

# Staff Report

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To	<b>Committee of the Whole</b>
Service Area	Corporate Services
Date	Monday, May 7, 2018
Subject	<b>2017 Year-end Capital Variance</b>
Report Number	CS-2018-15

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## Recommendation

That the 2017 Year-end Capital Variance Report (CS-2018-15), dated May 7, 2018, be received.

## Executive Summary

### Purpose of Report

This report provides a summary of the 2017 spending compared to the approved budget, and highlights significant capital project activity and milestones. This report also serves to notify of any deviations from the approved capital plan.

### Key Findings

On an annual basis, the City approves the Capital Budget which is the City's plan to take care of what it owns and plan for future growth. The 2017 Capital Budget focused on renewing existing infrastructure and systems to ensure the community's health and safety, and to meet legislative requirements while balancing affordability for the community with current capital and infrastructure needs. Council approved a \$92.9 million 2017 Capital Budget and through the year approved an additional \$21.5 million through special motion and/or received additional sources of funding.

This report reflects the 2017 spending of \$96.4 million and fourth quarter spending of \$45.6 million; an increase in spending over the third quarter by \$23.9 million and a total increase over 2016 by \$11.5 million.

Below is the capital activity for 2017. Details are provided in ATT-1.

2016 Carry-over budget	\$169,400,000
2017 Capital budget, approved	\$92,860,300
2017 Additional approved funding	\$21,509,595
2017 Closed projects (funding returned to reserve funds)	<u>(\$17,452,525)</u>
Total available capital funding for 2017	\$266,317,370
As of December 31, 2017:	
2017 Capital spending	<u>(\$96,420,781)</u>
2017 Carry-over budget	\$169,896,589
Open purchase orders	<u>(\$73,286,505)</u>
Uncommitted 2017 Capital Budget	\$96,610,084

The City had a very active and successful year advancing critical projects that have had a positive impact on the daily life of city residents and businesses. The City opened the newly renovated Victoria Road Recreation Centre, leveraged Federal funds to replace 24 conventional and six mobility transit buses, received Council approval for the Wilson Street parkade in the downtown, received approval for replacing the City's entire streetlight inventory with more cost-efficient LEDs, and made significant progress on the York Trunk Sewer/Paisley-Clythe Feeder Main project.

Further, through the leadership of the City's Complex Capital Committee, staff have been focusing internally on making the capital procurement process more efficient and timely. A corporate review of the construction procurement process was undertaken, redundancies were removed, templates and procedures were created, and training was offered for project managers. This was a significant body of work that increased productivity and provided tools and resources to staff to better manage their capital project portfolio.

### **Financial Implications**

Ongoing monitoring of capital spending ensures that projects are delivered as intended and that any financial impacts are addressed proactively.

## **Report**

### **Current Year Spending**

For 2017, the total spending from capital accounts was \$96.4 million compared to \$84.9 million in 2016 and the fourth quarter spending was \$23.9 million higher than the third quarter. The increase in spending was expected as the linear infrastructure and work in open spaces continued to progress throughout the fall. The most significant driver this year was the arrival of 24 conventional and six mobility transit buses, valued at \$14.9 million. These buses are part of the funding provided by the Federal government in 2017 known as the Public Transit Infrastructure Fund (PTIF).

Open purchase orders saw a significant increase in the fourth quarter versus the third quarter in the amount of \$10.5 million. This was expected given the early approval of the 2018 Capital Budget in November as well as the Wilson Street Parkade purchase order that was also issued in that month.

Further to the approval of the 2017 Capital Budget, additional capital funding was approved and/or received for the following projects during the year:

Solid Waste Equipment Replacement Insurance recovery from facility fire in 2016	\$506,200
St. Georges Square Lighting Upgrade Approved by Council May 1, 2017	\$76,300
Groundwater Protection Contribution from GRCA	\$90,600
IT Fibre Data Network Approved by Council June 26, 2017	\$500,000
Wilson Street Parkade, Bridge and Street Phase III Approved by Council July 24, 2017	\$8,935,000
LED Streetlight Approved by Council July 24, 2017	\$8,000,000
Eramosa Water Upgrade Approved by Council December 4, 2017	\$2,490,000
Developer Contributions to Linear Infrastructure Per approved development agreements	\$911,495
	<b>\$21,509,595</b>

As part of an ongoing capital reprioritization process, Wastewater Services closed two previously approved projects that were moved to a future year's forecast for a total of \$16.14 million; this returned funding of \$12.14 million to the Wastewater Development Charge Reserve Fund and \$4.0 million to the Wastewater Capital Reserve Fund. The budget for the Hanlon Creek Business Park was reduced by \$879,000 to reflect recent Council direction. Numerous additional projects were closed at the end of 2017 thereby returning \$430,000 of funding to various other capital reserve funds.

## Uncommitted

The uncommitted balance has been reduced by \$53.9 million over the third quarter to \$96.6 million, which was expected due to the issuance of the Wilson Street Parkade purchase order and the early issued purchase orders related to the 2018 planned work.

There are a number of reasons for the magnitude of the uncommitted balance including projects still in the planning stages that have not yet been awarded, projects delayed or projects that are currently under review for future requirements. This balance represents capital projects that are approved but do not yet have a purchase order issued. Staff are actively working to assess these projects and implement strategies to support better cash flow management.

## **Program of Work Activity and Variance Highlights**

Below are highlights, not comprehensive summaries, of the various programs of work. ATT-1 provides a full summary of the capital activity for 2017.

Please note that this reporting follows the 2017 programs of work and has not yet been updated for the revised 2018 programs of work that Council approved as part of the November 2, 2018 Capital Budget. In preparation for the 2019 Capital Budget, further refinement of the programs of work has occurred to align the reporting to a fully serviced-oriented structure that is aligned with the reporting of Corporate Asset Management. The first 2018 tri-annual capital report will reflect the 2019 format, which will provide consistent and clear messaging through the development of the 2019 Capital Budget.

### **Active Transportation**

The active transportation program of work includes the budget for Transit, and implementing the initiatives of the Cycling Master Plan, Trails Master Plan and sidewalk needs assessments.

The active transportation program of work had spending of \$16.5 million in 2017: \$14.9 million for the purchase of 24 conventional and six mobility transit buses, \$1.1 million for transit terminal upgrades and equipment replacement and \$493,000 for Northview Trail, sidewalk needs assessments and the design of the active transportation network.

The uncommitted balance includes approximately \$550,000 to complete the Silvercreek Trail extension work which is ongoing and also number of significant community engagement exercises, including the Guelph Trail Master Plan Phase 2.

### **Building Expansion, Renewal and Upgrades**

This program of work includes renovations and maintenance of City facilities, building condition assessments, structural repairs, minor upgrades and expansions or new facilities.

The higher spending this year relates to two of the City's current Tier-1 projects and significant facility renovations. A high-level fourth quarter progress report on these projects can be found in the Information Report, IDE-2017-124, Tier-1 Projects fourth quarter 2017 Status Update. [https://guelph.ca/wp-content/uploads/CapitalProjectSummaryQ4\\_Dec2017.pdf](https://guelph.ca/wp-content/uploads/CapitalProjectSummaryQ4_Dec2017.pdf)

The Guelph Police Service (GPS) headquarters renovation is progressing as planned and spending for 2017 totalled \$9.9 million. The project is progressing within budget and scope. The schedule is currently being reviewed and an updated schedule is to be provided in the Tier 1 Project Portfolio second quarter 2018 Status Update. More information is available at [guelph.ca/gpsreno](https://guelph.ca/gpsreno).

As previously reported, the Victoria Road Recreation Centre (VRRC) had a successful grand re-opening event on Saturday, June 24, 2017. 100 per cent of the original approved budget has been spent to date and warranty related deficiencies are in the process of being addressed. The project is expected to be fully closed and completed by the end of 2018. More information is available at [guelph.ca/construction](http://guelph.ca/construction).

In addition to the major facility renovations, there has been spending of \$2.2 million on other building renewal and lifecycle projects at various other City facilities including a new fire alarm system in the Sleeman Centre and the East and West Parkades. Work began on transforming the McCrae Coach House into a space that can be used to provide additional programming. Work on the Evergreen Seniors Centre facility and parking lot has also been planned for the summer of 2018.

The uncommitted balance remains significant at \$20.1 million. A total of \$8 million relates to the recently approved LED streetlight upgrade project, \$3.5 million relates to later phases and contingency budgets for the GPS headquarters renovation project and approximately \$6.6 million for corporate building renewal and structural projects. Finally, there is \$3.4 million for the South End Community Centre (SECC) design.

### **Contaminated Sites**

This program of work includes projects that maintain, mitigate or remediate the estimated 43 City-owned properties that are potentially contaminated.

In May 2016, Council directed staff to establish a partnership with two entities for the purpose of redeveloping 200 Beverley Street. The 2017 budget included \$1.25 million to advance this initiative and remediate the site. To date, the City has advanced phase 1 and phase 2 environmental assessments for the purpose of achieving a Record of Site Condition for the property from the Ministry of Environment and Climate Change. Parallel to this work, the City and its development partner ARQi are cost sharing the creation of an Urban Design Master Plan, which will serve to scope future planning and development applications.

Further, work has begun on the removal and clean-up of the fuel tank at 45 Municipal Street (Operations Department). In addition to the clean-up, a new above-ground fueling system will be installed.

### **Downtown Implementation**

This program of work primarily includes budget for projects that support the implementation of the Downtown Secondary Plan. This is a complex plan that requires the alignment of projects and partnerships between the City, private landowners, institutions and downtown businesses.

Significant work was carried out on improving aging infrastructure within the downtown core, including the Arthur Street Trunk Sewer (\$4.3 million), Wilson Street reconstruction Phase II (\$1.3 million), and structural lifecycle work at the

West Parkade (\$781,000). Phase II of Wilson Street, from Carden to MacDonnell, was completed and a re-opening celebration was held November 18, 2017, while the West Parkade and Arthur Street Truck Sewer projects continue into 2018.

The Wilson Street Reconstruction and Parkade project hit a significant milestone in July 2017 as Council approved an expanded parkade structure with 496 parking spaces as well as awarded the design and build contract totaling \$20.4 million to The Newton Group. The amended budget includes Phase III Wilson Street road reconstruction work and work associated with the Norfolk Pedestrian Bridge, which will enable staff to move forward with completing all related Wilson Street projects in an efficient and connected manner. Construction on the parkade began in early February 2018 and progress is being made on the site. More information is available via [guelph.ca/construction](http://guelph.ca/construction).

In July 2017, Council approved the Baker District Redevelopment Project as a priority program of work to further implement the Downtown Secondary Plan. A Tier-1 project steering committee has been formed and is providing oversight for the connected projects within the downtown realm and includes the Baker District Redevelopment Project. Four potential developers were short listed from an original list of 10 submissions, and these developers will be asked to respond to the Request For Proposal (RFP) issued in April 2018. This will be the second step in a four step process previously communicated to Council. Staff will be back in July 2018 with the results of the RFP.

The total of \$7.5 million uncommitted as at December 31, 2017 is primarily resulting from two projects: the Baker District and contingency for the Wilson Street Reconstruction and Parkade.

### **Full Corridor Reconstruction**

This program of work includes capacity or condition upgrades to wastewater, stormwater and water infrastructure along with full replacement of the road, sidewalk, and other adjacent infrastructure within the municipal right-of-way. When a project appears in this program, it has been deemed that the optimum option is to replace the underground infrastructure and fully reconstruct the corridor from lifecycle, risk, level of service and financial perspectives.

Significant progress continued on the York Trunk Sewer/Paisley-Clythe Feeder Main (\$7.5 million in spending) as work advanced east from the Covered Bridge to the F.M Woods Pumping Station. The current phase was completed in December 2017 with the reconstruction of Waterworks Place Road and final infrastructure connections at Lyon Park and the F.M. Woods Pumping Station. The final surface asphalt will be laid in May 2018.

Reconstruction of Metcalfe Street from Speedvale to Eramosa (\$3.0 million) was undertaken. Underground services and base asphalt were completed while surface asphalt, sod and driveways are to be completed in spring 2018. This project is being 75 per cent funded through Federal and Provincial governments through the Clean Water and Wastewater Fund grant.

A total of \$7.5 million is outstanding as a result of project delays due to regulatory processes and land access as well as tendering budget challenges. Pending tendering and awarding of major projects includes: Niska Road Upgrades at \$2.6 million (expected 2018 tender) and Woodlawn Road West at \$2.5 million (expected spring 2018).

The early approval of the 2018 Capital Budget provided the final funding portion to allow two key projects to be successfully tendered before year-end. These projects were Phase 2B of the York Trunk Sewer/Paisley Feeder Main with a budget of \$12.9 million and Bristol Street Reconstruction with a budget of \$3.0 million.

### **Information Technology Innovation**

This program of work provides budget for three key corporate functions: remediation of critical technology infrastructure, enhancing both internal and external access to information, and modernizing systems to improve functionality.

Significant lifecycle of equipment, including laptop/desktops, network and server assets and telephone sets was completed (\$1.4 million). As well, progress on reimplementation and upgrade of the City's Work Management System, WAM, was accomplished. Completion is expected in fourth quarter 2018, including improved integration with financial and asset management systems.

### **Open Spaces**

The open spaces program of work encompasses budget to support public engagement, lifecycle, refurbishment and master planning for the City's existing 112 parks and associated amenities as well as building new parks and park amenities.

In 2017, the construction of the washroom and change room facility at Eastview Park started over the summer and carried into the fall with façade and internal mechanical work being completed in early 2018 (\$2.2 million). Additionally, significant new and lifecycle renewal of sports fields and related infrastructure occurred over the summer and fall (\$500,000). Further, work continued at Victoria Road Northview and Ellis Creek parks, including construction of new park amenities.

New open space projects require significant planning, study, internal stakeholder review and community engagement which can only commence upon approval of the Capital Budget. Many of these activities are necessary before construction or implementation of the approved projects can begin. A number of significant community engagement exercises are currently underway or beginning in 2018, including the Parkland Dedication By-law update. Further detail on current Open Space Planning projects will be circulated to Council on April 13, 2018 in report PS-2018-18.

### **Road and Right of Way**

This program of work captures the city-wide road restoration and resurfacing program and the expansion and improvements of the road surface including road

widening, installation of turning lanes, and the design and installation of bike facilities.

The annual asphalt program to preserve the lifespan of roads was completed in the third and fourth quarters of the year with \$1.7 million spending. As well, road and sidewalk work totalling \$1.7 million on Eastview Road was completed in the last half of the year to improve the road to an urban cross section and provide an active transportation link.

### **Stormwater**

The stormwater program of work involves controlling the quantity and quality of rainfall and melted snow that runs off of roofs, driveways and roads, which ends up in the city's waterways and storm sewers. Stormwater management systems represent valuable public assets that provide many community benefits, including pollution control and flood protection. The City's stormwater management system includes storm sewers, pipes, roadside ditches, watercourses, culverts, bridges, swales, catchbasins, outfalls, ponds and other water quality treatment facilities.

Significant pond rehabilitation work was undertaken in 2017 (\$700,000) through the stormwater rate funding and federal and provincial infrastructure funding through the Clean Water Wastewater Fund (CWWF). Part of this work included the removal of 3,000 cubic metres of sediment from three stormwater management ponds allowing for ongoing flooding and water quality control. About 400 cubic metres of this sediment was diverted to the Grand River Conservation Authority's Burford Tree Nursery as part of a reuse pilot study. This pilot offers the potential to provide long-term benefits to the City as sediment reuse is a more environmentally and financial sustainable option, due to tipping fee cost savings and conservation of landfill space.

Delays in approvals for the zoning by-law amendment have delayed construction of the new Snow Disposal Facility (\$5.0 million); this is the primary reason for the uncommitted balance in this program of work.

### **Vehicle and Equipment**

The vehicle and equipment program of work provides budget for the lifecycle and growth needs for the City's corporate vehicle and equipment inventory. These assets are needed across the entire City to deliver critical services including Emergency Services, winter maintenance, and open spaces maintenance.

The total spending of \$10.0 million, of which \$3.4 million was spent during the fourth quarter, was heavily weighted on Emergency Services related lifecycle purchases. Replacement of Fire, Paramedic and Police vehicles and equipment of \$6.0 million included: radio infrastructure (\$1.8 million), vehicles (\$2.1 million) and IT equipment (\$438,000).

The uncommitted balance of \$6.2 million is mainly attributable to \$5.1 million in fleet vehicle replacement that was delayed due to a number of staff vacancies. In



mid-2017, a contract staff person was brought in to clear up the backlog. As of the second quarter 2018, the backlog has been completed.

### **Wastewater Plant and Equipment**

This program of work encompasses both renewal and growth-related activities to support the City's sanitary sewer network and pump stations as well as the central wastewater treatment centre.

Although 2017 spending totalled only \$663,800, to date, Wastewater Services has initiated work on \$6.4 million in capital projects including Ferric Building Upgrades, Digester #3 Structural Repairs, Facility Generators, and Aeration Blower Efficiency Upgrades.

An uncommitted balance of \$12.7 million exists for Wastewater Services and the above-noted projects account for approximately half of this balance. The asset inventory and condition assessment project to be completed by the third quarter 2018 will inform and support the prioritizing of projects moving into 2019. The results of the biosolids planning tender to be released by the second quarter 2018 will inform the update to the business case for the Biosolids Facility upgrade. In addition to biosolids management, this tender is also looking for opportunities to leverage off site storage which could positively impact the storage required to be built on site. The details of the Wastewater Treatment Plant Phase 2 Expansion are pending MOECC feedback on the re-rating application expected by second quarter 2018.

### **Water Services Plant and Equipment**

This program of work consists of projects that deliver on two key Water Service goals: supply, treatment and protection of the City's water and conservation and efficiency of water-related initiatives.

To date, Water Services has tendered and started to implement the following construction contracts contributing to the capital spending of \$9.4 million and awarded purchase orders of \$6.1 million. Projects include the Burke Well treatment and pumping facility upgrades, Phase 3 of District Metered Area Construction, Speedvale Water Tower Repainting and Operational Upgrades, F.M. Woods Pumping Station Valve Train Replacements, F.M. Woods Pumping Station Transformer Upgrades, and Glen Recharge Flow Meter Installation.

Water Services staff had also released tenders for piping improvements and inspections, and based on pricing and limited market response, will be re-releasing this work for tender in 2018.

The uncommitted balance of \$14.6 million includes projects to be tendered in 2018 for Emma and Water Street wells; Helmer well facility upgrades; Park Station upgrades, University well upgrades and F.M. Woods Pumps 4 and 5 Valve and Piping Replacements. Additionally, land acquisition and construction costs to be incurred following completion of a Municipal Class Environmental Assessment for treatment and process upgrades at Clythe well are valued at \$7.3 million. Further,

construction costs associated with the F.M. Woods Facility Upgrades will be incurred in 2018 due to continued scoping of this complex project to address operational risks at this critical water supply facility. The remaining balance is a combination of budget available for the later phases of the Burke Well treatment and pumping facility, groundwater protection, new supply and conservation and efficiency programs.

## **Financial Implications**

Ongoing monitoring of capital spending ensures that projects are delivered on schedule and as intended and that any financial issues that arise are dealt with in a proactive manner by Management and Council.

## **Consultations**

Corporate Management Team

## **Corporate Administrative Plan**

### **Overarching Goals**

Service Excellence  
Financial Stability

### **Service Area Operational Work Plans**

Our Resources - A solid foundation for a growing city  
Our Services - Municipal services that make lives better

## **Attachments**

ATT-1 Capital Spending as of December 31, 2017

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## Capital Spending as of December 31, 2017

<b>Program of Work</b>	<b>2017 Available Funding</b>	<b>2017 Actual Spending</b>	<b>December 31, 2017 Balance</b>	<b>Open Purchase Orders</b>	<b>Uncommitted Budget</b>
Active Transportation	18,906,783	16,459,781	2,447,002	1,451,680	995,322
Bridges & Structures	5,165,286	1,131,813	4,033,473	692,698	3,340,775
Building Expansion, Renewal & Upgrades	52,926,777	19,953,702	32,973,075	11,984,169	20,988,906
Contaminated Sites	3,233,181	301,625	2,931,556	1,898,221	1,033,335
Downtown Implementation	37,123,936	8,128,326	28,995,610	21,502,972	7,492,638
Full Corridor Reconstruction	38,347,136	15,807,148	22,539,988	16,337,528	6,202,460
Hanlon Creek Business Park	264,683	218,930	45,753	45,000	753
Information Technology Innovation	7,462,435	3,203,828	4,258,607	1,453,342	2,805,265
Open Spaces	6,904,452	4,156,492	2,747,960	840,148	1,907,812
Planning & Studies	8,543,884	1,359,049	7,184,835	2,360,252	4,824,583
Road & Right of Way	6,989,353	4,241,555	2,747,798	871,219	1,876,579
Stormwater	8,259,348	1,086,010	7,173,338	574,071	6,599,267
Vehicle & Equipment	21,596,300	10,033,717	11,562,583	5,367,176	6,195,407
Wastewater Collection	2,711,333	305,692	2,405,641	1,051,705	1,353,936
Wastewater Plant & Equipment	13,862,206	663,800	13,198,406	510,407	12,687,999
Water Distribution Network	3,951,395	11,699	3,939,696	259,460	3,680,236
Water Plant & Equipment	30,068,882	9,357,614	20,711,268	6,086,457	14,624,811
<b>Total</b>	<b>266,317,370</b>	<b>96,420,781</b>	<b>169,896,589</b>	<b>73,286,505</b>	<b>96,610,084</b>