

# Staff Report



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To	<b>Committee of the Whole</b>
Service Area	Corporate Services
Date	Tuesday, July 2, 2019
Subject	<b>2019 First Tri-annual Capital Variance Report</b>
Report Number	CS-2019-21

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## Recommendation

1. That the report CS-2019-21, titled 2019 First Tri-annual Capital Variance Report and dated July 2, 2019, be received.
2. That \$1,100,000 be transferred from capital account WT0013 Burke Well Treatment to WT0041 Membro Well Facility Upgrades for the new works required as per the Ministry of Environment, Conservation and Parks change in the Water Street Wellfield permit-to-take-water.

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## Executive Summary

### Purpose of Report

This report provides a summary of the 2019 capital spending for the year-to-date (YTD) as of April 30, 2019, 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. The 2019 capital budget is the City's plan to take care of its assets and plan for future growth while also focusing on the community's health and safety and meeting legislative requirements all while balancing affordability for our citizens and businesses.

For 2019, City Council approved a capital budget of \$87.4 million and as of April 30, 2019, had approved an additional \$2.1 million through special motions and/or due to receipt of additional funding. This is in addition to the carry-over budget amount from 2018 unspent capital of \$165.3 million.

This report reflects 2019 spending totaling \$19.3 million; an increase in spending during this period over 2018 by \$8.0 million.

Below is the capital activity for 2019, all numbers are in thousands.

Details are provided in Attachment-2.

<b>Capital variance</b>	<b>Tri-annual 1</b>
2018 carry-over budget	165,260
2019 capital budget, approved	87,370
2019 additional approved funding	2,052
Available capital funding for 2019	<b>254,682</b>
2019 capital spending	19,303
Open purchase orders	56,881
Projects closed	0
Total spending and commitments	<b>76,184</b>
Uncommitted approved budget	<b>178,498</b>

## Financial Implications

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

## Report

### Details

Staff is reporting on a tri-annual basis to ensure timely, transparent and meaningful reporting. This report provides a summary of the 2019 capital spending as of April 30, 2019, and highlights significant capital project activity and milestones.

Budget carried over from 2018 was \$165.3 million, Council approved a 2019 capital budget of \$87.4 million in February 2019; as well, capital budget additions of \$2.1 million have been made since that time; details are provided in Attachment-1.

This provides for a total available budget in 2019 of \$254.7 million.

The total year-to-date capital spending is \$19.3 million, which is \$8.0 million higher than the same period last year.

Outstanding purchase order (PO) commitments total \$56.9 million as of April 30, which is \$20.4 million less than April 30, 2018.

As in the previous tri-annual capital variance reports, this report follows the Program format that was used during the 2019 budget and will continue to be used for future capital planning purposes. This format aligns the capital reporting with the fully service-oriented structure that is presented in the Corporate Asset Management Plan.

Each Program of Work (Program) provides a summary of available funding, spending YTD and outstanding PO commitments in the purchasing system. They

also include summaries regarding key projects and issues. Any significant differences from the approved capital budget are included.

For further information on the City's current Tier-1 projects please visit the City's website: <https://guelph.ca/living/construction-projects/capital-projects/>

## Program of Work Summaries

(all figures reported in thousands unless otherwise noted)

### Contaminated Sites

This Program focus is on managing the City's contaminated site liabilities in order to: protect the City's drinking water, reduce public health and safety risks, invest in land for potential divestiture or redevelopment, revitalize neighbourhoods, and be compliant with the Ministry of the Environment, Conservation and Parks (MECP) guidelines.

<b>Capital variance</b>	<b>Tri-annual 1</b>
2018 carry-over budget	3,839
2019 capital budget, approved	3,325
2019 additional approved funding	0
Available capital funding for 2019	<b>7,164</b>
2019 capital spending	289
Open POs	1,528
Projects closed	0
Total spending and commitments	<b>1,817</b>
Uncommitted approved budget	<b>5,347</b>

The removal of the existing fueling system at 45 Municipal Street is continues with expected completion in the third quarter (Q3) 2019. Total spending incurred YTD is \$108, the balance of \$644 is expected to be incurred prior to year-end.

Monitoring and remediation continues at 200 Beverley Street, it is estimated that active remediation work will begin in Q3 2019 and continue into 2020. Total spending YTD is \$103, with \$2.6 million in approved funding for remediation work.

In addition to these two initiatives, progress continues on the remediation of Goldie Mill Park, construction will begin in Q3 2019 and be finalized by the end of the year.

Environmental, archeological, geotechnical investigation and remediation of the Baker Street parking lot site will be undertaken between the second quarter (Q2) and the fourth quarter 2019 in preparation of the site for the Baker Street redevelopment being planned in partnership with Windmill Development Group.

Additional work for the Fountain Street environmental and historical landfill investigations will be undertaken starting in Q2 2019.

There are no projects currently at risk of budget overage. The unknown conditions of the sites are the driver of the delays on some projects, which makes it difficult to predict the exact time of project completion.

**Corporate Projects**

This Program is focused on ensuring the overall administrative operations of the corporation are able to effectively deliver service and guidance to the City’s external facing service delivery areas. Providing corporate standards ensure that citizens experience a consistent look and feel in their interactions with the corporation.

<b>Capital variance</b>	<b>Tri-annual 1</b>
2018 carry-over budget	15,813
2019 capital budget, approved	8,361
2019 additional approved funding	(763)
Available capital funding for 2019	<b>23,411</b>
2019 capital spending	1,856
Open POs	4,462
Closed projects	0
Total spending and commitments	<b>6,318</b>
Uncommitted approved budget	<b>17,093</b>

In 2018, the Municipal Innovation Exchange (MIE) and the SMART Cities Challenge (SMART) were incorporated into the City’s capital portfolio. In April 2019 the provincial government announced that the MIE funding had been cancelled, however, the City has obtained an extension to March 31, 2020 which is being finalized with the province. The combined City/County SMART proposal was successful in obtaining the \$10 million Federal grant, and will be reflected in the capital budget once Council approves a transfer payment agreement. Additional information is available on the City’s external web site: <https://guelph.ca/city-hall/city-administrators-office/smart-cities-challenge/>

The City’s fleet replacement program accounts for 27 per cent of this Program and in order to ensure appropriate asset management principles were being applied, the annual vehicle and equipment replacement program was paused while the lifecycle assumptions of all vehicles were assessed; this has led to lower than budgeted spending of only \$252 in 2019.

Total IT spending in 2019 is \$232 which is primarily lifecycle replacement, and upgrades and implementation of new purchasing and inventory modules to JD

Edwards. Further, planning and sourcing of a new Corporate Maintenance Management System is underway, with implementation expected in 2020.

Significant planning work continues related to Clair-Maltby Secondary Plan, including environmental assessment and infrastructure planning.

The Hanlon Creek Business Park project update was recently approved by Council, with environmental monitoring, appraisals and minor construction work to be completed in 2019. Refinement of cost estimates is underway based on detailed designs, with construction expected in Q3 2019.

**Emergency Services**

This Program is ensuring that our emergency service providers have the vehicles, equipment and facilities required to effectively deliver critical community services. This requires that their assets are in working and reliable condition and are replaced at the right time. Projects in this Program are directed by industry best practice and service-specific legislation.

<b>Capital variance</b>	<b>Tri-annual 1</b>
2018 carry-over budget	8,660
2019 capital budget, approved	4,926
2019 additional approved funding	0
Available capital funding for 2019	<b>13,586</b>
2019 capital spending	1,936
Open POs	4,107
Closed projects	0
Total spending and commitments	<b>6,043</b>
Uncommitted approved budget	<b>7,543</b>

In 2019, the Guelph Police Services (GPS) Headquarter renovation expenses were \$1.3 million YTD. Additional information is available through the City's Tier-1 process webpage.

Additional GPS project spending totalled \$597 for 2019 YTD. This spending was focused on Information Technology (IT) infrastructure upgrades and vehicle and equipment replacement. These projects allow officers to have critical information and tools available when needed.

Continued spending on equipment and vehicle lifecycle related projects is planned through 2019.

## Open Spaces, Recreation, Culture and Library

Leisure and active living play a critical role in providing Guelph residents and visitors options to support their quality of life, health and well-being. Social, cultural and recreational infrastructure is a key indicator for quality of life and serves as visitor destinations, which stimulates the local economy.

<b>Capital variance</b>	<b>Tri-annual 1</b>
2018 carry-over budget	13,309
2019 capital budget, approved	7,916
2019 additional approved funding	82
Available capital funding for 2019	<b>21,307</b>
2019 capital spending	1,417
Open POs	3,707
Closed projects	0
Total spending and commitments	<b>5,124</b>
Uncommitted approved budget	<b>16,183</b>

Development of the Baker Street site continues, including the planning and design of the new main library with spending of \$500 YTD on these activities leading to the recent public presentation of preliminary designs. Work will continue based on feedback and direction from the Guelph Public Library Board and Council.

Technical upgrades at the River Run Centre of \$108, are under way with additional equipment of \$200, being tendered in Q2.

Park planning work is under way with a number of tenders expected to be awarded by end of Q2 with work to be completed through the summer and fall.

### **Solid Waste Services**

This Program provides for continued customer service, growth, site compliance and maintenance of critical infrastructure required to maintain diversion of waste from landfill. It minimizes landfill disposal costs while reducing the environmental footprint of waste management operations in the City.

**Capital variance****Tri-annual 1**

2018 carry-over budget	5,948
2019 capital budget, approved	3,107
2019 additional approved funding	0
Available capital funding for 2019	<b>9,055</b>
2019 capital spending	694
Open POs	571
Closed projects	0
Total spending and commitments	<b>1,265</b>
Uncommitted approved budget	<b>7,790</b>

Total spending was \$694 as of April 30, 2019 which includes the purchase of a new front-load waste packer. The vehicle has been put into operation to introduce the City's new multi-residential waste collection program for residents not able to be serviced by the current side load trucks.

Work driven by the inventory and condition assessment at the Dunlop Drive site is ongoing; this work is prioritizing the required renewal work to be incorporated into the capital forecast for 2020 and beyond.

Spending on equipment and facility lifecycle is planned to continue in 2019; this includes purchase of a second front-load waste packer, planning and construction of a second public drop-off scale and additional minor upgrades and renewal to existing facilities.

**Stormwater Services**

This Program involves constructing, operating, maintaining and improving the City's existing Stormwater Management infrastructure for the purpose of providing flood and erosion control, water quality treatment and environmental protection.

## Capital variance

	Tri-annual 1
2018 carry-over budget	10,160
2019 capital budget, approved	4,684
2019 additional approved funding	0
Available capital funding for 2019	<b>14,844</b>
2019 capital spending	609
Open POs	3,446
Closed projects	0
Total spending and commitments	<b>4,055</b>
Uncommitted approved budget	<b>10,789</b>

The construction of the snow disposal facility located west of the Wastewater Treatment Plant was awarded and is scheduled to be completed by Q3 2019. The construction of this facility began April 1, 2019 with the goal to begin operations in 2019/2020 winter season.

Stormwater pond rehabilitation work will continue through the year, utilizing funding from the Federal and Provincial governments to complete work through the Clean Water and Wastewater Fund program.

In coordination with other linear reconstruction work, significant stormwater infrastructure was replaced and upgraded as part of the work on the Bull Frog stormwater system at Elizabeth Street.

The extensive condition assessment for the stormwater system infrastructure completed in 2017, provided an overview of the system structure. City staff continues reviewing the impact of the study and prioritizing activities accordingly. This is the case with the sewer rehabilitation project, which requires further investigation in 2019. The results will guide staff in tendering future work to maintain assets in compliance with the MECP.

## Transportation Services

This Program captures the network of services and assets that enable the flow of people and goods throughout the city, including: Guelph Transit, Parking, Traffic Management and Infrastructure Development both above and below ground, in the road and right-of-way.

The Program provides for the rehabilitation, renewal, replacement and construction of assets ranging from road surfaces and traffic signals to buses and bus shelters, as well as active transportation routes and parking facilities.



<b>Capital variance</b>	<b>Tri-annual 1</b>
2018 carry-over budget	39,741
2019 capital budget, approved	14,502
2019 additional approved funding	2,734
Available capital funding for 2019	<b>56,977</b>
2019 capital spending	8,105
Open POs	18,130
Closed Projects	0
Total spending and commitments	<b>26,235</b>
Uncommitted approved budget	<b>30,742</b>

Total spending of \$8.1 million as of April 30, 2019 was mainly due to; Wilson Parkade construction (\$2.0 million), road reconstruction related to linear upgrades (\$1.4 million) and the purchase of the LED light fixtures for the City-wide street light replacement (\$3.2 million).

Additional information on the Wilson Street reconstruction and parkade, and the Norfolk Street Foot Bridge can be found on the City's website as part of the Tier-1 project page.

The Niska Road: City boundary/Downey Road project continue, with the construction of the road component completed and the two-lane bridge replacement in place, the balance of work is related to surface asphalt on the road and bridge. Additional information is available on the City's website <https://guelph.ca/city-hall/budget-and-finance/city-budget/full-corridor-reconstruction-growth/full-corridor-reconstruction-growth-sub-program-niska-road-city-boundary-downey-road/>

Progress continues to be made on the multi-use path along Woodlawn Road, with the section between Silvercreek Parkway and Regal being partially paved; the balance is expected to be completed in Q2 2019 related to paving and installation of soil and sod along the path.

The purchase of LED fixtures (\$3.2 million) is the first step in the overall project that will see all non-decorative street lights replaced by the end of 2020. The tendering of the purchase of the adaptive controls is expected to be completed in June 2019 followed by the negotiation of the installation contract. Installation is expected to begin in Q3 2019.

## **Wastewater Services**

City staff continue to focus on the maintenance of critical infrastructure to avoid the risk of non-compliance and the higher costs of unplanned maintenance. Further benefits of this Program include: optimizing and increasing capacities of existing systems, reducing infiltration, protecting the natural environment, enhancing asset

management, and ensuring wastewater can be conveyed in a manner to satisfy capacity requirements for the City's Wastewater Treatment Plant.

<b>Capital variance</b>	<b>Tri-annual 1</b>
2018 carry-over budget	28,617
2019 capital budget, approved	13,104
2019 additional approved funding	0
Available capital funding for 2019	<b>41,721</b>
2019 capital spending	803
Open POs	7,491
Closed projects	0
Total spending and commitments	<b>8,294</b>
Uncommitted approved budget	<b>33,427</b>

Total spending of \$803 is made up of work at the Wastewater Treatment Plant and linear renewal and expansion.

Construction continued on the York Trunk Sewer across the city with YTD spending of \$275. This is a multi-year project which will provide the east side of the city with growth capacity for the Guelph Innovation District. The current phase is expected to be completed by August 2019.

Significant design work was completed related to linear systems and plant equipment renewal in 2018, but the major portion of this lifecycle work will continue in 2019. Included is siphon rehabilitation, plant generators, digester structural repairs, gas proofing and the aeration efficiency program.

The Corporate Asset Management division is continuing to work on the condition assessment of the Wastewater Treatment Plant. Progress has been made on the condition of the assets, although there is a delay due to a late start and inclement weather conditions. The project is expected to be completed by December 2019.

Consultation with the MECP continues regarding the re-rating of the current treatment plant capacity, a successful outcome will see the plant continue to meet growth demands without the requirement to significantly expand in the near future. This would provide long-term cost savings to residents and businesses.

## **Water Services**

By proactively creating additional supply and renewing our existing systems, the City is focused on ensuring a safe and reliable source of water for existing customers and to meet the needs of growth.

## Capital variance

	Tri-annual 1
2018 carry-over budget	39,173
2019 capital budget, approved	27,445
2019 additional approved funding	0
Available capital funding for 2019	<b>66,618</b>
2019 capital spending	3,595
Open POs	13,438
Closed Projects	0
Total spending and commitments	<b>17,033</b>
Uncommitted approved budget	<b>49,585</b>

Construction continued through the year on the Paisley feeder main to the west portion of the city for \$486; Phase 1 is being completed, with only surface work outstanding, Phase 2 is currently under construction. Once completed in 2020, this multi-year project will provide the west side of the City with required redundant water supply and growth capacity.

Construction of the Burke Well treatment facility has reached substantial completion with the public notice on June 6, 2019. Combined with ongoing distribution system, flushing and swabbing activities, this new treatment facility provides residents in the south end with clear, colour-free water. Surplus funds from this project are being recommended to be reallocated to work required at the Membro Well as per changes required by the MECP.

Replacement of water pipes in conjunction with road reconstruction for York Road totaling \$1.0 million and other minor projects is progressing as expected.

## Financial Implications

This is the first report of the year and in most areas, substantial work is just being started with awarding of contracts for the summer/fall construction season.

Ongoing monitoring of capital expenditures against planned budget is a critical part of ensuring the expected outcomes are delivered from the City's capital program.

## Consultations

Corporate Management Team

## Corporate Administrative Plan

## Overarching Goals

Financial Stability

## Service Area Operational Work Plans

Our Services - Municipal services that make lives better

Our Resources - A solid foundation for a growing city

## Attachments

Attachment-1 2019 Additional Approved Capital Funding

Attachment-2 2019 Capital Spending as of April 30, 2019

## Report Author

Greg Clark, CPA, CMA

Manager Financial Strategy and Long Term Planning



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### Approved By

Tara Baker, CPA, CA  
General Manager Finance/City  
Treasurer  
Corporate Services  
519-822-1260 Ext. 2084  
[Tara.baker@guelph.ca](mailto:Tara.baker@guelph.ca)



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### Recommended By

Trevor Lee  
Deputy Chief Administrative Officer  
Corporate Services  
519-822-1260 Ext. 2281  
[Trevor.lee@guelph.ca](mailto:Trevor.lee@guelph.ca)

<b>Program of Work</b>	<b>Details</b>	<b>Addition (Reduction)</b>
<b>Corporate Projects</b>		
Guelph Innovation District	Council decision to not proceed with acquisition	(665,000)
Victoria Road Recreation Centre	Funding from Corporate Projects for accessibility and energy upgrades	(98,465)
<b>Subtotal</b>		<b>(763,465)</b>
<b>Open Spaces, Recreation, Culture and Library</b>		
Facilities Renewal	Transfer funding to cover Transit facility work	(44,400)
Wilson Street Public Art	Move project from Transportation	27,730
Victoria Road Recreation Centre	Funding from Corporate Projects for accessibility and energy upgrades	98,465
<b>Subtotal</b>		<b>81,795</b>
<b>Transportation</b>		
Community Buses	Approval of purchase of 5 buses through 2019 Operating budget	2,717,000
Wilson Street Public Art	Move project to Open Space, Recreation, Culture and Library	(27,730)
Facilities renewal	Transfer funding to cover Transit facility work	44,400
<b>Subtotal</b>		<b>2,733,670</b>
<b>Total additional funding</b>		<b>2,052,000</b>

## Attachment 2 - 2019 Capital Spending as of April 30, 2019

Program of Work	Carry Over	2019	Adjustment	2019 Available Funding	2019 Actual Spending	Closed Projects	April 30, 2019 Balance	Open Purchase Orders	Uncommitted Approved Budget
Contaminated Sites	3,839,169	3,325,000	-	7,164,169	289,134		6,875,035	1,528,021	5,347,014
Corporate Projects	15,812,904	8,361,000	(763,465)	23,410,439	1,855,746		21,554,693	4,461,773	17,092,920
Emergency Services	8,660,378	4,926,000	-	13,586,378	1,935,629		11,650,749	4,107,139	7,543,610
Open Spaces, Recreation, Culture & Library	13,308,946	7,916,000	81,795	21,306,741	1,417,140		19,889,601	3,707,345	16,182,256
Solid Waste Services	5,948,168	3,107,000	-	9,055,168	693,700		8,361,468	571,346	7,790,122
Stormwater Management	10,159,665	4,683,700	-	14,843,365	609,263		14,234,102	3,446,442	10,787,660
Transportation Systems	39,741,406	14,502,000	2,733,670	56,977,076	8,104,986		48,872,090	18,130,042	30,742,048
Wastewater Services	28,616,928	13,104,400	-	41,721,328	802,841		40,918,487	7,491,463	33,427,024
Water Services	39,172,874	27,445,000	-	66,617,874	3,594,831		63,023,043	13,437,513	49,585,530
<b>Total</b>	<b>165,260,438</b>	<b>87,370,100</b>	<b>2,052,000</b>	<b>254,682,538</b>	<b>19,303,270</b>	<b>-</b>	<b>235,379,268</b>	<b>56,881,084</b>	<b>178,498,184</b>