---|---|---|---|---|
| **Tax Supported (including Transit)** | | | | | |
| Public Works | $ 36,960 | $ 91,066 | $ (49,187) | $ (2,929) | $ 75,910 |
| Transit | 61,753 | 16,715 | (14,559) | (14,465) | 49,444 |
| Building Services | 34,870 | 21,990 | (15,996) | 1,617 | 42,481 |
| Water & Waste - (land drainage and flood control) | 27,068 | 14,695 | (5,020) | (1,031) | 35,712 |
| Civic Accommodations | 32,624 | 5,806 | (868) | (2,299) | 35,263 |
| Planning Property and Development | 16,590 | 4,928 | (4,426) | 200 | 17,292 |
| Local Improvements | 4,317 | 3,794 | (248) | 1,766 | 9,629 |
| Community Services (including Community Incentive Grants | 9,592 | 3,471 | (2,240) | (1,416) | 9,407 |
| Winnipeg Police Service | 755 | 5,208 | (697) | - | 5,266 |
| Internal Services | 3,747 | 6,435 | (6,153) | 1,158 | 5,187 |
| Corporate Projects | 4,249 | 4,357 | (407) | (3,410) | 4,789 |
| Fire Paramedic Service | 1,365 | 1,792 | (23) | (175) | 2,959 |
| City Clerks | 950 | 150 | (234) | (6) | 860 |
| Assessment and Taxation | 539 | - | (174) | (17) | 348 |
| **Sub-total** | $ 235,379 | $ 180,407 | $ (100,232) | $ (21,007) | $ 294,547 |
| **Utilities** | | | | | |
| Sewage Disposal Utility | 128,987 | 95,700 | (34,856) | (5,843) | 183,988 |
| Waterworks Utility | 131,228 | 20,545 | (65,243) | (1,246) | 85,284 |
| Solid Waste Disposal Utility | 2,536 | 402 | (2,015) | 225 | 1,148 |
| **Sub-total** | $ 262,751 | $ 116,647 | $ (102,114) | $ (6,864) | $ 270,420 |
| **Total** | $ 498,130 | $ 297,054 | $ (202,346) | $ (27,871) | $ 564,967 |

| Table 3 - Change in Unspent Balances from Last Report (December 31, 2007) by Capital Budget Authorization Year (in thousands) | | | | | |
|---|---|---|---|---|---|
| **Budget Year** | **Unspent Per 12/31/2007 Report** | **2008 Projects** | **Jan 1, 2008 - Oct 31,2008 Expenditures** | **Transfers** | **Unspent Per 10/31/2008 Report** |
| **Tax Supported (including Transit)** | | | | | |
| 2003 and prior | $ 19,507 | $ 850 | $ (6,007) | $ (8,985) | $ 5,365 |
| 2004 | 19,154 | | (2,812) | (1,623) | 14,719 |
| 2005 | 20,586 | 250 | (5,001) | (1,114) | 14,721 |
| 2006 | 59,230 | | (797) | (5,548) | 52,885 |
| 2007 | 114,438 | 47,588 | (48,437) | (7,115) | 106,474 |
| 2008 | 2,464 | 131,719 | (37,178) | 3,378 | 100,383 |
| **Sub-total** | $ 235,379 | $ 180,407 | $ (100,232) | $ (21,007) | $ 294,547 |
| **Utilities** | | | | | |
| 2003 and prior | $ 27,192 | | $ (6,178) | $ (3,792) | $ 17,222 |
| 2004 | 11,823 | | (724) | (74) | 11,025 |
| 2005 | 26,876 | | (6,345) | (613) | 19,918 |
| 2006 | 17,014 | 800 | (1,410) | (0) | 16,404 |
| 2007 | 41,034 | | (10,750) | 0 | 30,284 |
| 2008 | - | 109,437 | (6,587) | 502 | 103,352 |
| Other | 138,812 | 6,410 | (70,120) | (2,887) | 72,215 |
| **Sub-total** | $ 262,751 | $ 116,647 | $ (102,114) | $ (6,864) | $ 270,420 |
| **Total** | $ 498,130 | $ 297,054 | $ (202,346) | $ (27,871) | $ 564,967 |

On the preceding Tables 2 and 3, the “Unspent Per 12/31/2007 Report” amount has been restated from the previous report to be consistent with this report’s presentation. The “2008 Projects” represent amounts approved in the 2008 Capital Budget. It does not include any public private partnership authority granted to the Disraeli Bridge and Overpass Facility, Chief Peguis Trail and Police Building Replacement projects. “Transfers” will include those surpluses closed out of capital projects during the year, as well as an approved amount transferred to the 2009 Southwest Rapid Transit Corridor – Stage 1 project.

As noted, portions of the 2008 Capital Budget have been allocated to projects in years other than 2008. This is a practice employed whereby if the project is ongoing, budgets are allocated to the original project so that the entire budget is held and accounted for within one project. The majority of this has been allocated to 2007 established projects, including the McGillivray Blvd – Waverly Street, Fort Garry Bridge Rehabilitation and various Recreation and Leisure Facilities projects. To provide greater clarity and understanding, future budget allocations with these multi budget year implications will continue to be made to established projects but will reference the budget authorization year.

With two months left in 2008, the amount spent in the current year is less than the 2008 Capital Budget added to capital projects this year. With this report closing as of October 31, 2008, there will be significant charges to be processed yet. At October 31, 2008, the construction season was winding up with invoices and progress billings to be received over the final two months of the year.

**Major Capital Projects**

There are currently 17 open projects with amended budgets in excess of $10 million. As at October 31, 2007, Table 4 presented below is a summary of all open projects with amended budgets of $10.0 million and greater:

**Table 4 - Open Capital Projects with Amended Budgets of $10.0 million and greater (in thousands)**

| | Amended Budget | * Actual Costs to 31/10/08 | Unspent | % Spent |
|---|---|---|---|---|
| **Summary** | | | | |
| Tax supported (including Transit) – 9 projects | $215,300 | $168,833 | $46,467 | 78.4% |
| Utilities – 8 projects | 462,383 | 311,367 | 151,016 | 67.3% |
| **Total** | **$677,683** | **$480,200** | **$197,483** | **70.9%** |

* - Actual costs do not include any commitments that may exist on open capital projects.

A complete listing of all projects with amended budgets of $10.0 million and greater is included in Appendix C. These 17 projects account for over one-third of the total unspent funds alone.

The number of projects has increased from the last report, which noted 15 open projects with amended budgets in excess of $10.0 million. This increase will be attributable to the 3 projects opened since then as a result of the approval of the 2008 Capital Budget.

## Financial Impact Statement

**Date:** April 17, 2009

**Project Name: Open Capital Projects Status Report to October 31, 2008**

**First Year of Program** **2009**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ 1,600,000 | $ - | $ - | $ - | $ - |
| Less: Existing Budgeted Costs | 1,600,000 | - | - | - | - |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | | | | | |
| Debt - External | | | | | |
| Grants (Enter Description Here) | | | | | |
| Reserves, Equity, Surplus | | | | | |
| Other - Enter Description Here | | | | | |
| Total Funding | $ - | $ - | $ - | $ - | $ - |
| Total Additional Capital Budget Required | $ - | | | | |
| Total Additional Debt Required | $ - | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ 112,000 | $ 160,000 | $ 160,000 | $ 160,000 | $ 160,000 |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 112,000 | $ 160,000 | $ 160,000 | $ 160,000 | $ 160,000 |
| Less: Existing Budget Amounts | 112,000 | 160,000 | 160,000 | 160,000 | 160,000 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments: The Regional and Local Streets capital program (Sidewalk and Bike Path Renewal project (Project ID # 180400XX09)) will be increased by $1.6 million, funded entirely by surplus capital funding in the Corporate unspecified capital account. Under Current Expenditures, direct costs represent estimated debt charge costs.**

*Original signed by*
Paul D. Clafson, CA
Corporate Controller

**IN PREPARING THIS REPORT THERE WAS:**

**Internal Consultation With and Concurrence By:**

Public Works Department (recommendation)

**External Consultation With:**

**THIS REPORT SUBMITTED BY:**

Corporate Finance Department
Corporate Controller's Division
Prepared by: Jason Ruby, C.A./Paul Olafson, C.A.
File No.

## Appendices

| | |
|---|---|
| Appendix A | Open Capital Projects Report, as of October 31, 2008, by Detail Project for Each Department |
| Appendix B | Capital Projects Closed Report, for the Period January 1, 2008 to October 31, 2008, by Detail Project for Each Department |
| Appendix C | Open Capital Projects Report, as of October 31, 2008, Projects with Amended Budgets > $10.0 million |

In the attached appendices, **Adopted Budget** refers to that amount approved by City Council through a Capital Budget. **Amended Budget** refers to an amount derived from approved changes made to project budgets subsequent to the adopted budget value. **Actual Costs** will not include any commitments that may exist on open capital projects.


Appendix A - Oct 31, 2008.pdf ...


Appendix B - Oct 31, 2008.pdf ...


Appendix C - Oct 31, 2008.pdf ...