

Information Report



Service Area	Corporate Services
Date	Friday, June 26, 2020
Subject	2020 Tri-annual 1 Capital Variance Report

Executive Summary

Purpose of Report

This report provides a summary of the 2020 capital spending for the period ended April 30, 2020, 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 2020 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 2020, City Council approved a capital budget of \$151.6 million and as of April 30, 2020, had approved an additional \$2.7 million through special motions and/or due to receipt of additional funding (Attachment-1). This is in addition to the carry-over budget amount from 2019 unspent capital of \$157.2 million.

This report reflects Tri-annual 1 (T1) spending totaling \$21.4 million; an increase in spending from April 2019 of \$2.1 million.

As reported through the City's monthly COVID-19 reporting, the capital program has been significantly affected by the COVID-19 pandemic beginning in mid-March due to cash flow concerns and further, when the Government of Ontario enacted O. Reg. 119/20 which limited operating of non-essential businesses and related activities including construction. The City had many services which were permitted to continue and including capital work under this regulation, however a significant portion of the City's capital program relates to services not considered essential under the regulation. The Capital and Construction Table took the necessary time to review these regulations, assess emerging financial constraints and staffing resourcing implications before commencing capital project work.

In some cases, projects are still on hold pending prioritization decisions related to new project requirements emerging as a result of COVID-19. For this reason, the capital plan has been impacted, and the City will see this reflected through a slowing of spending beginning in May and will continue to be below original expectations until such time as work is able to return to prior conditions.

There will be longer-term sequencing impacts from temporarily postponed projects as well as new and shifting project priorities emerging from COVID. The Strategic

Plan will guide these decisions and will be assessed more fully in advance of future variance reporting and through the 2021-2030 capital budget development.

Below is the capital activity for 2020, all numbers are in thousands.

Details are provided in Attachment-2.

Capital variance	Tri-annual 1 April 30
2019 carry-over budget	157,208 ¹
2020 capital budget, approved	151,590
2020 additional approved funding	2,699
Available capital funding for 2020	311,497
2020 capital spending	21,389
Open purchase orders (PO)	48,904
Projects closed	0
Total spending and commitments	70,293
Uncommitted approved budget	241,204

Financial Implications

As noted above, the first four months of 2020 saw higher spending when compared to 2019. This spending reflects work undertaken prior to the pause of projects due to the COVID-19 pandemic. Due to restrictions imposed by the province in response to the pandemic, a portion of the City's capital spending was paused for a period of time from mid-March into early May. This reduction in activity will be reflected in the Tri-annual 2 (T2) Capital Variance report, as well as continued changes in the way the City carries out work throughout the City.

Report

Details

Staff is reporting on a tri-annual basis to ensure timely, transparent and meaningful reporting. This report provides a summary of the capital spending as of April 30, 2020, and highlights significant capital project activity and milestones.

¹ 2019 Year-end Capital Variance Report 2020-25 dated May 25, 2020 reported a carry-over budget of 157,311 however two journal entries were subsequently posted.

Budget carried over from 2019 was \$157.2 million, Council approved a 2020 capital budget of \$151.6 million in November 2019; as well, capital budget additions of \$2.7 million have been made since that time; details are provided in Attachment-1.

This provides for a total available budget in 2020 of \$311.5 million.

The total capital spending in T1 is \$21.4 million, which is \$2.1 million more than T1 2019 (see Table 1). Due to the fact that most payments occur 30-60 days after work is undertaken, the impact of COVID-19 pandemic will be reflected in the T2 capital variance report. Staff expect that spending has slowed and will continue to be below expectations until such time as work is able to return to prior conditions, if possible. In some situations, projects are being paused due to reprioritization of work from a service perspective and/or due to reduced staff resource availability.

Outstanding PO commitments total \$48.9 million as of April 30, 2020 which is \$8.0 million less than April 30, 2019 (see Table 1). See Attachment-2 for a summary of 2020 capital activity. This reduction is also a reflection of the current pandemic as purchasing activities related to non-essential capital projects were paused amidst financial cash flow concerns and to respond to the provincial restrictions put into place. Purchasing activities have begun to return to normal, however, project prioritization activities will continue to impact the level of contracts awarded. Based on the seasonal nature of construction there may be longer-term impacts due to the inability to begin projects in a timely manner, and work may be deferred until 2021 due to timing.

Table 1 - Year over Year Comparisons

		T1 (April)	T2 (August)	T3 (December)
PO Commitments	2020	48,904	n/a	n/a
PO Commitments	2019	56,881	59,018	43,336
Change		(7,977)	n/a	n/a
Spending (cumulative)	2020	21,389	n/a	n/a
Spending (cumulative)	2019	19,303	55,402	102,239
Change		2,086	n/a	n/a

COVID-19

The City’s capital program has been significantly affected by the COVID-19 pandemic beginning in mid-March due to cash flow concerns and further, when the Government of Ontario enacted O. Reg. 119/200 which limited operating of non-essential businesses and related activities including construction. The City had many services which were permitted to continue operations and capital work under this regulation, however a significant portion of the City’s capital program relates to services not considered essential under the regulation.

Cash flow was a significant concern as the City forecasted lost revenues from all business lines, lower than normal property tax collection, layered with increased

costs for personal protective equipment and a shift to a work-from-home workforce. While these concerns were assessed and an emergency credit facility was implemented, fiscal relief measures were instituted to help offset these budget impacts and reviewing the priority of capital projects was one of the strategies instituted. Based on recent experience in tax collection, cash flow concerns have since been alleviated however certain limitations still exist due to the pandemic including reduced staffing, new project priorities and timing impacts.

As reported through the monthly COVID-19 Council updates, Staff have reviewed all capital projects in detail to determine a course of action for each project during the pandemic. The Construction and Capital Table provided guidance on the criteria to be used to determine what projects may continue to move forward and which projects should be temporarily postponed or deferred to a future year. Below are the key criteria that staff used to determine a course of action for each project in the City's capital program.

- **Essential Service** – Any services identified in the [Essential Services List](#).
- **Non-essential Service** – Any services not identified in the [Essential Services List](#) as determined by the City.
- **Critical** – Work that is required before June 30, 2020 to support the safe delivery of essential services, meet regulatory compliance requirements, provide/protect public and City staff safety, repair/replace failed infrastructure or equipment, and does not unnecessarily exacerbate the spread of COVID-19.
- **Non-critical** – Work that supports the safe delivery of essential services but is not necessary or otherwise required before June 30, 2020.
- **Meaningful** – Work that can be done from home (essential or non-essential), does not contribute to the spread of COVID-19, and delivers City services or moves City business forward in an impactful way.

This report reflects the status of projects as of April 30, 2020, however, since that time, changes have been made in terms of what projects may proceed. This information is being reviewed on an ongoing basis, with updates to the Executive Team. Emerging capital priorities as a result of COVID-19, including technology modernization, facility requirements, and developing grant opportunities are also shifting the capital plan. As the City manages through such uncertainty and change, the Strategic Plan is providing the necessary framework for project prioritization.

Due to the sequencing effect of these changes in the capital program, it is likely that the level of capital work that can be completed in 2020 and 2021 will be reduced as the City and our capital partners (contracted third parties) will need to work through the backlog of projects that commenced prior to COVID-19 work stoppages. Staff will be critically analyzing the ten-year capital forecast to determine what changes will be required going into the 2021 budget process.

Approved projects that are currently proposed to be deferred through to the end of 2020 will be considered in relation to forecasted capital projects in order to manage capacity and consider revised priorities and operating conditions due to the pandemic.

Program of Work Summaries

(all figures reported in thousands unless otherwise noted)

As in the previous tri-annual capital variance reports, this report follows the Program of Work (Program) format that was used during the 2020 budget.

Each Program provides a summary of available funding, spending year-to-date and outstanding PO commitments in the purchasing system. A summary of key projects, and 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 City projects webpage](#).

Contaminated Sites

This Program is focused 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.

Capital variance	Tri-annual 1
2019 carry-over budget	5,174
2020 capital budget, approved	3,750
2020 additional approved funding	0
Available capital funding for 2020	8,924
2020 capital spending	275
Open POs	835
Projects closed	0
Total spending and commitments	1,110
Uncommitted approved budget	7,814

Several projects within the Contaminated Sites Program were able to continue as they meet the essential and meaningful category. However a significant portion has been postponed past June 30, 2020 including \$2,369 for historical landfill investigation.

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.

Capital variance	Tri-annual 1
2019 carry-over budget	17,307
2020 capital budget, approved	17,188
2020 additional approved funding	(45)
Available capital funding for 2020	34,450
2020 capital spending	4,430
Open POs	8,164
Closed projects	0
Total spending and commitments	12,594
Uncommitted approved budget	21,856

Corporate Information Technology (IT) projects such as software upgrades and annual lifecycle renewals were not impacted by the pandemic, spending in T1 was \$1,289. 2020 fleet purchases also have not been impacted and will continue to proceed with approximately \$510 spent and an additional \$3,500 in POs issued.

Work on facilities renewal, accessibility improvements and energy initiatives have been temporarily postponed. Prior to their postponement, substantial work was completed on the stabilization of the Drill Hall and LED retrofits at City Hall. Planning and development activities continued including grant applications wherever possible; the successful award of \$100,000 for 20 new electric vehicle charging stations across the City was announced in June.

In T1, \$620 was spent on the Baker District Redevelopment, more information on this development project can be found on the [City’s Baker District Redevelopment webpage](#).

An accounting change on the treatment of the City’s contribution to County-managed projects for Social Housing, Child Care and Ontario Works accounts for \$520 of spending in T1. In prior years the City’s contribution was accounted for through the operating budget however this change was made to align all contributions to the County’s capital program through the City’s capital program.

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.

Capital variance	Tri-annual 1
2019 carry-over budget	4,904
2020 capital budget, approved	5,399
2020 additional approved funding	399
Available capital funding for 2020	10,702
2020 capital spending	2,445
Open POs	1,906
Closed projects	0
Total spending and commitments	4,351
Uncommitted approved budget	6,351

Capital projects which support first responders by providing essential equipment have not been impacted by the pandemic. Facility renewal work and energy initiatives have all been postponed, with the exception of work on the Guelph Police Headquarters, as it is an essential and critical construction project which is nearing completion.

T1 spending includes the purchase of portable radios, body armour and vehicle purchases for Guelph Police Services.

T1 spending on Paramedics' equipment includes the purchase of 27 cardiac monitor/defibrillator portable devices to replace existing units and to outfit new ambulances.

Bunker gear, helmet replacements, extraction tools, other equipment purchases and facilities work prior to COVID-19 represent T1 spending for Fire Services.

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.

Capital variance	Tri-annual 1
2019 carry-over budget	12,590
2020 capital budget, approved	12,005
2020 additional approved funding	45
Available capital funding for 2020	24,640

Capital variance	Tri-annual 1
2020 capital spending	1,700
Open POs	3,347
Closed projects	0
Total spending and commitments	5,047
Uncommitted approved budget	19,593

Work on projects within the Open Spaces, Recreation, Culture and Library program of work were primarily paused in April as per direction on non-essential services from the Province of Ontario.

Culture and Tourism projects have been postponed with the exception of the move of Locomotive 6167 which must proceed in 2020 to meet contractual obligations.

Replacement of vehicles for Parks and Recreation has continued as 2020 contracts were awarded and POs initiated prior to provincial orders. Work on recreation facilities renewal has been paused as well as energy initiatives. Design work on the South End Community Centre has continued in order to obtain cost estimates required for staff to bring forward for Council's consideration in 2020.

The Parks and Recreation Master Plan and the Trails Master Plan Update have also proceeded as the schedule for these projects need to be maintained to manage timelines for department work plans, Council reporting and have associated provincial and regulatory timelines in terms of the Growth Strategy Official Plan and the Community Benefits Charge Bylaw which the City must meet.

Continuing work on design and planning of upcoming parks projects provides meaningful work that staff can move forward while maintaining alternative work arrangements. By continuing this work, staff will be prepared to start procurement processes once the construction timing is confirmed.

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
2019 carry-over budget	7,381
2020 capital budget, approved	2,213
2020 additional approved funding	300
Available capital funding for 2020	9,894

Capital variance	Tri-annual 1
2020 capital spending	123
Open POs	2,505
Closed projects	0
Total spending and commitments	2,628
Uncommitted approved budget	7,266

Collecting, transporting, storing, processing, disposing of any type of waste is specifically mentioned as being an essential service under the Ontario regulation however limited spending was seen in T1 for Solid Waste projects.

While spending has been minimal in T1, this is not unusual as several projects are in the planning design stages with construction beginning in T2. Work in 2020 will include upgrades to Gate 1 scale area and the Public Drop Off area which will help provide better access and traffic flow through the site.

Vehicles and equipment on order account for over \$1,000 of outstanding POs for this period.

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
2019 carry-over budget	9,229
2020 capital budget, approved	7,630
2020 additional approved funding	0
Available capital funding for 2020	16,859
2020 capital spending	851
Open POs	1,805
Closed projects	0
Total spending and commitments	2,656
Uncommitted approved budget	14,203

Phase 1 of Bull Frog Stormwater Splitter is nearing completion. The installation of the new flow splitter to connect the Elizabeth Street storm sewer to the Bullfrog Creek watershed will help to mitigate flooding in nearby residential areas. Other projects such as stormwater pond rehabilitations are delayed past June 30, 2020.

Several other projects meet the criteria of essential and meaningful such as the Stormwater Master Plan, Cost of Service Study, Pond Monitoring and the Water and Wastewater Servicing Master Plan which is required for Provincial growth plans which have not be delayed.

Other essential but non-critical and non-essential work has been postponed.

Transportation Services

This Program captures the network of services and assets that enable the flow of people and goods throughout the city, including: transit, parking, traffic management and infrastructure development both above and below ground, and 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.

Capital variance	Tri-annual 1
2019 carry-over budget	16,848
2020 capital budget, approved	25,948
2020 additional approved funding	2,000
Available capital funding for 2020	44,796
2020 capital spending	4,509
Open POs	8,578
Closed Projects	0
Total spending and commitments	13,087
Uncommitted approved budget	31,709

Critical infrastructure repair and maintenance was not affected by the provincial emergency orders and as such, several transportation projects that were already in progress continued. The annual road restoration and resurfacing program continued and had the advantage of reduced traffic volumes to manage and work around.

Reconstruction of the Norwich Pedestrian Bridge is also moving forward in hopes to capture construction during the 2020 summer/early fall construction period, however it may be delayed due to the need for public engagement.

Vehicle purchases previously initiated have continued, with two plow trucks on order for a total of \$795.

Installation of LED street lighting throughout the City was temporarily postponed as it was deemed non-essential construction. However installation has since continued and is expected to be completed by year-end.

Development of Golds Court in the Hanlon Creek Business Park has continued as the City has sold two lots with the commitment to provide grading, servicing and road infrastructure.

Staff have continued preparation work such as planning, design and procurement documents for projects categorized as essential and non-critical or meaningful. This will maintain the City’s readiness to restart projects when permitted in efforts to limit the overall effect of the COVID-19 work stoppages.

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.

Capital variance	Tri-annual 1
2019 carry-over budget	30,760
2020 capital budget, approved	27,692
2020 additional approved funding	0
Available capital funding for 2020	58,452
2020 capital spending	3,798
Open POs	7,066
Closed projects	0
Total spending and commitments	10,864
Uncommitted approved budget	47,588

Sewage treatment and disposal was deemed an essential service by O. Reg. 119/20 made April 3, 2020 and therefore the majority of the Program continued to move ahead.

Critical work on the Wastewater Treatment Plant to provide full back up power to the treatment plant is underway with the purchase of two standby generators expected in T2. Installation of an air scrubber for the Lystek area of the bio solids facility is proceeding which will remove odourous air and methane in accordance with health, safety and environmental requirements. Digester structural repair and gas proofing on digester 3 is expected to be completed by year-end, at which time the digester cleaning program can begin on digester 4.

Several large linear sewer projects have continued including work on Arthur Trunk Sewer Phase 4 between Cross Street and Macdonell as well as the York Trunk Sewer. The York Trunk Sewer is a multi-phase multi-year project to provide the east side of the City with growth capacity. The construction tender for Phase 2 of the York Trunk Sewer from Ontario to Stevenson has been issued.

Energy initiatives not yet started were temporarily postponed, however the multi-year project to improve energy efficiencies on the aeration controls continues and will provide additional energy savings as each phase in this project is completed.

Other planned non-essential or non-critical plant improvements and sewer investigation work was postponed. Demolition of the Gordon Sewage Pumping Station that had previously been decommissioned was also postponed. Staff are assessing when these postponed projects can be advanced considering emerging priorities and on-going contract project management staffing impacts.

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
2019 carry-over budget	53,015
2020 capital budget, approved	49,765
2020 additional approved funding	0
Available capital funding for 2020	102,780
2020 capital spending	3,257
Open POs	14,697
Closed Projects	0
Total spending and commitments	17,954
Uncommitted approved budget	84,826

Delivery of potable drinking water was deemed an essential service by O. Reg. 119/20 made April 3, 2020 and therefore the majority of the Program continued to move ahead.

FM Woods Station Upgrade is continuing as it supports critical upgrades and replacements as up to 80 per cent of the City's water supply flows to, is treated, stored and pumped into the distribution system at this facility. Other facility upgrades and lifecycle renewal for critical infrastructure is being maintained to minimize risks to the water system.

Design and planning work has continued where possible to maintain work plans and sequencing of critical construction projects such as the Verney Tower Feedermain and Valve Chamber replacements and Paisley Pump Upgrades both with anticipated construction in 2021.

The Water Supply Master Plan (WSMP) update which will cover the planning period up to 2041 is an essential document which will provide water supply options to meet growth demands in the short-term, mid-term and long-term. Work on the WSMP has continued throughout this period and has an anticipated completion date in T3 2020.

The meter replacement program that was initiated in 2019 to replace water meters past their deemed lifecycle has been postponed. However, reactionary meter maintenance has continued to ensure functionality of water meters throughout this period.

Several smaller scale watermain projects have been postponed as they were deemed essential but non-critical construction. These include proactive replacement of watermain linings in sections experiencing a high occurrence of breaks. These were deemed non-critical because they are still functioning. However, if any additional breaks occur the City will incur maintenance costs through the operating budget. Watermain construction related to growth has also been postponed due to its non-essential designation.

Financial Implications

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

Consultations

Corporate Management Team

Strategic Plan Alignment

Reporting tri-annually on the progress of the City's capital program supports the Strategic Plan's Working Together for our Future pillar through maintaining a fiscally responsible local government.

Attachments

Attachment-1: 2020 Additional Approved Capital Funding

Attachment-2: 2020 Capital Spending as of April 30, 2020

Departmental Approval

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Attachment-1 2020 Additional Approved Capital Funding (000s)

Project	Details	Addition/ (Reduction)
City-wide LED Upgrade	Additional Funding approved by Council January 27, 2020	1,000
Hanlon Creek Business Park - Golds Court development	Additional funding approved by Council on January 14, 2019, conditional upon certain requirements that have now been satisfied.	1,000
Police IT Hardware	Transfer from Police operating budget	399
Inventory and Condition Assessment	Continuous Improvement Fund grant received from Waste Diversion Ontario	160
Solid Waste Master Plan	Additional funding from Smart Cities grant (transfer from operating budget)	140
Total additional funding		2,699

Attachment-2 2020 Capital Spending as of April 30, 2020 (000s)

Program	2019 carry-over budget	2020 capital budget, approved	2020 additional approved funding	2020 capital spending	Open POs	Closed Projects	Total spending and commitments	Uncommitted approved budget
Contaminated Sites	5,174	3,750	-	275	835	-	1,110	7,814
Corporate Projects	17,307	17,188	(45)	4,430	8,164	-	12,594	21,856
Emergency Services	4,904	5,399	399	2,445	1,906	-	4,351	6,351
Open Spaces, Recreation, Culture and Library	12,590	12,005	45	1,700	3,347	-	5,047	19,593
Solid Waste Services	7,381	2,213	300	123	2,505	-	2,628	7,266
Stormwater Management	9,229	7,630	-	851	1,805	-	2,656	14,203
Transportation Systems	16,848	25,948	2,000	4,509	8,578	-	13,087	31,709
Wastewater Services	30,760	27,692	-	3,798	7,066	-	10,864	47,588
Water Services	53,015	49,765	-	3,257	14,697	-	17,954	84,826
Total Capital Program	157,208	151,590	2,699	21,389	48,904	-	70,293	241,204

Note: May not add due to rounding.