

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Monday, November 4, 2019
Subject	2019 Second Tri-annual Capital Variance Report
Report Number	CS-2019-26

Recommendation

That the report CS-2019-26, titled 2019 Second Tri-annual Capital Variance Report and dated November 4, 2019, be received.

Executive Summary

Purpose of Report

This report provides a summary of the 2019 capital spending for the year-to-date (YTD) as of August 31, 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 August 31, 2019, had approved an additional \$19.4 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 2018 unspent capital of \$165.3 million.

This report reflects 2019 spending totaling \$55.4 million; an increase in spending during this period over 2018 by \$9.5 million.

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

Details are provided in Attachment-2.

Capital variance	Tri-annual 2	Tri-annual 1
2018 carry-over budget	165,260	165,260
2019 capital budget, approved	87,370	87,370
2019 additional approved funding	19,365	2,052
Available capital funding for 2019	271,995	254,682
2019 capital spending	55,402	19,303
Open purchase orders	59,018	56,881
Projects closed	0	0
Total spending and commitments	114,420	76,184
Uncommitted approved budget	157,575	178,498

Financial Implications

Substantial capital work has been completed since the first Tri-annual Capital Variance Report of 2019 with over \$36 million spent from May 1, 2019 to August 31, 2019. Progress on capital works will continue into the fall construction season and work has been done corporately to focus on maintaining momentum in our capital programs and draw down the uncommitted approved budget going into 2020.

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 August 31, 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 \$19.4 million have been made since that time; details are provided in Attachment-1.

This provides for a total available budget in 2019 of \$272.0 million.

The total YTD capital spending is \$55.4 million, which is \$9.5 million higher than the same period last year.

Outstanding purchase order (PO) commitments total \$59.0 million as of August 31, which is \$19.3 million less than August 31, 2018.

As in the previous tri-annual capital variance reports, this report follows the Program of Work (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 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 City projects webpage](#).

Program of Work Summaries

(all figures reported in thousands unless otherwise noted)

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 2	Tri-annual 1
2018 carry-over budget	3,839	3,839
2019 capital budget, approved	3,325	3,325
2019 additional approved funding	0	0
Available capital funding for 2019	7,164	7,164
2019 capital spending	930	289
Open POs	1,513	1,528
Projects closed	0	0
Total spending and commitments	2,443	1,817
Uncommitted approved budget	4,721	5,347

The removal of the existing fueling system at 45 Municipal Street is ongoing with expected completion by year-end 2019. Total spending incurred YTD is \$557, the balance of \$184 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 2020. Total spending YTD is \$182, with \$2,351 in approved funding for remediation work.

In addition to these two initiatives, progress continues on the remediation of Goldie Mill Park. Construction work has begun however due to additional work required there is the possibility of a budget shortfall which will be managed within the Contaminated Sites Program.

Environmental, archeological, geotechnical investigation and remediation of the Baker Street parking lot site has begun and is expected to be complete by the fall of 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 is expected to be tendered in late 2019.

At this time, Goldie Mill Park is the only project 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.

Capital variance	Tri-annual 2	Tri-annual 1
2018 carry-over budget	15,813	15,813
2019 capital budget, approved	8,361	8,361
2019 additional approved funding	15,227	(763)
Available capital funding for 2019	39,401	23,411
2019 capital spending	4,673	1,856
Open POs	10,150	4,462
Closed projects	0	0
Total spending and commitments	14,823	6,318
Uncommitted approved budget	24,578	17,093

In 2018, the Municipal Innovation Exchange (MIX) and the SMART Cities Challenge (SMART) were incorporated into the **City's capital portfolio**. In April 2019, the provincial government announced that the MIX 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. Additional information is available on the [City's Smart Cities Challenge webpage](#).

The City's fleet replacement program saw modest spending YTD of only \$950 as the annual vehicle and equipment replacement program was paused while the lifecycle assumptions of all vehicles were assessed; however spending is accelerating with \$4,379 in POs currently issued.

Total IT spending in 2019 is \$595 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.

Corporate energy projects are currently underway at several facilities. YTD spending is \$268 with remaining funds anticipated to be fully committed by year-end. Projects completed or in progress to date include Victoria Road Recreation Centre cold water ice flooding, West End Community Centre pool drain heat recovery and LED retrofits at City Hall and various library branches (Scottsdale, Bullfrog and East).

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

The Hanlon Creek Business Park project update includes on-going environmental monitoring, appraisals and minor construction work. The City has awarded a contract for an environmental monitoring program which will begin in fall of 2019. Construction and servicing of Golds Court to service Blocks 6 and 7 is expected to be complete by fall of 2020.

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 2	Tri-annual 1
2018 carry-over budget	8,660	8,660
2019 capital budget, approved	4,926	4,926
2019 additional approved funding	178	0
Available capital funding for 2019	13,764	13,586
2019 capital spending	5,257	1,936
Open POs	4,024	4,107
Closed projects	0	0
Total spending and commitments	9,281	6,043
Uncommitted approved budget	4,483	7,543

In 2019, the Guelph Police Services (GPS) Headquarter renovation expenses are \$2,830 YTD. Additional information is available through the [City's Tier-1 process webpage](#).

Additional GPS project spending totalled \$822 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.

Paramedic Services YTD spending on growth vehicles and replacements totalled \$1,145 which includes two new expansion ambulances and four replacement ambulances.

Vehicle and equipment spending for Fire Services is \$312 YTD with continued spending 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.

Capital variance	Tri-annual 2	Tri-annual 1
2018 carry-over budget	13,309	13,309
2019 capital budget, approved	7,916	7,916
2019 additional approved funding	332	82
Available capital funding for 2019	21,557	21,307
2019 capital spending	4,154	1,417
Open POs	5,421	3,707
Closed projects	0	0
Total spending and commitments	9,575	5,124
Uncommitted approved budget	11,982	16,183

Technical upgrades and lifecycle renewal at the River Run Centre of \$185 YTD, are under way with additional equipment on order including a replacement sound console and theatrical moving lights for the Main Stage and Co-operators Hall.

Park planning work is under way with a number of parks being outfitted with new amenities as well as the lifecycle replacement of playground equipment.

Construction has begun at Cedarvale Avenue Park in accordance with the Cedarvale Avenue Park Master Plan and is expected to be completed in third tri-annual period of 2019. Design for the amenity replacements and upgrades at Norm Jary Park is underway.

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 2	Tri-annual 1
2018 carry-over budget	5,948	5,948
2019 capital budget, approved	3,107	3,107
2019 additional approved funding	(13)	0
Available capital funding for 2019	9,042	9,055
2019 capital spending	868	694
Open POs	528	571
Closed projects	0	0
Total spending and commitments	1,396	1,265
Uncommitted approved budget	7,646	7,790

Work driven by the inventory and condition assessment at the Dunlop Drive site is ongoing. Findings from the assessment will provide information critical to prioritizing future capital work at the site.

Spending on equipment and facility lifecycle is planned to continue in 2019; this includes planning and construction of a second public drop-off scale and additional minor upgrades and renewal to existing facilities. However, due to pending legislation changes projects at the Materials Recovery Facility have been paused until further information becomes available.

A new collection vehicle has been operationalized to service multi-residential properties. Additionally bins are being purchased to support the roll out of the multi-residential program.

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 2	Tri-annual 1
2018 carry-over budget	10,160	10,160
2019 capital budget, approved	3,884	4,684
2019 additional approved funding	800	0
Available capital funding for 2019	14,844	14,844
2019 capital spending	1,933	609
Open POs	4,069	3,446
Closed projects	0	0
Total spending and commitments	6,002	4,055
Uncommitted approved budget	8,842	10,789

The construction of the snow disposal facility located west of the Wastewater Treatment Plant is ongoing and anticipated to be completed by the end of 2019.

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.

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.

A request for proposals for the 2019 Stormwater Management Master Plan (SWMMP) has been issued. This will provide an update to the 2012 SWMMP and will **cover a planning period from 2019 to 2041 to match the City’s Growth Plan.**

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.

Capital variance	Tri-annual 2	Tri-annual 1
2018 carry-over budget	39,741	39,741
2019 capital budget, approved	14,502	14,502
2019 additional approved funding	3,902	2,734
Available capital funding for 2019	58,145	56,977
2019 capital spending	17,077	8,105
Open POs	15,156	18,130
Closed Projects	0	0
Total spending and commitments	32,233	26,235
Uncommitted approved budget	25,912	30,742

Total YTD spending of \$17,077 was mainly due to projects related to road reconstruction, right-of-way and related linear upgrades as well as other large scale projects including Wilson Street parkade construction (\$8,296) and the purchase of the LED light fixtures for the City-wide street light replacement (\$3,296).

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 has been completed and Niska bridge and road has reopened for travel. Additional information can be found here: [Niska bridge press release October 3, 2019](#).

City-wide installation of LED street lighting fixtures and network controls will begin in October 2019 and will see all non-decorative street lights replaced by the end of 2020. Expected benefits of the LED fixtures include improved light quality, reduced operating and maintenance costs as well as an overall reduction in greenhouse gas emissions.

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 2	Tri-annual 1
2018 carry-over budget	28,617	28,617

Capital variance	Tri-annual 2	Tri-annual 1
2019 capital budget, approved	13,704	13,104
2019 additional approved funding	(950)	0
Available capital funding for 2019	41,371	41,721
2019 capital spending	6,479	803
Open POs	7,485	7,491
Closed projects	0	0
Total spending and commitments	13,964	8,294
Uncommitted approved budget	27,407	33,427

Total spending of \$6,479 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. This is a multi-year project which will provide the east side of the city with growth capacity for the Guelph Innovation District. Phase 3 from York to Victoria is currently in the design stage while Phase 2B to Victoria is expected to be completed in the fall of 2019.

Work continues on various facilities and equipment at the Wastewater Treatment Plant including routine maintenance, refurbishment and efficiency upgrades. Sequencing of work on major components of the treatment system is done to maintain treatment capacity. Structural repairs and gas proofing of Digester 3 is estimated to be completed by April 2020 after which the digester cleaning program will commence at Digester 3 as only one digester in the system can be offline at a time.

The Corporate Asset Management division is continuing to work on the condition assessment of the Wastewater Treatment Plant which will help inform project priorities in the future. 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.

A request for proposals has been issued for the 2019 Wastewater Treatment and Biosolids Master Plan (WWTBMP) which will provide an update and consolidation of the Wastewater Treatment Master Plan (2009) and the Biosolids Management Master Plan (2006). A planning period of 2019 to 2041 will be covered to align with **the City's Growth Plan and the WWTBMP will identify costing for future projects and will help inform future development charge studies.**

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 2	Tri-annual 1
2018 carry-over budget	39,173	39,173
2019 capital budget, approved	27,645	27,445
2019 additional approved funding	(111)	0
Available capital funding for 2019	66,707	66,618
2019 capital spending	14,032	3,595
Open POs	10,672	13,438
Closed Projects	0	0
Total spending and commitments	24,704	17,033
Uncommitted approved budget	42,003	49,585

Total spending of \$14,032 is made up of work at the FM Woods Water Treatment Plant and linear renewal and expansion.

Construction continued through the year on the Paisley feeder main to the west portion of the city; Phase 1 and 2 are expected to be completed by year-end 2019. Once completed, this multi-year project will provide the west side of the City with required redundant water supply and growth capacity.

The tender for design of the FM Woods Water Treatment Plant upgrade has been awarded. With 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 significant upgrades are required. To maintain operations of the plant and staff work areas the upgrades are being done in multiple phases. The first phase of the multi-phase renovations is the construction of the Heritage building which will begin in the fall of 2019.

Membro Well facility upgrades design tender will be issued by the end of 2019 with construction anticipated in 2020. This project will support growth as outline in the Water Supply Master Plan.

A request for proposal for the 2019 Water Supply Master Plan Update has been **issued. This will cover a planning period from 2019 to 2041 to match the City's Growth Plan.**

Financial Implications

Substantial capital work has been completed since the first Tri-annual Capital Variance Report of 2019 with over \$36 million spent from May 1, 2019 to August 31, 2019. Progress on capital works will continue into the fall construction season

and work has been done corporately to focus on maintaining momentum in our capital programs and draw down the uncommitted approved budget going into 2020. 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

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 2019 Additional Approved Capital Funding

Attachment-2 2019 Capital Spending as of August 31, 2019

Departmental Approval

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Attachment-1 - 2019 Additional Approved Capital Funding (000s)

Project	Details	Addition (Reduction)
Guelph Innovation District	Council decision to not proceed with acquisition	(665)
Baker Street	Budget increase for Baker Street per Council decision	3,200
Smart Cities	Smart Cities Award	10,000
Wellington County Contributions	Social Housing, Child Care, Ontario Works Capital (new in 2019, segregated operating and capital into separate presentation)	2,453
Community Buses	Approval of purchase of five buses through 2019 Operating budget	2,717
College Ave East Watermain and Sanitary Sewer	Additional funding from University of Guelph for Turf Grass Institution Reallocation	930
Other Minor Adjustments	n/a	730
Total additional funding	n/a	19,365

Attachment-2 – 2019 Capital Spending as of August 31, 2019 (000s)

n/a	2018 carry-over budget	2019 capital budget, approved	2019 additional approved funding	2019 capital spending	Open POs	Total spending and commitments	Uncommitted approved budget
Contaminated Sites	3,839	3,325	0	930	1,513	2,443	4,721
Corporate Projects	15,813	8,361	15,227	4,673	10,150	14,823	24,578
Emergency Services	8,660	4,926	178	5,257	4,024	9,281	4,483
Open Spaces, Recreation, Culture and Library	13,309	7,916	332	4,154	5,421	9,575	11,982
Solid Waste Services	5,948	3,107	(13)	868	528	1,396	7,646
Stormwater Management	10,160	3,884	800	1,933	4,069	6,002	8,842
Transportation Systems	39,763	14,502	3,902	17,077	15,156	32,233	25,912
Wastewater Services	28,617	13,704	(950)	6,479	7,485	13,964	27,407
Water Services	39,173	27,645	(111)	14,032	10,672	24,704	42,003
Total Capital PoW 2019	165,282	87,370	19,365	55,402	59,018	114,420	157,575