

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Monday, April 4, 2022
Subject	Inflationary Financial Impact Strategy

Recommendation

That staff be given the 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.

Executive Summary

Purpose of Report

- To explain the inflationary trends being experienced and how history can provide insight for the future.
- To describe how the City is managing inflationary impacts in both the capital and operating budgets.
- To seek approval for a temporary solution for capital project procurement awards until the approval of the 2024 Multi-year Budget (MYB).
- To provide information about the South End Community Centre (SECC) tender results and how staff will proceed.

Key Findings

- The municipal sector is experiencing significant pricing challenges related to inflation on the acquisition of goods and services, both in the operating and capital budgets. While it is possible that certain commodity prices may decline after this high inflationary period, history indicates that overall inflation will not decline, but level off in terms of escalation. Pricing spikes will likely continue to fluctuate in the short term as world events continue to impact supply chains and access to resources.
- This pricing and inflationary trend is emerging in 2022 as a concern as the magnitude in some cases, is more than what staff could have reasonably planned for during the 2022 budget. In 2021, only four out of 137 tenders/RFPs were cancelled due to budget shortage, and so far in 2022, two out of 24 have faced this issue. The trend is starting to escalate, but it's not being felt consistently across all projects.
- Applying this knowledge to City service delivery and capital project execution, having the greatest amount of flexibility to respond to these changes is needed to minimize the impact to the total budget.

- Data suggests that after periods of high inflation, while some specific prices may decline back to a historical average, overall, there is no pricing deflation. This means that deferring and delaying projects will not make projects less expensive unless there is a specific pricing issue that can be attributed to a specific commodity, like steel or oil for example.
- Within the Operating Budget, staff have the ability to manage service delivery on a whole-city perspective, managing pressures in one department with the positive outcomes in another. Over the past number of years, reserve strategies have been implemented specifically to address commodity volatility and there is funding set aside to help the City manage through this uncertainty. Some prioritization/service level intervention may need to occur as pressures of revenue loss from COVID continue to persist and no additional government funding has been currently announced.
- The Capital Budget presents a different challenge because the nature of projects are specific to an outcome, and they have unique funding sources based on these outcomes. With the knowledge now that inflation is being experienced at a level higher than the City budgeted in some projects, there is a need to acknowledge that there will be fewer outcomes delivered with the same amount of approved capital budget.
- Staff are recommending taking a portfolio approach to the current approved capital budget, enabling flexibility for staff to respond to the changing market conditions, and to prioritize projects within the total budget already approved. Prioritization would occur within the methodology as described in this report, taking an enterprise risk mitigation lens. If stopping a project creates more risk, financially or otherwise, good decision-making needs to prevail.
- Without a portfolio strategy, staff are concerned with the stalling of capital execution/procurement over the next two years, which would have a negative impact on both City infrastructure and readying for growth, but also on the broader local economy as the capital plan is a significant contributor to local post-COVID stimulus.
- Staff are committed to continuing municipal business and stimulating the local economy through maintaining the critical infrastructure that the community relies on every day. The majority of the City Capital Budget is critical asset management driven projects, followed by needed growth-related infrastructure to handle increasing populations.

Financial Implications

- Costs are increasing beyond revenue available in some, but not all cases, and the City needs to continue to deliver services and maintain infrastructure in this uncertain environment. Staff are committed to working within the financial means available and to completing the highest priority work with those funds.
- The City's progressive reserve strategies, and multi-year budget means the City is in good financial condition to continue to manage through the uncertainty that has been felt since early 2020.
- The current environment of commodity pricing spikes, staffing capacity constraints in an increasingly competitive market, and the readiness of projects to start procurement creates a complicated matrix of timing decisions that change with each day.
- To continue to progress forward, staff need to work within current approved budgets, redeploying unspent capital to the highest priority projects and

initiatives. The 2024 MYB will need to rebalance and reschedule projects within the revenue strategies currently in place and/or increasing tax and rate revenues consistent with inflation.

- At a high level, this strategy will mean a number of planned projects will be deferred, further extending the year that the City will be able to reach its Asset Management goal of eliminating the infrastructure backlog. This may also mean growth-related projects are not able to be moved forward at the same pace, and therefore may impact growth timing in the City.
 - In practice, this strategy will mean that the capital expenditure budget will be maintained at the overall current approved amount, but the revenue sources that fund that budget may look considerably different from current approved. This will be monitored very closely and reported to Council quarterly to ensure all movement is fiscally sustainable.
 - All projects that are identified to be deferred because of this prioritization process would be reported and re-budgeted as part of the 2024 MYB presentation. This timing will also allow for incorporating project changes to the capital plan resulting from the on-going Official Plan, Secondary Plan, and Master Planning processes expected to be completed in 2022-2023.
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Report

Inflationary Trends

Due to the impacts of COVID on the production of materials and goods, the movement of materials and goods, and the availability of human resources in certain industries, the costs of most goods and services have escalated significantly over the past three to six months. While the City did budget for inflation, in some cases, the impacts are more than what could have been predicted. These trends are impacting the City's approved budget from both an operating and capital perspective, however, it is more prominent in the capital program because of the dependency on services, materials and equipment provided by third parties.

These pricing increases began to show in mid-2021 through the City's procurement processes, however, budgets were sufficient except for specific cases that were not considered a trend. Staff were expecting this because of the supply chain and resource availability issues occurring as a result of COVID. Where possible during the 2022-2023 Budget, inflationary contingencies were included, however, this did not address budgets approved prior to 2022 and in some cases, contingencies are being proven too low. Through the end of 2021 and into 2022, prices have continued to increase. For the capital program, the Non-residential Construction Price Index (NRCPI) is the most relevant indicator of cost change and for 2021 the increase was 15.25 percent.¹ For comparison, the Consumer Price Index (CPI) which is a more general indicator of costs for household related costs was 4.70 percent.²

Some of the increased cost was expected to be temporary, such as soft-wood lumber, which had come down from its peak, but is currently seeing another price

¹ Source Statistics Canada. [Table 18-10-0135-01 Building construction price indexes, by type of building](#)

² Source Statistics Canada. [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted](#)

escalation since November 2021 and is 87 percent above pre-pandemic prices as of February 2022. Figure 1 shows the cost trends of the key inputs into the City's capital program, specifically ferrous metals (steel) which is 50 percent above pre-pandemic levels³. Other cost increases weren't as rapid and are seen to be less elastic, with limited expectation for them to decrease. All prices are relative to January 2019.

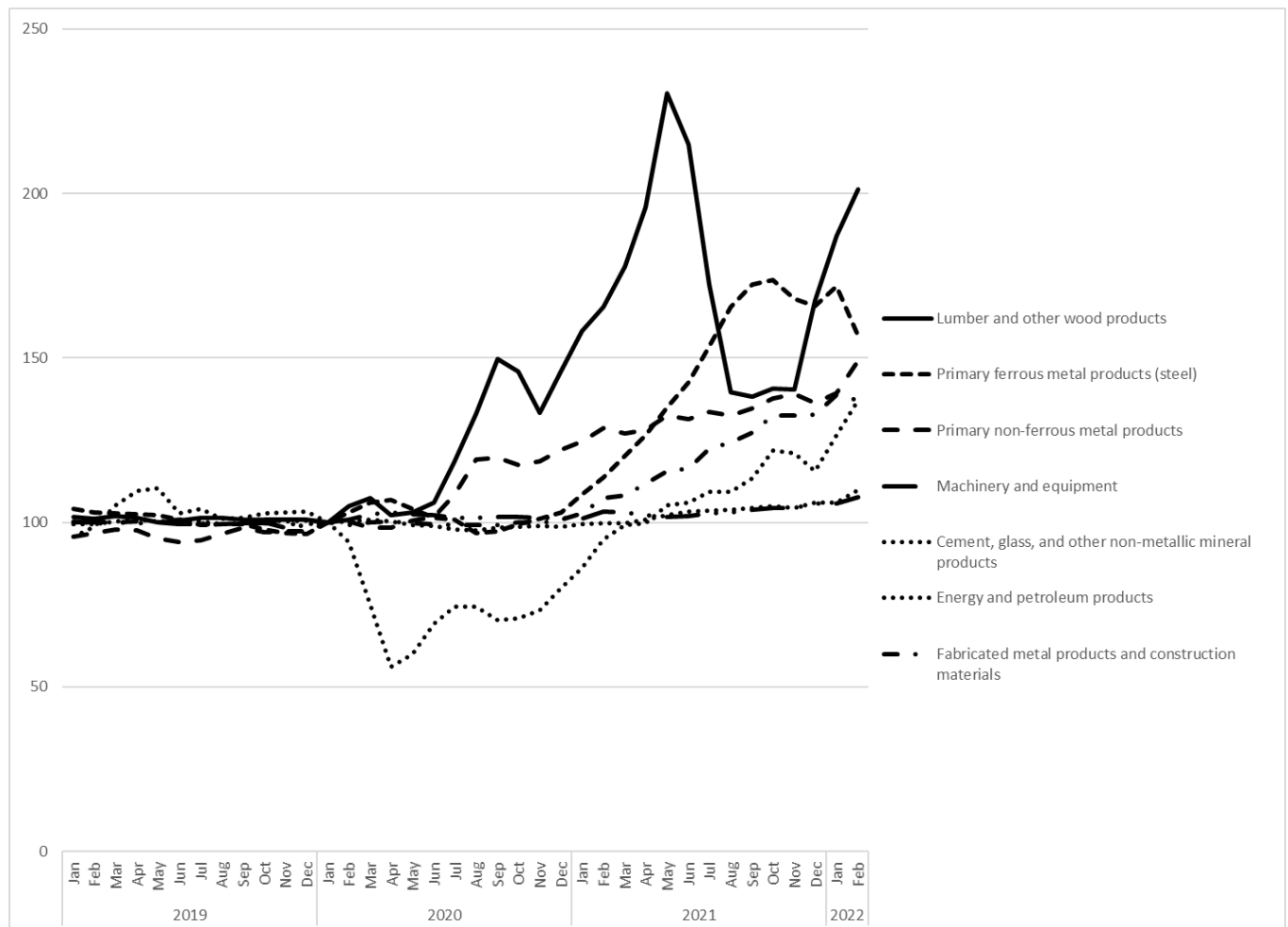


Figure 1 Industrial Product Price Index January 2019 to February 2022

What is important to note about this index is that it is a lagging data set, and staff don't have access to this in real time. At the time of procurement process start, staff may see pricing leveling off (for example lumber), and then market conditions change and impacts are quite different than expected. Figure 2 and Figure 3 provide the annual and average NRCPI and CPI for the period from 1981 to 2021, respectively.

³ Source Statistics Canada. [Table 18-10-0265-01 Industrial product price index, by major product group, monthly](#)

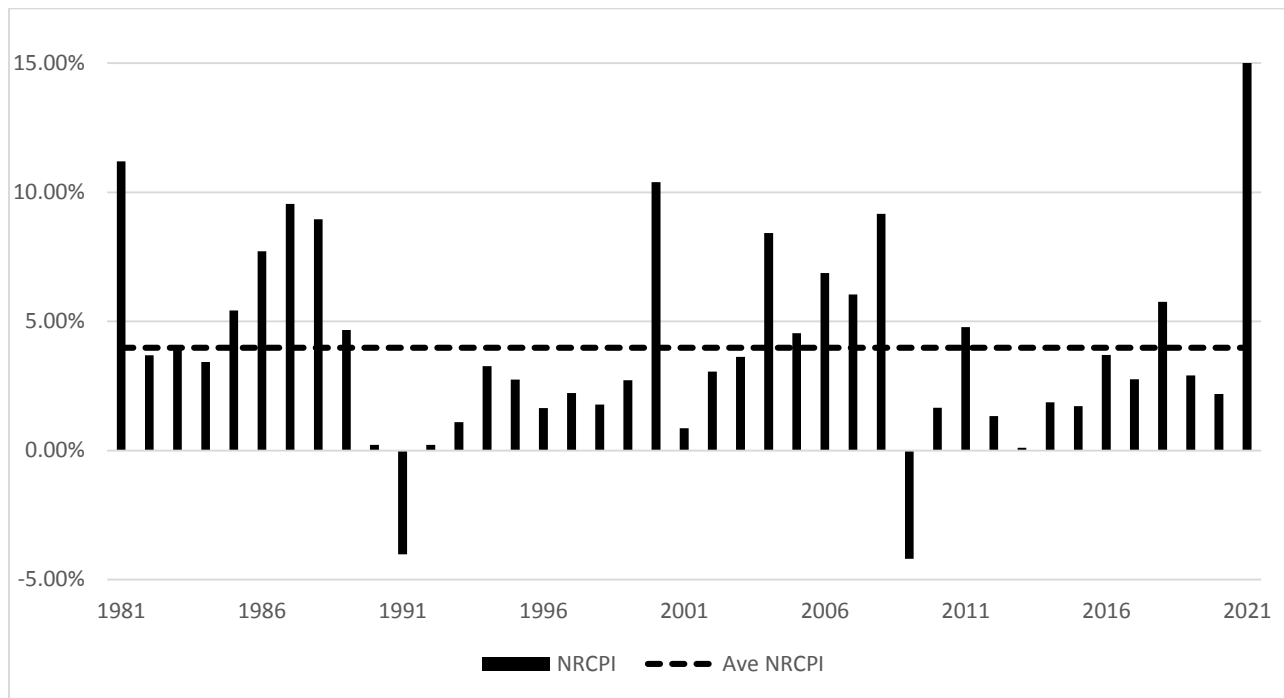


Figure 2 Non-Residential Construction Price Index 1981 to 2021

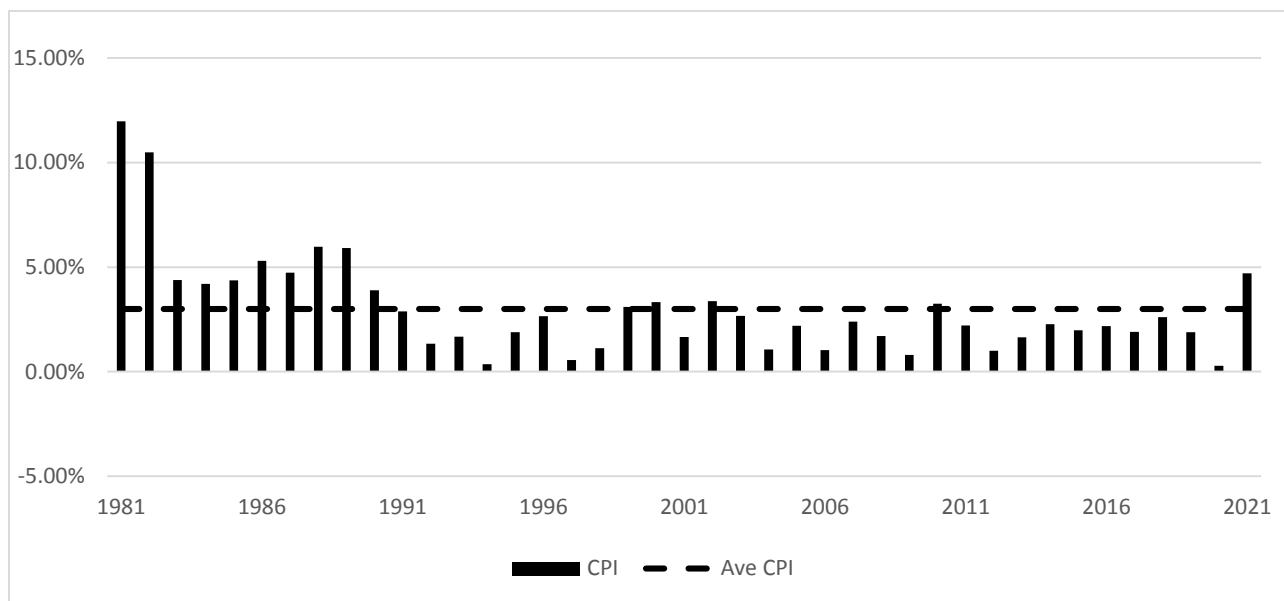


Figure 3 Consumer Price Index 1981 to 2021

Over this period of time, the average NRCPI has been 3.98 percent (Figure 2 – dashed line), there have been a number of periods of higher-than-average inflation within the construction industry, with only two instances of deflation. From a CPI perspective, there have not been any instances of deflation. While it is possible that prices may decline after this high inflationary period, history indicates that it is not likely they will return to pre-pandemic levels and would be short lived as the overall trend will still be upwards. This means that prices would have to decline drastically and/or the City would have to be in a position to tender quickly, before prices would return to a typically upward trajectory. From an operational perspective, delaying

and deferring projects therefore will not make them cost less, as inflation will not decline over time.

On March 2, 2022, the Bank of Canada (BoC) began raising interest rates as part of their monetary policy, due to strengthening economic performance as the impacts of COVID subside and to address continued pervasive inflation being experienced as well as uncertainty surrounding the situation in Ukraine. As per the BoC announcement:

"The policy rate is the Bank's primary monetary policy instrument. As the economy continues to expand and inflation pressures remain elevated, the Governing Council expects interest rates will need to rise further. The Governing Council will also be considering when to end the reinvestment phase and allow its holdings of Government of Canada bonds to begin to shrink. The resulting quantitative tightening (QT) would complement increases in the policy interest rate. The timing and pace of further increases in the policy rate, and the start of QT, will be guided by the Bank's ongoing assessment of the economy and its commitment to achieving the two per cent inflation target."⁴

This information taken together demonstrates both the magnitude of the impact, as well as the continued uncertainty about the future pricing impacts related to delivering services and programs. Within this evolving and uncertain environment, the City must continue to deliver services and must continue to maintain its infrastructure and build for a growing community. All City expenditures are being impacted by increased costs in the various goods and services required to carry out work.

Current State Assessment

Operating Budget

Within the operating budget, the City takes a whole-city perspective when reporting surplus and deficit positions, explaining risks and pressures in one department that are offset with benefits being experienced in other areas. This enables the most prudent and fiscally responsible approach to service delivery in a constantly changing and growing City. One favourable element for the operating budget is that the City has a number of multi-year contracts with fixed pricing like collective bargaining agreements and IT licensing. These arrangements will mitigate immediate impacts on some expense drivers, deferring impacts over many years and in alignment with the MYB strategy. This being said, in the years of contract renegotiation, inflationary impacts can feel exaggerated, hitting all in one year. Other expenditure lines like fuel are more vulnerable to market pricing swings, and staff have put in place effective reserve strategies specifically for these situations.

Generally, operating budget impacts can be addressed by managing activities and shifting priorities within the City's overall budget, similar to the approach that has been taken through COVID for the past two years. Staff have demonstrated that having the flexibility to manage within a budget envelope with frequent Council reporting has been successful from both a governance and fiscal perspective. The City's progressive reserve policies enable the City to manage impacts appropriately over time, with the understanding that tax and rate increases at some point will

⁴ <https://www.bankofcanada.ca/2022/03/fad-press-release-2022-03-02/>

need to respond to inflation, or the city need will need to adjust service delivery (i.e., deliver less service) for the same price.

Quarterly reporting is in place to monitor trends and disclose operating successes and concerns to Council, including mitigation strategies where appropriate.

Capital Budget

For the capital program, taking a whole-city approach is more difficult, as it is standard operating practice that each individual project must have in place sufficient budget to cover all planned expenditures prior to awarding of contracts through the City's procurement process. This practice protects against urgent changes or wasted procurement timelines due to insufficient budget and requires project managers to perform appropriate, proactive due diligence in project planning prior to starting the procurement process. In practice, this can mean that approved budget from one project can be reallocated to another project within a set of parameters and management approvals within the City. These reallocations are reported to Council quarterly for full transparency and accountability. In some cases, when they are significant, Council approval is also required.

Reallocating budget between approved projects is complex because projects are each uniquely funded based on type of expenditure and service supported. This approach works when the number of projects requiring reallocations are limited to a few minor instances each year, however, on the scale and breadth of inflationary reallocations that are projected to be encountered over the next 18-24 months, aligning funding sources on a project-to-project basis may not be possible and will likely slow the procurement process to the point where a limited amount of work would be approved and actioned. Further, as pricing is escalating beyond what can proactively be estimated, identifying budget to reallocate after the procurement process cannot be done within the needed timelines, further exacerbating the pricing issue, and increasing costs either through redoing the procurement process or accommodating surcharges in pricing. Staff do not have authority to change budget in this magnitude without seeking Council approval, and again, projecting out the volume of budget shortages expected, it is not practical for every tender award to come to Council for approval individually.

A slowed capital program is not in the best interest of the City, nor the community at large. Staff have demonstrated that project costs will not get cheaper by delaying given the historical trends of inflation, and the City's capital program was a means to stimulating the local economy as everyone rebounds from the COVID-19 pandemic. Slowing the capital program significantly will also impact the timing of housing/growth development and increase the risk that City assets will not be maintained in a condition that can deliver service to the community. As the City is already facing a large infrastructure backlog, with 32 percent of assets being rated in less than "fair" condition, delays in completing this work only adds to the problem.

A whole-city approach needs to be implemented to address this concern and ensure the capital program can continue to advance in 2022 and 2023.

Current approved capital budget

The City currently has \$576.9 million of capital budget approved, which includes projects carried over from 2021 and the amounts approved as part of the 2022 budget. In addition to this, Council has approved \$143.7 million of capital projects

for 2023. Of this total \$720.6 million, \$87.8 million is currently committed through open purchase orders, leaving \$632.8 million either in the procurement process or not yet started for varying reasons. This uncommitted budget is funded primarily from reserve funds of \$553.0 million, as well as grants of \$19.0 million, sale of assets of \$13.9 million and debt of \$46.9 million. Staff are currently in the process of issuing \$65.9 million of debt in addition to the \$49.1 million issued in 2021 as [approved by Council](#) in April 2021. By the end of 2023, including contingencies and uncommitted funding, the City's capital reserve funds will have an estimated balance of \$639.8 million available to be deployed, much of this earmarked within approved, but not yet started, capital projects.

This capital budget trending was shared with Council through the [Capital Program Resourcing Strategy \(CPRS\)](#), showing that over the past five years, the City has had an average capital spending of \$90 million per year, excluding the impacts of COVID, resulting in this growing uncommitted capital budget. With the staffing resource plan now in place to grow project execution over the next five years and reduce this backlog, this spending will start increasing year over year, but in the transition period, the uncommitted approved budget envelope provides the City flexibility to prioritize projects as a way to address the current inflationary pressures. The City is currently in year one of five in terms of the CPRS implementation, which provides the utmost flexibility for this strategy to also respond to the impacts of inflation through future budgets in terms of timing and capacity.

Staff recommend that the most appropriate way to handle the rising inflationary pressures within the capital budget, without stalling capital execution/procurement to a halt through the next two years, is to deploy the current approved budget to the highest priority capital projects being tendered/procured until the next MYB. In doing so, however, a number of planned projects will be deferred, further extending the year that the City will be able to reach its Asset Management goal of eliminating the infrastructure backlog. This may also mean growth-related projects are not able to be moved forward at the same pace, and therefore may impact growth timing in the City. Staff are determined to continue delivering projects that are needed to maintain and grow the City's infrastructure to deliver expected service levels within appropriate fiscal controls.

Prioritizing the Capital Budget

Staff are proposing that Council provide authority to Staff to manage the capital program holistically, taking a whole-city portfolio approach to award construction contracts through 2022 and 2023. This authority would facilitate contract award, within certain priority parameters (as described in the following section), understanding that by year's end, other projects will be identified and deferred to accommodate the over-budget amount committed.

This would enable staff to manage all inflationary-related capital budget increases within the overall capital funding envelope that Council has approved to the end of 2023 in a systematic and strategic approach. In some cases, budgets will be increased if additional revenues like development charges or grant funding can be applied, and other project budgets will then be reduced to accommodate this. This will mean that while the total capital expenditure budget will be maintained at the current approved total, the revenue sources that fund that budget may be different. Staff may need to shift forward the use of additional development charges or grant

funding earmarked for future projects for example or pause the use of City Building funding while increasing Infrastructure Renewal funding. This will be monitored very closely and reported to Council quarterly to ensure all movement is fiscally sustainable.

Each project would be evaluated and approved based on review by designated staff, with full, transparent Council reporting of progress being provided through quarterly budget monitoring reports, and the 2023 Budget Confirmation. Generally speaking, the prioritization will take an enterprise risk management lens with the highest priority projects addressing the largest risks, financially or otherwise, for the City.

All projects that are identified to be deferred because of this prioritization process would be reported quarterly through the budget monitoring process and re-budgeted as part of the 2024 MYB presentation. This timing will also incorporate project changes to the capital plan resulting from the on-going Official Plan, Secondary Plan, and Master Planning processes expected to be completed in 2022-2023.

Staff believe that this proposed solution finds the appropriate balance between Council governance of financial matters, while enabling operational execution of the City's service needs. Further, it means that the City can continue to rely on capital spending to stimulate the local rebounding economy as the COVID restrictions ease.

Prioritization methodology

The cross-functional staff Capital Planning Steering Committee is a group of senior staff representatives that review capital-related policies, activities, and progress through the year. This has proven to be an important body that can respond to emerging concerns, share information about capital project management and execution, and put in place corporate actions to address negative trends. This group would be assigned the task of prioritizing and approving capital projects with acceptable inflationary budget overages. This group will also be accountable to the Executive Team and to Council to identify the appropriate projects to defer to accommodate the inflationary pressures.

The preliminary prioritization evaluation criteria to be used by the committee is focused on enterprise risk mitigation and will include:

- Infrastructure Renewal projects which address current deficiencies or risks, or to meet regulatory requirements
- Projects which leverage time-limited grant funding
- Projects tied to agreements or impacts with other partners or stakeholders
- Growth-related projects which provide necessary infrastructure to a growing community
- Projects that prove to reduce costs/save money over time subject to a sound business case

In some cases, projects that have an ability to be parceled into phases to address specific commodity pricing risks in the short term will also be prioritized. In some cases where pricing of one commodity becomes favourable, this may provide an opportunity to fast-track and create capacity for other commodities that are over.

To provide transparency in the process, Staff will report back through the quarterly budget monitoring reports on the progress, including at a minimum:

- Projects tendered and awarded that required additional inflationary budget from previously approved
- Projects tendered and not awarded due to insufficient budget
- Projects identified to be re-budgeted as part of 2024-2033 Capital Forecast
- Financial impact to overall budget, as well as funding source shift

Applying the Inflationary Budget Authority in Practice

Preliminary Project Identification

At this point in time, without knowing what the final pricing will be for these projects, the following are examples of specific prioritized projects that would proceed in each category as described. Final pricing may dictate a change from this preliminary assessment:

1. Infrastructure Renewal projects which address current deficiencies or risks or to meet regulatory requirements
 - Certain linear projects - including annual paving program, road reconstruction projects including: York Road, Speedvale (Elmira to Imperial) and Eramosa, and preliminary engineering and design for downtown infrastructure renewal.
 - Facilities projects – FM Woods booster station, Paisley pump station, Calico well replacement and building upgrades, Solid Waste facilities and the Baker District Redevelopment
 - Asset management condition assessment work on both linear and facility assets
 - Contaminated site program of work projects (historical landfills, Fountain Street)
 - Stormwater pond rehabilitation and renewal
 - Vehicle and equipment replacement, including critical vehicles like solid waste packers, ambulances, snowplows and fire vehicles as well as IT infrastructure and software
2. Projects which leverage time-limited grant funding
 - Investing in Canada Infrastructure Program funding for:
 - Planning and design of the Operations Hub site and new Transit facility
 - Transit terminal upgrades
 - Electrification of transit buses
 - Active Transportation projects including the Hanlon Creek Business Park multi-use path, and Stone, Gordon, and Eramosa active transportation improvements
 - Canada Community Revitalization Fund grant funding for Riverside Bandshell and Train Amusement upgrades
 - Ministry of Long-term Care grant for the expansion of long-term care beds at the Elliott
 - Streamline Development Approval Fund grant to speed up the development approval process including technology acquisition and implementation.
3. Projects tied to agreements or impacts with other partners or stakeholders
 - Ministry of Transportation and Metrolinx infrastructure related projects (city share).

- Baker Street site servicing and site preparation related to the Baker Street Redevelopment
4. Growth-related projects which provide necessary infrastructure to a growing community
 - SECC
 - Downtown Parking Master Plan
 - Paisley Feedermain
 - Complete streets and multi-modal level of service studies
 - Stormwater/Wastewater/Water master plan projects
 - South-West Guelph Environmental Assessment
 - New or enhanced parks and trail connections identified as a priority
 5. Projects that prove to reduce costs/save money over time subject to a sound business case
 - Fibre network installation
 - Energy retrofits and similar work

The last grouping of projects would be those that have been identified as considerations to be deferred, or parts/phases of the project that could be deferred until future budgets. At this point in time, projects being considered on this list include:

- Projects primarily funded from the City Building Reserve Fund
- Lower priority linear road reconstruction or improvement projects including:
 - Applewood, Alma, Lane, Bristol, Kathleen transmission line, Waverly, and Silvercreek/Speedvale intersection improvements. and sewer oversizing/reline/repair programs)
 - Structural rehabilitation like Wellington Siphon Rehabilitation
 - Certain pipe condition assessments
- Contaminated site program of work (zinc background study, environmental site assessments)
- Robertson Booster Pumping Station
- Facilities including FM Woods Operations Centre, Collections Operations Centre and the relocation of Household Hazardous Waste to Gate 1
- Certain lab and software upgrades at the Wastewater Treatment Plant

Staff will report on the list of projects that were tendered and not awarded due to insufficient budget and describe next steps. In 2021, four out of 137 tenders/RFPs were cancelled due to budget shortage, and so far in 2022, two out of 21 have faced this issue, supporting the escalating trend in concern about inflation. Over these two years, the list of projects where procurement was cancelled and is being reevaluated includes Speedvale Bridge Replacement, traffic calming measures, road ecology guideline project and the SECC. The array of different types of projects further supports the Staff recommendation that a flexible approach is required. Staff are completing a value engineering and sequencing review of the Speedvale Bridge replacement project for the Executive Team's consideration. The SECC review is discussed further below.

South End Community Centre

Council approved SECC capital budget in October 2020 for construction of \$73 million hard construction costs, plus soft costs of \$8 million, total budget of \$81 million. Applying an inflationary factor consistent with the NRCPI for 2021 and 2022, an expected tendering budget for this project would be \$90-95 million.

Given the nature of this project, and the uncertainty of pricing estimates, staff felt it was prudent to move forward with the tendering process to get accurate costing for this growth-related project. The procurement closed on March 9, 2022, and pricing for hard construction costs came in at \$121 million and updated soft costs at \$9.5 million ending with a total required budget of \$130.5 million representing an increase of 61 percent over the approved budget. This has far exceeded the expected range of inflation over the period under assessment and therefore procurement process was cancelled, and staff are now evaluating options available. It will be reevaluated from a procurement process perspective and alternative options will be considered by the Executive Team. Staff will review all opportunities that may include de-scoping, phasing approach, amenity priorities, risk sharing, additional funding, alternative partnerships and other opportunities. Additionally, in the coming weeks, staff will meet consulting staff and request conversations with bidders to re-evaluate all options.

Other strategic considerations

Inflation and international politics

The key risk remains cost escalation, as the BoC has identified inflation is expected to be persistent over the short term and this will continue to be a concern until such time as global economic and fiscal policies have their intended effect. Even with expected actions by world governments to bring inflation under control, unexpected events such as the military action in Ukraine will have an upward pressure as global production and supply are priced with an uncertainty premium. Additional factors like the Canadian Pacific rail and aggregate haulers strikes have exacerbated supply chain issues, creating further economic impacts.

Disciplined adherence to purchasing policies and approved project scope will help to manage these financial risks, and diligence by departments in monitoring industry specific trends will be critical in minimizing this impact to the extent possible. The proposed whole-city capital portfolio approach also provides flexibility to respond in the moment during short-lived favourable moments as well.

Project delays

Through this proposed strategy, projects that are not currently moving forward will be formally moved out to a time when they can realistically be completed (from both a funding and staff capacity perspective). For projects deferred, the risk to service delivery will be minimal as, due to the factors identified in the Capital Program Resourcing Strategy, these projects were likely to be delayed until future years when staff capacity is available to complete them. Projects with the most significant impact on current service delivery will be completed and any emerging service risks will be addressed as they are identified.

Cost control on tendered projects

The key to ensuring projects stay within budget once awarded is the City's Project Management discipline. It starts with ensuring that the appropriate budget is

secured at time of contract award including adequate contingency amounts and allowances for all additional costs. Once the project is underway, close attention to both expenditures and progress to ensure costs are in line with work completed is key to identifying issues early. Identifying and addressing issues early allows for the most flexibility and the best chance to remain within budget. Given the continued inflation pressures, longer projects will require additional diligence to ensure these impacts are identified to ensure contractors are able to complete projects as expected.

Financial Implications

- Costs are increasing beyond revenue available in some, but not all cases, and the City needs to continue to deliver services and maintain infrastructure in this uncertain environment. Staff are committed to working within the financial means available and complete the highest priority work with those funds.
- The current environment of commodity pricing spikes, staffing capacity constraints in an increasingly competitive market, and the readiness of projects to start procurement creates a complicated matrix of timing decisions that change with each day.
- To continue to progress forward, working within the current budget means, redeploying unspent capital to the highest priority projects and initiatives. The 2024 MYB will need to rebalance and reschedule projects within the revenue strategies currently in place or increasing tax and rate revenues consistent with inflation.
- At a high level, this strategy will mean a number of planned projects will be deferred, further extending the year that the City will be able to reach its Asset Management goal of eliminating the infrastructure backlog. This may also mean growth-related projects are not able to be moved forward at the same pace, and therefore may impact growth timing in the City.
- In practice, this strategy will mean that the capital expenditure budget will be maintained at the current approved level overall, but the revenue sources that fund that budget may look considerably different. Available budget will be monitored very closely and reported to Council quarterly to ensure all movement is fiscally sustainable.
- All projects that are identified to be deferred because of this prioritization process would be reported and re-budgeted as part of the 2024 MYB presentation. This timing will also allow for incorporating project changes to the capital plan resulting from the on-going Official Plan, Secondary Plan, and Master Planning processes expected to be completed in 2022-2023.

2024 to 2033 Capital Forecast

As staff work towards developing the City's first four-year MYB, the development of a capital plan that is within the staff capacity limits to deliver, while addressing the key strategic investments as laid out in the City's Strategic Plan, service area Master Plans and the Corporate Asset Management Plan, all while staying within the overall funding levels available is the expected deliverable across the organization.

Setting an achievable capital plan will ensure that key risks are addressed, while being able to proactively identify those that will need to be managed in other ways. Given the limits on both staff capacity and total capital funding, not all needed capital work can be delivered in the desired or optimal time frame. In some cases, the decision will need to be made to accommodate mitigation strategies within the

operating budget for a time, until the capacity and funding are able to reach a point where the capital solution can be implemented.

Consultations

Capital Planning Steering Committee

Strategic Plan Alignment

This strategy will impact all areas of the Strategic Plan in terms of actioning procurement related to a number of the goals and initiatives.

Attachments

None.

Departmental Approval

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