

Staff Report 2023-0504

Meeting Date: September 12, 2023

Subject: 2023 Q2 Closed Capital Report

Submitted By: Sherly Mathews, Senior Financial Analyst, Finance

RECOMMENDATION

That the 24 capital projects listed in Schedule A to Staff Report 2023-0504 be closed and the unaudited net capital project surplus of \$143,699.17 be transferred back to/(from) the original sources of funding.

REPORT HIGHLIGHTS

- A summary of the 24 projects that are complete and may be closed is included within Schedule A. As outlined in the schedule, there is a net surplus of \$143,699.17 that the Town will transfer back to its original funding sources.

DISCUSSION

Active and Open Capital Projects

Town of Caledon - # of Capital Projects	
# of Projected Carried Forward into 2022 from prior years	201
# of New Projects Approved in 2023 Capital Budget	96
# of New Projects Added in 2023, Approved by Council/Treasurer	5
- 23-184 Fleet Replacement-2016 Dodge	
- 23-188 LED Retrofit-Caledon Centre for Recreation and Wellness	
- 23-185 Castlederg SR Emergency Culvert	
- 23-186 Shaw's Creek Rd Emergency Culverts	
- 23-187 Volunteer Firefighter Personal Protective Equipment	
Draft # of projects to be closed in 2023, as per Staff Report 2023-0504	-24
Balance of Current Active Projects	278

The purpose of this report is to identify capital projects where the work is substantially complete that can be closed, and to return any surplus funds to its original source of funding. The original source of funding includes reserves, such as the Town's development charge reserves and tax funded capital contingency reserve. By returning funds that are not spent to the original source of funding, they are made available for future projects and budgets that Council may approve. This report also provides updates to Council of any required in-year changes to capital projects. In-year changes to capital projects may be necessary where the original budget for a project was insufficient once the project was tendered, sometimes due to supply chain issues or inflation.

The projects that can be closed are outlined within Schedule A, along with the project surplus or deficit, and an outline of the original sources of funding where the surplus will be transferred to, or deficit will be transferred from.

In-year changes to capital projects can include:

- Surpluses - Projects that have an identified surplus that can be reduced with the surplus returned to the original source of funding
- Emergency Works - Projects created to capture emergency work that are now complete and require funding
- Additional funding - Projects that require additional funding to complete
- Scope Change - Projects that require a scope change

Capital Projects are managed by a Project Manager, Finance Staff, and other staff across the Town. On a quarterly basis, Town staff conduct a complete review of all open capital projects. The purpose of this exercise is to:

- Ensure Departments are fulfilling their capital project commitments;
- Monitor capital project spending to anticipate surpluses or deficits; and
- Close completed capital projects to return any surplus funding back into Town reserves for future uses or funding requirements.

The Town of Caledon established By-law 96-97 to regulate the budget process, to establish current and capital budget financial controls, and to establish reserve management financial principles. Sections 5 f), 5 h) and 5 i) of By-law 96-97 outline as follows:

- When and how capital budgets may be increased;
- What to do with surplus/deficit balances for completed projects; and
- Specific rules on deficits exceeding 10% of the gross expenditure budget to a maximum of \$10,000.

FINANCIAL IMPLICATIONS

Part 1 - Closed Capital Projects

In accordance with By-law 96-97, staff are recommending closing 24 projects as identified in Schedule A: 2023 Closed Capital Projects with surplus funds of \$143,699.17 to be returned to the original funding sources as listed:

<u>Funding Source</u>		<u>Amount of Transfer to/(from) Reserve</u>
Tax Funded Capital Contingency Reserve		\$148,772.68
Reserve and Reserve Funds:		
DC Library	\$1,259.06	
DC Studies	(\$20,574.71)	
DC Public Works	\$1,373.76	
Fire Equipment Reserve	\$695.19	
Building Permit Stabilization Reserve	\$12,528.04	
Comprehensive Adaptive Management Plan Reserve	(\$354.85)	
Reserve and Reserve Funds		(\$5,073.51)
Total		\$143,699.17

Funding Sources**Tax Funded Capital Contingency Reserve**

The Tax Funded Capital Contingency Reserve was established to set aside funding for the replacement of Town capital infrastructure and is utilized to provide emergency asset repair, fund asset replacement and to stabilize the tax program. The reserve is funded from savings on tax funded capital projects and the year-end operating surplus and currently has a targeted minimum balance of \$6,000,000.

The current unaudited and uncommitted Tax Funded Capital Contingency Reserve Fund balance is \$4,650,299.74 and with the recommendations in this report outlined below the balance will be \$4,799,072.42:

<u>Tax Funded Capital Contingency Reserve</u>	<u>Transfer to/(from) Reserve</u>
Beginning Reserve Balance	\$4,650,299.74
Schedule A – Closure of 24 Capital Projects	\$148,772.68
Ending Reserve Balance	\$4,799,072.42

This balance does not include funding for emergency projects that are currently underway. This reserve balance will be updated for those when the work is completed.

Reserves and Reserve Funds

Additional information on the Town's Reserves and Reserve Funds can be found in the following documents:

- By-law 2020-104 Consolidated Reserve Funds By-law
- Memorandum - 2022 Reserves and Reserve Fund Balances

Surpluses and Deficits:

The 24 projects to be closed are shown in Schedule A with the surplus or deficit balance of the individual project as of June 30, 2023. The figures shown are unaudited and may change as a result of final invoices, internal cost recoveries, or accruals. In accordance with By-law 96-97, the projects in a surplus position will offset the projects in a deficit position.

All projects in a deficit position/with a budget shortfall have a variance below 10% of the gross expenditure budget and/or have a variance less than \$10,000 except for 20-040 Development Charge Studies and Costs Related to Bill 108. 20-040 is over budget by \$20,574.71 due to additional resources needed to meet legislative requirements.

Part 2 - Capital Update

Surpluses

During the review process, no projects were identified as having a known surplus. As part of the semi-annual Closed Capital Report Update, projects with large surpluses will be identified to reduce the budget and return funds back to the original funding sources.

Emergency Procurements

The capital projects below were created to capture works procured under the emergency provisions of the Town's Purchasing By-law. The Town's practice is to undertake the work required, and report to Council in a subsequent capital status report when the work is completed and costs are known. The costs will be funded from the Tax Funded Capital Contingency Reserve and are NOT included in the balances provided in the report.

Emergency Projects	Estimated Cost
23-185 Castlederg Sideroad Emergency Culvert - To replace the culvert located on Castlederg Sideroad	\$957,894
23-186 Shaw's Creek Road Emergency Culverts - To replace the culvert located on Shaw's Creek Road	\$573,231
23-187 Volunteer Firefighter Recruit - To outfit 40 new volunteer firefighters	\$164,156
Total Emergency Procurements	\$1,695,281

Next Steps:

Spring 2024

A Closed Capital report ending December 2023 will be provided to Council in early 2024.

COUNCIL WORK PLAN

This report provides an update of capital projects that addresses a myriad of topics within the Council Work Plan

ATTACHMENTS

Schedule A: Closed Capital Projects