

Information Report

Service Area	Corporate Services
Date	Friday, September 16, 2022
Subject	Second Quarter 2022 Budget Monitoring Report

Executive Summary

Purpose of Report

The purpose of this report is to provide Council notice of any financial risks that could affect the 2022 year-end position and provide a preliminary year-end forecast based on actual financial information as of June 30, 2022, which is the end of the second quarter. This report includes both operating and capital budget monitoring.

Key Findings

As identified in the [First Quarter 2022 Budget Monitoring](#) report, the City entered a third year of operating under the unpredictable conditions of the COVID-19 (COVID) global pandemic and Ontario was operating under restricted Public Health measures in the first four to six weeks of 2022. The biggest challenges in 2022 are the inflationary pressures due to increased demand for goods and restricted supply which are impacting the costs of service delivery. World events like the war in Ukraine and extended lockdown in China are further exacerbating supply chain challenges. For these reasons, risk remains with respect to the City's financial position in 2022, and no new support programs have been announced by other levels of government. The financial position will continue to be monitored, and service adjustments or other budget mitigation measures may have to be implemented as the year progresses.

Overall, from an operating perspective, the City is currently projecting a year-end favourable variance of \$2.9 million, however staff caution that this forecast could change due to global economic challenges and the on-going threat of the COVID-19 pandemic. Operating budget pressures are primarily being experienced in Parking, Culture and Recreation, Legal, Realty and Court Services, Guelph Transit, Operations Fleet, Fire Services, Water, Wastewater, and Guelph-Wellington Paramedics.

Corporate Communications, Planning and Building, Facilities and Energy Management, Environmental Services, Parks, Operations, Guelph Police Services, and General Expenditures and Revenue are projecting favourable year-end positions.

From a capital perspective as outlined in Attachment-1, the City spent and committed a total of \$139.0 million or 23.5 per cent of its total approved open

capital budget of \$591.5 million for the second quarter; this represents a significant increase over last year at this time by \$57.5 million (70.5 per cent).

As outlined in Attachment-2, there are no capital projects that had additional approved budget to report on for this quarter. There were two projects that required budget reallocations of less than \$100 thousand each, which collectively totaled \$111.4 thousand, and two other projects that received budget reallocations between \$100 and \$500 thousand which totaled \$678.5 thousand, in order to complete work that had unforeseen costs.

And finally, there was a single project that required a funding reallocation of \$1.6 million to cover the costs associated with inflationary pressures. This reallocation was the first usage of staff delegated authority, until the approval of the 2024 capital budget; to address capital project inflationary price increases through the prioritization of capital projects within the current approved capital expenditure budgets, in accordance with the methodology as described in Report 2022-118 [Inflationary Financial Impact Strategy](#).

Attachment-3 is a chart newly introduced and developed for this quarter and specific to the requirements set out on page 10 of the Report 2022-118 [Inflationary Financial Impact Strategy](#), in order to provide transparency during the process of prioritizing the capital budget while applying the inflationary budget authority put to practice.

Items listed in Attachment-3 are projects identified in-year, during the procurement process stage, with additional inflationary budget increases and where funding sources will be found through prioritizing the capital budget.

Three projects have estimated inflationary pressures totaling \$7.5 million at the pre-tendered procurement stage, and nine other projects, at the post-tendered stage, with additional costs totaling \$2.1 million.

Financial Implications

Forecasting these financial impacts to year-end, the City is projected to have an operating budget surplus at year-end. The current year-end projection is \$2.9 million surplus total for both the tax supported and non-tax supported budgets before applying any Safe Restart grant funding. The year-end projections indicate the non-tax supported budget will be in a deficit position of \$1.5 million and the tax supported budget will be in a surplus position of \$4.4 million.

The financial implication section in the body of the report contains additional information with regard to rising costs associated with construction materials having the highest impact to the City's capital program. Since this report is based on the best available information at a point in time, future impacts to the capital program cannot be predicted with a high degree of precision, should the economy, interest and/or inflation rates continue to fluctuate.

Report

Background

City departments have access to ongoing, up to date financial information throughout the year, and are provided with information as at the end of each month by Finance. Staff with budget responsibility are asked to review and

comment on variances and progress toward capital projects quarterly, and to provide year-end financial forecasts as part of the reporting for the second and third quarters of the year. Actual expenditures, revenues and related commentary were analyzed and any significant budget deviations, challenges, and risks that are expected to have an impact on the year-end financial position were identified with Finance staff support. In addition, departments were asked to assess the impact of global economic challenges and inflationary pressures on their operations and provide commentary.

Staff have provided a preliminary projection for the year-end operating position, and departments with variances of greater than \$150 thousand will be discussed in this report. The projection will be refined further in the third quarter.

Budget Monitoring Highlights

Overall, from an operating perspective, the City is projecting a year-end surplus of \$2.9 million. Budget pressures are mainly being seen in Parking, Culture and Recreation, Legal, Realty and Court Services, Guelph Transit, Operations Fleet, Fire Services, Water, Wastewater, and Guelph-Wellington Paramedics. Since the beginning of the year, fuel has increased 45 per cent, fleet replacement delays have resulted in increased repair costs, inflationary pressures have led to higher chemical and medical supply costs and reduced economic activity in the downtown area has resulted in lower transient parking revenue.

Corporate Communications, Finance, Planning and Building, Facilities and Energy Management, Environmental Services, Parks, Operations, and Guelph Police Services are projecting favourable year-end positions mainly due to compensation savings as many departments are experiencing recruitment challenges, lower utility costs for water and electricity, lower spending on winter control related activities and equipment, and increased revenue mainly for Environmental Services Blue Box program due to the change in the funding model.

From a capital perspective, as summarized in Attachment-1, total available capital funding for 2022, \$591.5 million, which includes \$145.0 million approved in the 2022 capital budget, \$440.0 million carried over from 2021 and in-year additional approved amounts of \$6.5 million.

YTD capital spending is \$34.6 million, an increase of \$5.2 million or 17.7 per cent above last year's second quarter report. In addition, YTD purchase order (PO) commitments are significantly higher this quarter, with open POs totaling \$104.4 million, a \$52.3 million or 100.3 per cent increase over last year. Collective spending and commitments total \$139.0 million, a \$57.5 million or 70.5 per cent increase over last year's mid-year reported figures due to more projects moving forward, post COVID.

The uncommitted approved capital budget is \$452.5 million, a \$35.0 million or 8.4 per cent increase over last year, mainly due to the available funding for 2022 being \$92.5 million or 18.5 per cent higher than the available funding reported for 2021.

There are no capital projects that had additional approved budget to report on for this quarter. There was a small number of projects that required funding reallocations of less than \$100 thousand each, which collectively totaled \$111.4 thousand. Three projects received a reallocation of greater than \$100 thousand each, totaling \$678.5 thousand to complete work for unforeseen costs. And finally,

there was a single project that required a reallocation of \$1.6 million to cover the costs associated with inflationary pressures.

For specifics on capital budget reallocations and inflationary pressures, refer to Attachment-2 and Attachment-3.

Operating budget and capital project highlights and details are noted in each strategic plan priority section in the body of the report below.

Powering our future

The [Powering our future](#) priority includes Economic Development and Tourism, Culture, Smart Cities Office, and Strategy Innovation and Intergovernmental Services. From an operating budget perspective, this priority area is forecasting a year-end deficit of \$427 thousand. The main pressures are being felt in Culture with a projected year-end deficit of \$439 thousand due to the COVID related closure and reduced capacity limits in the Museum, River Run Centre, and the Sleeman Centre in the first quarter, slower return to full capacity of programming and events, and slower return of client events to River Run Centre. Inflationary impacts are also being noticed on food and beverage expenses.

This pillar has \$3.1 million in unspent balances (uncommitted), with year-to-date spends and commitments of \$1.5 million, representing a relatively small percentage (1.1 per cent) of Guelph's collective spending and commitments total (\$139.0 million).

There are two capital projects currently in progress which include: SS0002 Hanlon Creek Business Park, reported to be on budget; and IT0061 Fibre Data Connection, with expenditures and commitments reported below what was expected for this time, due to residual COVID delays in construction.

Sustaining our future

The [Sustaining our future](#) priority includes Environmental Services (Solid Waste, Water, and Wastewater), Planning and Building, Stormwater, Parks Operations, and Energy Management.

The priority area is projecting a year-end operating surplus of \$3.9 million mainly due to:

Environmental Services (Solid Waste) projecting a surplus of \$2.0 million mainly from the Blue Box funding reimbursement due to changes in the producer's funding model, and higher than anticipated commodity prices. Revenue for the sale of the carbon credits in the amount of \$125 thousand will be transferred to the 100RE Reserve Fund (355) in accordance with the reserve and reserve fund policy.

Planning and Building are projecting a favourable year-end position of \$874 thousand mainly due to compensation savings.

Facilities and Energy Management, overall water, electricity, and natural gas expenditures corporately are projected to be in a \$454 thousand surplus position despite an increase in natural gas rates due to global energy crisis and the scheduled rise in carbon tax. Staff will continue to implement energy conservation measures.

Parks Operations are projecting a year-end surplus of \$839 thousand due to compensation savings because of lower than budgeted temporary hiring and

vacancies for full time employees. Lower staffing levels have also resulted in lower than planned spending on purchased goods and services.

Water and Wastewater Services are projecting a year-end deficit combined of \$300 thousand due to higher than anticipated billing costs, and the timing of extension of the billing and collection services agreement. Inflationary pressures on the cost of parts, pumps and chemicals are being experienced, and increased costs for laboratory testing due staffing shortages.

There are more than 200 capital projects in progress under this strategic pillar, with unspent balances totaling \$180.2 million.

The sum of the total capital expenditures and commitments is \$69.5 million representing 50 per cent of Guelph's collective year-to-date total expenditures and commitments for the period ending June 30, 2022.

Table 1 outlines the details of the many projects having active expenditures and commitments under this strategic pillar.

Table 1 – Sustaining our future capital expenditures and commitments as of June 30, 2022 (all values are in thousands of dollars)

Program of Work	Number of Active Projects	2022 Expenditures and Commitments
Wastewater Services	59	\$27,525
Water Services	55	24,367
Solid Waste Services	27	9,709
Corporate Projects	26	2,858
Stormwater Management	21	1,934
Contaminated Sites	18	3,113
Total	206	\$69,506

The top five project expenditures during the reporting period occurred in the following projects: ST0009 Plant Energy Efficiency Management (\$10.0 million), WT0011 Paisley Pump Upgrades (\$5.9 million), PN0043 Metcalfe-Speedvale/Eramosa Phase 2 (\$4.9 million), WP0006 Public Drop Off Scales and Software Upgrade (\$3.9 million) and WT002 Water New Supply (\$3.1 million).

There are 26 projects reported as complete during this quarter and 11 of those that came in under budget, with a collective budget surplus of \$1.7 million, which will be used to help address inflationary pressures on the balance of the City's priority capital works.

The top three projects that were completed with a surplus budget is project PN0847 Manitoba Street-Ontario Street to Huron Street, which included roadway reconstruction, installation of watermain, sanitary sewer and storm sewers; project SC0023 Decommission Gordon Sewage Pumping Station, for the decommissioning

the Gordon Street pumping station; and project PN0225 Eramosa Road-Orchard Crescent to Victoria Road North, for replacing 70 meters of watermain and 100 meters of road restorations.

Navigating our future

The [Navigating our future](#) priority includes Transportation Services, Parking Services, and Guelph Transit.

The priority area is projecting a year-end operating deficit of \$1.6 million mainly due to:

Parking Services are projecting a year-end revenue shortfall \$1.2 million due to lower transient revenue because of reduced economic activity in the downtown, revenue loss at Macdonell due to the implementation of two hours free parking similar to on-street parking, and limited capacity at events during the first two months of the year. If current trends continue, Parking will experience a negative variance at year-end of \$1.2 million. As part of the 2021 year-end report, utilizing Safe Restart grant funding to offset 2021 parking revenue deficits enabled \$919 thousand to be transferred to the Parking Operating Contingency Reserve (106) that can be accessed if required for 2022.

Operations (Transit Fleet) are projecting a year-end deficit of \$576 thousand mainly due to soaring energy prices, and global market volatility. The YTD fuel variance is \$541 thousand deficit, and if the trend continues Transit operations will experience a year-end deficit of \$1.1 million. Currently, fuel price is 45% higher than budgeted, partially offset by compensation savings, and savings due to elimination of a parts contract and some efficiencies due to repairs being done in-house.

There are more than 126 capital projects in progress with unspent balances totaling \$54.1 million, a \$10 million dollar decrease from the previous quarter.

The sum of the total expenditures and commitments is \$27.7 million representing 20 per cent of the YTD total expenditures and commitments for the period ending June 30, 2022, an increase of \$10.8 million over the previous quarter.

The majority of the expenditures and commitments occurred in projects TC0058 Bus Replacement (\$5.5 million) which is considered complete and awaiting delivery of electric bus order; PN0236 Speedvale-Elmira Road to Imperial Road (\$5.1 million); RD0403 Road Restoration and Resurfacing Program (\$2.8 million); RB0010 Norfolk St Rail Bridge Rehabilitation (\$2.1 million) and TC0059 Transit Operations Facility (\$1.4 million).

There were 38 capital projects reported as complete, with 7 projects with surplus funding totaling \$2.2 million, with PN0257 York Trunk-Phase 2B having the largest savings of \$1.7 million. Surplus funding will be used to help address inflationary pressures on the balance of the City's priority capital works.

Working together for our future

The [Working together for our future](#) priority includes many of the internal facing services like Finance, Corporate Fleet, Human Resources, Legal, Realty and Court Services, Information Technology, Corporate Communications, and the City Clerk's Office. It also includes Executive Team, City Council, and Internal Audit.

Overall, the priority area is projecting an insignificant overall year-end variance however the following services are experiencing budget pressures:

Operations (Fleet) are projecting a year-end deficit of \$880 thousand mainly due to soaring fuel prices, and inflationary pressures on parts and delays in fleet replacement for Parks and Solid Waste, which created higher maintenance costs.

Corporately, fuel prices have been trending 45 per cent higher than budget due to inflation and global market volatility. If the current trend continues, the City may realize a projected year-end fuel deficit of 25 to 45 per cent or \$1.3 million to \$2.2 million. The Q2 forecast projects a year-end deficit of \$1.8 million. The Environment and Utility Reserve (198) balance at December 31, 2021, was \$4.7 million and is available to mitigate against commodity price fluctuations.

Legal and Realty may have a year-end unfavourable variance of \$400 thousand under excess liability insurance and associated third party legal costs due to higher than expected claims being received and settled to date. The legal and insurance contingency reserve (193), which is used to mitigate against the variable nature of these claims, had a balance of \$2.9 million as of December 31, 2021.

General Expenditures and Revenue are projecting a favourable year-end position of \$1 million mainly due to higher than budgeted investment returns. The Bank of Canada has been increasing interest rates which has improved the City's cash and investment portfolio returns.

Overall, for compensation, the City has experienced savings, and currently is trending at \$5.9 million below budget. It is likely that compensation and benefits will continue to trend below budget due to staff vacancy, staffing shortages and recruitment challenges due to the competitive job market.

From a capital budget perspective, there are 39 capital projects in progress with unspent balances totaling \$6.4 million.

The sum of the total expenditures and commitments under this strategic priority was \$3.3 million representing 2.3 per cent of the Guelph's year-to-date expenditures and commitments for the period ending June 30, 2022, an increase of \$1.2 million over the previous quarter.

The majority of the expenditures and commitments occurred in five projects: IT0083 IT Infrastructure Lifecycle (\$0.59 million), IT0070 Redundant Application Services (\$0.40 million), and IT0081 PC Replacement (\$0.36 million), IT0051 Meeting Room A/V Lifecycle (\$0.33 million), FT0010 Corporate Vehicles and Equipment Replacement (\$0.29 million).

There were two capital projects completed on budget which include: IT0055 Contract Management System Configuration and FT0002 Vehicle and Equipment Replacement, where four light duty trucks were purchased to replace existing vehicles that were at the end of their useful life.

Building our future

The [Building our future](#) priority includes Recreation, Community Investment, Public Works and Bylaw, all of the Emergency Services including Fire, Paramedics and Police, Library Services, Corporate Facilities Maintenance, and Infrastructure Planning and Construction.

The priority area is projecting a year-end surplus of \$1.4 million with the following services projecting favourable year-end positions:

Operations are projecting a year-end surplus of \$1.5 million mainly due to compensation savings due to vacancies, high staff turnover, as well as difficulty in hiring staff caused by labour shortages across most sectors of the economy. With fewer staff less work is anticipated which results in lower material and equipment costs. Winter Control is projecting a savings of \$440 thousand due to labour challenges, and lower salt costs due to efforts to protect the environment by ensuring the appropriate amount of road salt is used. Any winter control savings (currently projected at \$440 thousand) will be transferred to the Environmental and Utility Contingency reserve (198). Additional information on [Winter Control](#) activities can be found in the information report shared on June 17, 2022. However, the variance projection for operations will continue to evolve as material costs, supply challenges and labour shortages continue to fluctuate and may delay road maintenance and repairs throughout the balance of the year.

Corporate Facilities Maintenance is currently projecting a year-end favourable position of \$262 thousand due to increased utility recoveries, however there is a possibility of a year-end deficit on building repairs and maintenance due to inflationary cost escalations.

Parks (Parks and Trails Development) are projecting a year-end surplus of \$309 thousand mainly due to compensation savings related to extended full time vacancies and delays in recruitment which has also contributed to lower than planned spending on purchased goods and services because of decreased staffing levels.

Guelph Police Services are projecting a year-end surplus of \$700 thousand mainly due to compensation savings derived from vacant positions due to retirements, parental leave, and long-term leaves.

Guelph-Wellington Paramedic Services are projecting a year-end deficit of \$565 thousand due to inflationary pressure on fuel and medical supplies, higher call volumes, higher vehicle repairs due to aging ambulances, and delayed replacement. If the deficit materializes at year-end, it will be shared between the City and County of Wellington at approximately 63 per cent (\$356 thousand) and 37 per cent (\$209 thousand) of the deficit amount respectively.

Culture and Recreation are projecting a year-end deficit of \$213 thousand mainly due to lower revenues due to COVID-19 closures in the first quarter, and lower growth of programming capacity (revenue) and events due to part time staffing shortages and staffing changes. This revenue loss is partially offset by compensation and expense savings.

Fire Services are projecting a year-end deficit of \$680 thousand due to increased overtime costs to maintain minimum staffing requirements. Inflationary pressure on medical supplies costs, increase in station equipment supplies, and repair costs, as well as increase in call volumes.

There are 150 capital projects in progress with unspent balances totaling \$198.4 million.

The sum of the total expenditures and commitments under this strategic priority is \$37.1 million representing 26.7 per cent of Guelph's year-to-date expenditures and commitments for the period ending June 30, 2022, an increase of 5.7 million over the previous quarter.

There are three main programs of works under this strategic priority: Corporate, holding 31 projects, Emergency Services have 41 projects, and Open Spaces, Recreation, Culture, and Library have the remaining 78 projects.

The majority of the expenditures and commitments occurred in seven projects: SS0025 Baker Street Partnership Development 2018 (\$4.2 million), PS0033 Guelph Police Services Headquarters Renovations (\$3.4 million), LB0028 Main Branch New (\$3.3 million), PN2439 CMMS Implementation (\$2.3 million), FM0003 Drill Hall Assessment and Repair (\$2.2 million), RF0093 South End Community Centre Construction (\$1.9 million) and GG0252 Dunlop Site Preparation (1.9 million).

There were 10 capital projects identified as complete and on budget, not having any significant surplus funding.

Highlights of outcomes for complex capital projects completed for this quarter include: the renovation of an existing garage on 34 Gordon Street (PM0008) for use as a paramedic facility, and the design completion of South End Community Centre (RP0290).

Consultations

Departments are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility of monitoring the operating budget is shared by the operating departments and the Finance department. Department General Managers were provided financial reports based on their actual operating revenue and expenditures to June 30, 2022, on which they provided commentary in consultation with the Finance department.

Project Managers are the owners of the capital accounts and have financial responsibility and accountability to manage the capital deliverables within the budget approved, within a reasonable time period, to achieve the Council expected outcomes of that capital project.

Department General Managers and Project Managers were provided financial reports based on their actual capital expenditures and commitments to June 30, 2022, with which they provided a progress status and financial forecast update at the project level and the best available information at a point in time. Therefore, future updates are subject to change based on the economic environment, especially the rate of inflation.

The Financial Strategy and Finance Client Services teams are in the process of conducting in-depth consultations with department heads and project managers to support the Council approved report [2022-118 Inflationary Financial Impact Strategy](#) to address inflationary challenges, so that capital projects can be prioritized and tracked accordingly.

Financial Implications

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

The year-end operating position is important in determining the City's overall fitness as assessed by an external credit rating agency. This credit rating affects the price in which the City can issue debt and therefore impacts the affordability of long-term capital projects for the City tax and rate payers. The current year-end projection is \$2.9 million surplus total for both the tax supported and non-tax

supported budgets before applying any Safe Restart grant funding. The year-end projections indicate the non-tax supported budget will be in a deficit position of \$1.5 million and the tax supported budgets will be in a surplus position of \$4.4 million.

Since the beginning of the pandemic in 2020, the City has been allotted Safe Restart Operating and Transit Stream grant funding totaling \$23.2 million, of which \$5.9 million was used to offset deficits in 2020 and \$16.0 million in 2021. This leaves \$477 thousand of the Operating Stream funding and \$842 thousand of Transit Stream funding available for 2022. The operating stream funding is fully committed and used for enhanced cleaning, safety barriers and supplies including hiring temporary security to check COVID passports to enter City facilities. The Transit Stream funding has not been required to date to offset COVID related impacts due to compensation savings and minimal extra covid expenditures being incurred. Transit is projecting a deficit mainly due to escalating fuel costs. At this time, the eligible expenses for the Safe Restart Grant have not been updated to include inflationary impacts.

As a follow-up to the news item reported in the [First Quarter 2022 Budget Monitoring](#), the strike involving 15,000 carpenter workers who walked off the job effective May 9, 2022, was reported to have come to an end effective May 27, 2022, thereby relieving any previous concerns a prolonged labour disruption may have had on the successful delivery of the City's capital program.¹

The inflationary trends originally reported in report [2022-118 Inflationary Financial Impact Strategy](#) in April continue to impact the City's capital program due to the dependency on services, materials and equipment provided by third parties as outlined in figure 1², which shows the cost trends of the key inputs of commodities used in the City's capital program based on Statistics Canada data from the pre-pandemic period of 2019 through to June of 2022.

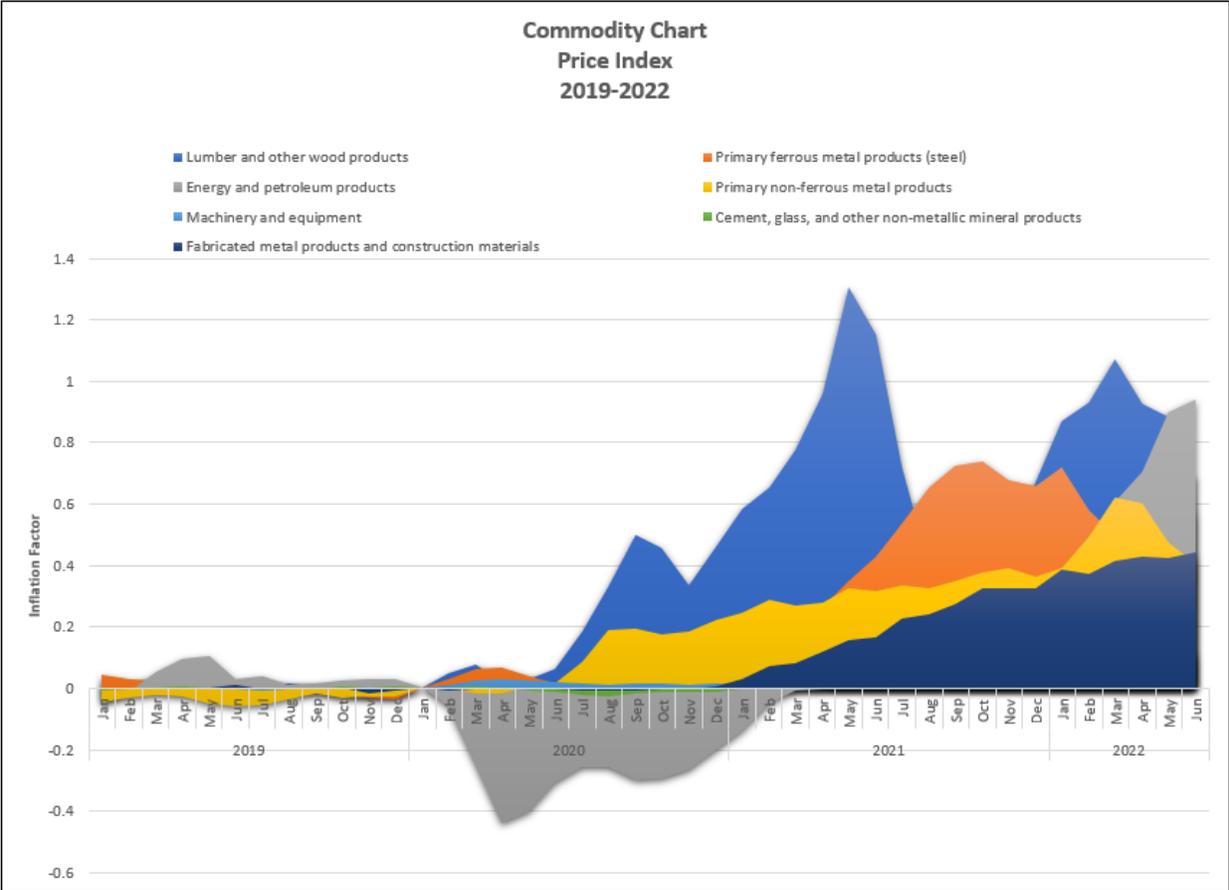
What is important to note about this index is that since it lags in real-time by approximately two months. That means that pre-tendered cost estimates based on commodity inflation rates known today, may swing in a different direction later in time once the result of the final tender is known.

As indicated in figure 1, commodities most frequently used in the capital program have increased substantially since January 2019 (pre-pandemic) as a result of inflation with energy and petroleum products increasing by 94 per cent, primary ferrous metal (steel) by 70 per cent, lumber and other wood products as well as energy and petroleum products by 55 per cent, fabricated metal products and construction materials by 45 per cent, primary and non-ferrous metal products by 40 per cent, cement glass and other non-metallic mineral products and machinery and equipment by 10 per cent. It should be noted that all price and inflation factor increases are relative to the pre-pandemic January 2019 base year, where the price index in figure 1, was hovering around the zero mark.

¹ [Strike involve 15K members of Ontario carpenters' union comes to an end](#)

² [Industrial product price index, by major product group, monthly \(statcan.gc.ca\)](#)

Figure 1 – Industrial Product Price Index January 2019 to June 2022



Attachment-3 outlines capital projects having inflationary impacts that have been identified since the time when the inflationary budget delegated authority was received (April of 2022), and where funding sources will be found through savings identified through the process of prioritizing and resetting the 2022 and 2023 capital budgets.

Table 1 outlines three pre-tendered projects with estimated cost increases that changed from prior estimates totaling \$7.5 million with inflation percentage increases ranging from 32 per cent to 261 per cent for costs of goods associated with construction materials, equipment, copper and steel, mining aggregate for concrete and asphalt, fuel for machines and trucking, as well as labour and material cost increases incurred by the vendor due to supply chain delays.

Table 2 outlines nine projects at the post-tendered stage where the costs are known with greater accuracy, having inflation amounts totaling \$2.13 million and inflation percentage increases ranging from 20 per cent to 63 per cent.

Strategic Plan Alignment

Reporting quarterly on the financial status of the operating and capital budget supports the Strategic Plan's Working Together for our Future pillar through maintaining a fiscally responsible local government.

Attachments

Attachment-1: Q2 2022 Capital Spending

Attachment-2: Q2 2022 Capital Budget Adjustments

Attachment-3: Q2 2022 Capital Inflationary Pressures

Departmental Approval

Karen Newland, Manager Finance Client Services and Budget

Report Author

Lisa Bell, Senior Corporate Analyst – Capital Planning

Ron Maeresera, Senior Corporate Analyst – Client Services

This report was approved by:

Shanna O'Dwyer

Acting General Manager Finance/City Treasurer
Corporate Services

519-822-1260 extension 2300

shanna.odwyer@guelph.ca

This report was recommended by:

Trevor Lee

Deputy Chief Administrative Officer
Corporate Services

519-822-1260 extension 2281

trevor.lee@guelph.ca

Attachment-1: Q2 2022 Capital Spending (all values are in thousands of dollars)

Budget by Pillar	Powering our future	Sustaining our future	Navigating our future	Working together for our future	Building our future	Total Year to Date
2021 carry-over budget	2,957	176,986	47,619	3,680 ¹	208,762 ²	440,004
2022 capital budget, approved	1,750	72,607	34,205	6,046 ³	30,371 ⁴	144,979
2022 additional approved funding	(116)	143	58	308	6,149	6,542
Available capital funding for 2022	4,591	249,736	81,882	10,034	245,282	591,525
2022 capital spending	566	15,564	4,350	1,579	12,591	34,650
Open purchase orders (PO)	933	53,944	23,333	1,690	24,460	104,360
Total spending and commitments	1,499	69,509	27,683	3,269	37,051	139,011
Projects closed	0	0	0	0	0	0
Uncommitted approved budget	3,093	180,227	54,200	6,766	208,231	452,517

Note: May not add due to rounding.

¹ Increased by \$107 due to delayed budget update for 2021 (IT0087 IT County)

² Increased by \$6,542 due to delayed budget update for 2021 (SS0025 Baker Street and various "County" projects)

³ Increased by \$216 representing approved 2022 budget (IT0087 IT County)

⁴ Increased by \$3,339 representing approved 2022 budgets (RD0283 Sidewalk-Developer) and various "County" projects)

Attachment-2: Q2 2022 Capital Budget Adjustments

Table 1 - Additional Approved Budget

ID	Capital Account	Entry Description	Budget Increase / (Decrease) \$
			Nil
Grand Total	n/a	n/a	Nil

Table 2 – Summary of reallocations under \$100,000

Description	Amount \$
Additional funding required for Road Condition Assessment (IRIS)	20,000
Additional funding required for Public Works Vehicle and Equipment Replacements	91,400
Grand Total	111,400

Table 3 - Reallocations greater or equal to \$100,000 and under \$500,000

ID	Transfer From	Transfer To	Entry Description	Amount \$
BR-22CAP-35	PK0002 New Trail Construction	PK0127 Eastview Community Park	Additional funding needed to complete unforeseen splashpad costs	300,000
BR-22CAP-22	PK0086 Wilson Farm Park			110,000
BR-22CAP-23	PN0813 Cycling Master Plan Implementation *	GG0239 Growth Revenue Project	Additional funding needed to complete 2024 DC Study	268,500
Grand Total	n/a	n/a	n/a	678,500

*a portion of the DC funding allocated to the Cycling Master Plan Implementation can only be used for studies related to growth rather than implementation of the plan. The cycling planning studies have been completed and did not require the full amount of funding available. The balance is reallocated to the 2024 DC Study, as it is also a growth study funded through DCs.

Table 4 - Reallocations greater than \$500,000 (based on the total reallocated to one capital account)

ID	Transfer From	Transfer To	Entry Description	Amount \$
BR-22CAP-29	GG0256 Capital Clearing Account	PN0236 Speedvale-Elmira Road to Imperial Road	Additional funds required to cover the costs associated with inflationary pressures, and delegated authority granted to staff.	1,622,000
Grand Total	n/a	n/a	n/a	1,622,000

Attachment-3: Q2 2022 Capital Inflationary Pressures

Table 1 – Pre-Tender Estimates

Project Name	Inflation Factor	Entry Description	Inflation Percentage %	Inflation Amount \$
PN0271 York-Stevenson-Victoria	Cost of Goods	Increased cost of raw inputs, such as construction materials, equipment, fuel to run machines, oil needed for asphalt production, resin for PVC pipe material, copper and steel for water services and concrete pressure pipes, and mining aggregate for granular concrete and asphalt production	60%	5,675,975
PK0075 Ward to Downtown Pedestrian Bridge	Cost of Goods	Consultants estimate for increases associated with soil trucking, asphalt, concrete and contingency	32%	1,349,855
TF0030 Intersection Signal Rebuild	Cost of Goods	Costs associated to commodities, cost of labour and over material cost increases incurred by the vendor and impact of supply chain delays and lead time	261%	508,800
Grand Total	n/a	n/a	n/a	7,533,630

Table 2 – Post-Tender Amounts

Project Name	Inflation Factor	Entry Description	Inflation Percentage %	Inflation Amount \$
PN0236 Speedvale-Elmira Road to Imperial Road	Cost of Goods	Contaminated fill disposal, Temporary watermain, Mainline watermain, Watermain valves, Fibre duct for smart signaling	22%	1,622,000
PO0017 Sports Fields/Courts Replacement and Upgrade	Cost of Goods	Norm Jary Softball field renovations (re-aligning and ground works)	63%	118,805
PK0127 Eastview Community Park	Supply Chain	Splash Pad	30%	110,000
RD0385 Cycling Master Plan Implementation	Cost of Goods	Annual Traffic Road painting program	20%	106,400
WC0023 Site Renewal	Cost of Goods	Construction of small, prefabricated metal building with mechanical components	29%	56,400
PN0060 Wyndham Street Phase 1-Carden to Douglas Street	Cost of Goods	Annual Traffic Road painting program	20%	47,250
TF0034 Road Safety Initiatives	Cost of Goods	Annual Traffic Road painting program	20%	46,880
RD0403 Road Restoration and Resurfacing Program	Cost of Goods	Annual Traffic Road painting program	20%	9,330
PG0066 Parking Facility Renewal	Cost of Goods	Annual Traffic Road painting program	20%	9,100
Grand Total	n/a	n/a	n/a	2,126,165