

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Tuesday, May 2, 2023
Subject	2022 Year-end Capital Budget Monitoring Report

Recommendation

1. That the funding adjustments as detailed in Table 5 of Attachment-2 of the 2022 Year-end Capital Budget Monitoring Report dated May 2, 2023, be approved.
 2. That \$375,000 be approved for RD0449 Wildlife Crossing – Maltby Road and be funded from the Infrastructure Renewal Reserve Fund (#150) to install permanent wildlife crossing and fencing on Maltby Road between Gordon Street and Victoria Road South.
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Executive Summary

Purpose of Report

This report provides a summary of the 2022 capital spending for the year-ended December 31, 2022 and highlights significant capital project activity and milestones.

This report also serves to notify of any deviations from the approved capital plan and seek approvals for adjusted funding where required.

Key Findings

Overall, the 2022 capital program results are very positive and demonstrate the City's commitment to right-size the budget to align planned projects with the people resources to execute them successfully. The total capital spending in 2022 was \$110.3 million, which was \$32.5 million (41.7 per cent) more than 2021. Purchase order (PO) commitments at year-end were \$101.3 million, which was \$31.2 million (44.5 per cent) higher than 2021 year-end. The increased capital spending can be partly attributed to Council's approval of the [Capital Program Resourcing Strategy](#) in 2021 which provided project management resources to focus on delivery of capital projects. Further, this spending success is attributable to the capital prioritization process as approved by Council through the [Inflationary Financial Impact Strategy](#), providing staff delegated authority to keep projects moving forward during 2022 and 2023.

A secondary benefit to the capital prioritization process included a significant focus on capital project closeouts resulting in the closure of 86 capital project accounts. With these closures, \$6.4 million of capital budget surplus was returned to the originating reserve funds and will be available for use in future capital budgets.

This \$110.3 million in capital spending is translated into community service outcomes including:

- Road reconstructions complete with sanitary and storm sewers and watermains
- Energy upgrades to processes and equipment to assist in achievement of the City's energy goals
- New park structures including playgrounds, trails and benches and
- Customer service improvements through digitization and software

The City maximizes all avenues to secure grant funding to assist in the delivery of the capital program with the use of \$14.7 million in grants in 2022. Of this, \$10.6 million is attributed to the federal Canada Community Building Fund (CCBF) and \$588 thousand to the provincial Dedicated Gas Tax fund. These are the only two reliable, sustainable capital grant funding sources that are built into the City's budget models. All other grants received are one-time in nature and assist with accelerating projects that were planned in a future year or replacing property tax and rate revenues otherwise required. One-time grants in 2022 included funding from various streams of Investing in Canada Infrastructure Program (ICIP) and the Canada Community Revitalization Fund.

Strategic Plan Alignment

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

Financial Implications

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

Report

This report provides a summary of the annual capital spending as of December 31, 2022, and highlights significant capital project activity and milestones. A summary of financial capital activity can be found in Attachment-1.

The capital budget carried over from 2021 was \$440 million, Council approved a 2022 capital budget of \$141.4 million in December 2021. Capital budget additions and adjustments made throughout the year resulted in a net budget addition of \$4.7 million. Capital budget adjustments made with the Council approved delegated authority in accordance with the [Inflationary Financial Impact Strategy](#) resulted in a net budget reduction of \$11.5 million. Capital budget adjustments made in Q4 can be found in Attachment-2. This provided for a total available budget in 2022 of \$574.6 million.

The total capital spending in 2022 was \$110.3 million, which was \$32.5 million (41.7 per cent) more than 2021. PO commitments at year-end were \$101.3 million, which was \$31.2 million (44.5 per cent) higher than 2021 year-end. The increased capital spending can be partly attributed to Council's approval of the [Capital Program Resourcing Strategy](#) in 2021 which provided project management resources to focus on delivery of capital projects. As part of the 2024 to 2027 multi-year budget, this strategy will be reviewed to validate and reassess capacity metrics to ensure continued advancement in delivering capital projects.

Throughout 2022, the additional capacity gained through the multi-year budget process and work completed through the capital prioritization process allowed staff to move diligently through the capital closeout process to close 86 capital project accounts. Accounts are closed as projects are completed and for administration purposes to end-date lifecycle project accounts. At the time of project closeout, a review is done to determine if account surpluses are required for future work, to mitigate in-year deficits or if the surplus can be returned to the appropriate reserve fund. These project closures have resulted in a capital budget surplus of \$6.4 million being returned to the originating reserve funds. Approximately \$3.6 million or 56 per cent of the funds were returned to tax-based reserve funds and the remainder to non-tax reserve funds with the majority of that going to water and wastewater reserve funds.

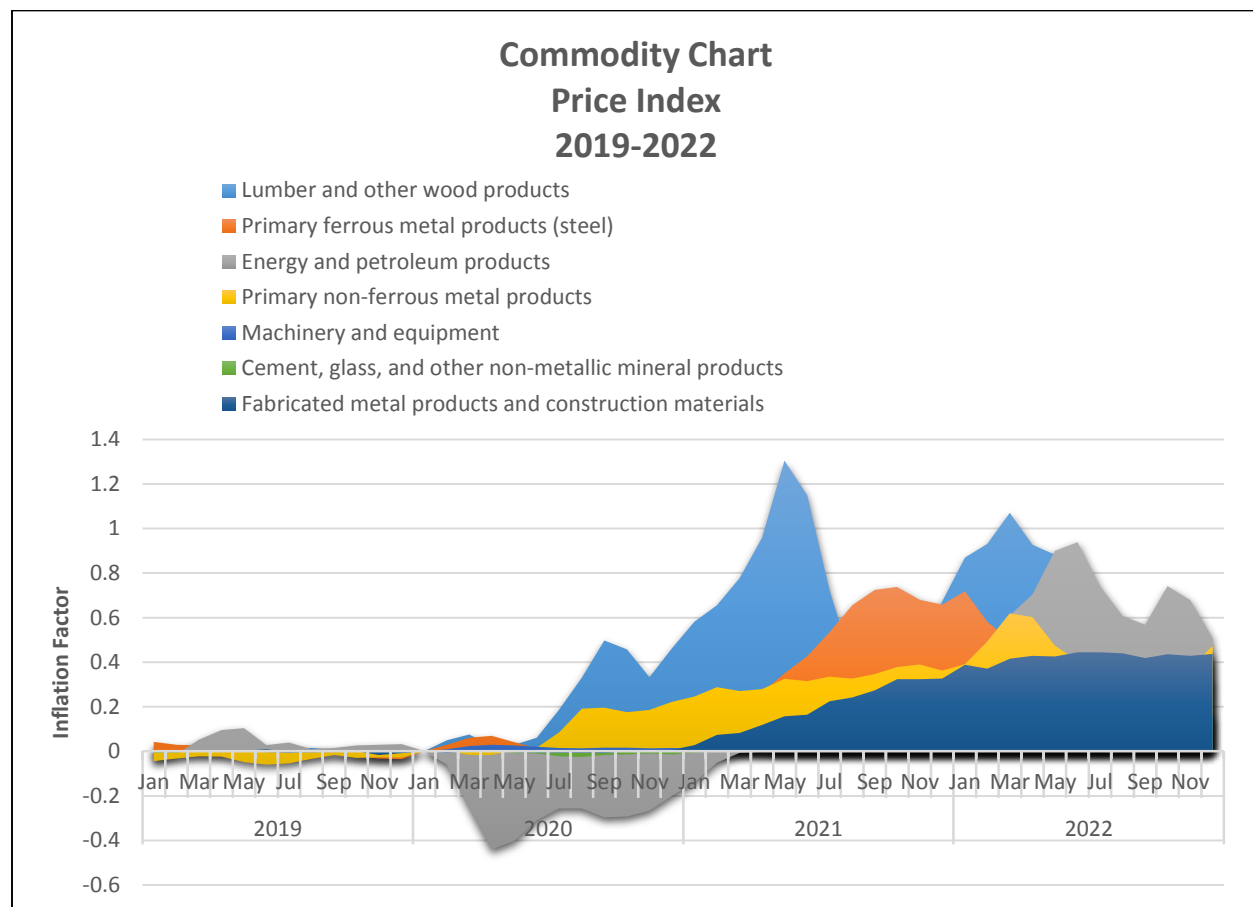
On December 31, 2022, the uncommitted approved budget was \$356.6 million which was \$9.1 million less than 2021. This reduction in the uncommitted funds is further evidence that the City's capital strategies to advance work have been successful.

Inflation Update

Commodity prices most frequently used in the capital program have increased substantially since January 2019 (pre-pandemic) because of inflation. As indicated in Figure 1¹, inflation was at its highest from mid-2021 to mid-2022 with many commodities seeing a reduction in the pace of inflation since July 2022. However, at the end of 2022 key commodities continued to trend on average around 35 per cent higher when compared to January 2020 (index period).

¹ [Industrial product price index, by major product group, monthly \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/2466827/2023001/article/00001-eng.htm)

Figure 1 -Industrial Product Price Index January 2019 to December 2022



Over the course of 2022, there were significant swings in the price of many of these commodities. From January to December, lumber and other wood products decreased 55 per cent, primary ferrous metal products (steel) decreased 31 per cent whereas energy and petroleum products increased 24 per cent, cement, glass, and other non-metallic mineral products and machinery and equipment increased 10 per cent. This presented a challenge throughout the procurement process for both the City and our vendors. The City has worked to mitigate this risk through contract escalation clauses and index pricing and continues to consider creative ways to share risk equitably and reduce costs. Added flexibility through the use of the delegated authority given through report [2022-118 Inflationary Financial Impact Strategy](#), has permitted staff to move quickly to address budget changes through the capital prioritization and going into 2023 at project tendering stage to address the on-going impacts of inflation.

Capital prioritization

In April 2022, staff brought forward report [2022-118 Inflationary Financial Impact Strategy](#) for Council's consideration. In response, Council delegated authority to staff until the 2024 capital budget approval to prioritize capital projects within the approved capital budget.

A holistic review of the approved 2022 and 2023 budgets was necessary to create financial capacity to deal with inflationary budget increases, including consideration of Council's previous approval of the [Capital Program Resourcing Strategy](#) in 2021.

Staff reviewed projects through multiple lenses as the planning, design, and execution of the 10-year capital plan is a very complicated, interconnected task. The criteria that was considered as part of the prioritization process focused on enterprise risk mitigation and included:

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

These adjustments were consolidated across all departments and service areas and required review and sign-off from General Managers and the Executive Team.

The capital prioritization has resulted in a \$11.5 million net decrease in the previously approved 2022 capital budget. As part of the project level review, no operating impacts from capital were adjusted or deferred. The summary of all adjustments made to the 2022 capital budget are shown below in Table 1. In total, project deferrals from 2022 were \$29.9 million and include:

- WT0060 Clythe Water Treatment Plant, \$8.0 million
- WT0015 Robertson Booster Upgrades, \$4.5 million
- PN0097 Speedvale Road Reconstruction - Woolwich to Metcalfe, \$4.3 million
- RD0357 Cycling Network Expansion (ICIP-GUE-05), \$3.1 million
- WT0062 Dean Station Upgrades, \$1.7 million

As part of the 2024-2027 multi-year budget process, staff will work to re-budget all projects that were deferred through the capital prioritization.

The detailed project listing of all adjustments can be found in Attachment-3.

Table 1- Summary of 2022 Capital Prioritization Adjustments by Funding Category

Decision Outcome	City Building	Growth	Infrastructure Renewal	Grand Total
Decrease	(1,103,679)	(8,874,494)	(1,983,352)	(11,961,525)
Increase	4,327,590	9,091,848	16,024,992	29,444,430
Deferred and to be Re-Budgeted in 2024 +	(4,275,805)	(21,399,017)	(4,261,024)	(29,935,846)

Net New ²	170,000		788,000	958,000
Grand Total	(881,894)	(21,181,663)	10,568,616	(11,494,941)

Powering our future

The [Powering our future](#) priority includes two capital projects, the citywide fibre-optic network and the Hanlon Creek Business Park. The 2022 spending and current PO commitments total \$2.8 million. Remaining uncommitted budget at December 31, 2022 was \$5.3 million with \$4.5 million related to IT0061 Fibre Data Connection.

The citywide fibre-optic network project (IT0061) has been underway since 2021. This project will see fibre-optic networking connect City-owned facilities and traffic controllers throughout Guelph, removing the City's reliance on third-party providers. Staff continue to target the end of 2026 for overall completion of the project, considering integrated dependencies with other projects.

From a construction standpoint, to date, roughly 50 per cent of Ring 1 has been completed. This includes the cutover of three City-owned facilities onto the new fibre network (Elizabeth Fire Hall, Speedvale Fire Hall, and Victoria Road Recreation Centre) as well as bringing fibre to approximately 15 new traffic signal locations within this area. In 2023 work will continue on the remainder of Ring 1 as well as starting in targeted areas within Ring 3 to the south.

An information report planned for the second quarter of 2023 on the Hanlon Creek Business Park (SS0002) will provide an update to the on-going process to sell Phase 3, which will replenish the Industrial Land Reserve once completed.

Sustaining our future

The [Sustaining our future](#) priority includes projects related to water and wastewater services, stormwater management, solid waste resources, planning and building services, corporate projects for 100RE initiatives, and monitoring and remediation of contaminated sites.

The sustaining our future capital budget is the largest of the strategic plan with 40 per cent of the projects in the capital program. The 2022 capital spending on projects within this priority was \$50.8 million with another \$40.1 million in PO commitments as of December 31, 2022. There is \$132.9 million of budget to be executed which is 38 per cent of the total capital budget.

The top three project expenditures (spending and commitments) occurred in the following accounts:

- ST0009 Plant Energy Efficiency Management (\$8.8 million) – construction work is in progress related to the upgrade of process aeration blowers, aeration control systems, and supporting electrical, mechanical and SCADA/communication infrastructure at the Water Resource Recovery Centre (formally known as the Wastewater Treatment Plant). This work will reduce

² Net new projects represent two projects that were administrative corrections captured during the capital prioritization process.

the energy footprint and operational costs while upgrading aging end of life assets to improve operational flexibility, add redundancy and future growth capacity.

- WT0011 Paisley Pump Upgrades (\$6.4 million) – construction work is in progress for upgrades and improvements to end of life equipment and to increase pumping capacity for future growth.
- PN0043 Metcalfe Street Reconstruction Phase 2 (\$5.1 million) – construction work is in progress for the reconstruction of Metcalfe Street from Terry Boulevard to Eramosa Road including replacement of watermain, sanitary sewer, storm sewer, road surface and sidewalks.

The majority of uncommitted budget relates to work at the water and wastewater plants as well as underground watermain and sanitary sewer infrastructure as part of road reconstruction works. The largest uncommitted project budget in this priority belongs to FM Woods Station Upgrade (WT0064) at \$29.5 million in uncommitted budget. However, the majority of this is planned to be committed in Q2 of 2023 when the tender closes for the booster pumping station replacement.

Projects identified as completed in Q4 include the following linear capital works which are now in the warranty stage:

- PN0847 Manitoba Street – Ontario Street to Huron Street - 300 meters (m) of road built complete with sanitary and storm sewers and watermain,
- PN0748 Eramosa Road – Metcalfe to Glenhill - 300 m of road built complete with sanitary and storm sewers and watermain,
- PN0264 York Road – GJR Spurline - Stevenson – 450 m of road built complete with sanitary and storm sewers and watermain,
- PN0225 Eramosa Road- Orchard Crescent to Victoria Road North – 80 m of watermain replaced,
- PN0268 Paisley Feedermain Construction Phase 3 - trunk watermain completed to the Paisley Reservoir Pumping Station and
- PN0100 Stevenson St. N Reconstruction – 440 m of road built complete with sanitary and storm sewers and watermain.

In addition, the ST0008 Wastewater Treatment Master Plan update was completed and will lead to an Environmental Study Report that will allow for the capital program identified within the master plan to move to the design stage without additional environmental assessments .

In 2022, 33 capital accounts in this priority were closed with a combined budget surplus of \$5.9 million. Of this \$4.1 million relates to 18 projects that were end-dated for administrative purposes and replaced with new accounts in 2021. Through this process it was determined that the existing budget was sufficient for current planned activities and any additional need would be re-budgeted through the 2024-2027 multi-year budget process.

In 2022 there were documented increases in turtle mortality on Maltby road, between Gordon and Victoria. Through the Sustaining our Future strategic plan pillar, the City prioritizes protection of the environment, including turtles. As a result, the City has decided to install a permanent wildlife crossing and fencing, in the area where the turtle mortality was high. The permanent solution cannot be installed until the water levels in the adjacent wetlands have dropped to a level that

is manageable, which means construction is estimated to be late July/early August 2023. Staff are seeking the approval of additional budget of \$375 thousand to complete these works in 2023. The scope of work includes removing a section of Maltby road, installing a structurally sound tunnel and fencing for the crossing, and then reconstruction of the road and associated restoration. Associated work such as engineering design, construction tendering and oversight, traffic control, and communications is included.

Navigating our future

The [Navigating our future](#) priority includes transportation services such as road reconstruction and the active transportation network, transit and parking.

2022 capital spending on projects within this priority was \$20.5 million with another \$35.4 million in PO commitments as of December 31, 2022. Remaining to be executed is \$27.4 million of budget.

The top three project expenditures (spending and commitments) occurred in the following accounts:

- PN0271 York Road Phase 3 Reconstruction from Stevenson Street South to Victoria Road South (\$11.3 million) – construction work is tendered and awarded and is expected to begin in Q2 2023 and wrap up by Q3 2024.
- TC0070 Bus Electrification – Replacement (ICIP) (\$7 million) – three electric buses are on order to replace existing buses with anticipated delivery in Q1 2024
- TC0078 Transit Vehicle Growth (\$5.4 million) – four electric buses are on order with anticipated delivery in Q1 2024

Projects that have the largest uncommitted balances include the following:

- TC0059 Transit Operations Facility (\$6.6 million uncommitted) - multi-year project with ICIP funding and early site readying work is in progress and on budget (for additional information see [2023-17 - Operations Facilities Long-Term Plan Update](#)).
- PN0271 York Road Phase 3 Reconstruction from Stevenson Street South to Victoria Road South (\$2.7 million uncommitted) - uncommitted budget remaining for hydro pole relocations and dewatering into the City sewer.
- RD0376 Silvercreek Parkway Speedvale to Woodlawn Road with protected bike lanes (\$2.1 million uncommitted) - in detailed design with tender and construction anticipated in 2023.

Projects identified as completed in Q4 include:

- PG0094 On Street Occupancy Sensors – installed 500 on-street parking occupancy sensors to gather data about usage and turnover,
- PN0011 Norwich Pedestrian Bridge – this heritage bridge has been completely restored with pedestrian and bike lanes,
- PN0004 100 Steps Rehabilitation – completed including bike trail,
- PN0873 College Ave E: Watermain and Sanitary Sewer – 600m of watermain and sanitary forcemain built now in warranty and
- PN0025 Bagot Street – Drew Street to Mercer Street – 350m of road built complete with sanitary and storm sewers and watermain.

In 2022, 27 capital accounts in this priority were closed with a combined budget surplus of \$447 thousand, which was no longer required and returned to reserve funds.

Working together for our future

The [Working together for our future](#) priority includes capital projects related corporate fleet, court services and information technology projects to leverage technology to improve how the City communicates with residents and delivers service.

2022 capital spending on projects within this priority was \$4.1 million with another \$1.5 million in PO commitments as of December 31, 2022. Remaining is \$4.2 million of budget to be executed.

The top three project expenditures (spending and commitments) occurred in the following accounts:

- IT0064 Property Tax Billing Software Replacement (\$732 thousand) – the first phase of the new system was implemented and will be monitored through 2023 for any final modifications. Currently, phase two is underway with the expected launch of a citizen portal in mid-2023.
- IT0083 IT Infrastructure Lifecycle (\$609 thousand) – purchased 204 network components for lifecycle replacement with deployment planned in 2023 due to supply chain delays. Completed lifecycle for advanced data retention solution.
- IT0080 & IT0081 IT Endpoint Lifecycle (\$549 thousand) - replaced 193 corporate personal computer's and 220 mobile devices under lifecycle in 2022

Projects that have the largest uncommitted balances include the following:

- CS0004 Court Services Facility Renewal (\$1 million uncommitted) - in progress and on budget.
- IT0063 Corporate POS Software Replacement (\$675 thousand uncommitted) - was delayed with planning now in 2023 and implementation in future years.
- IT0064 Property Tax Billing Software Replacement (\$618 thousand uncommitted) - in progress moving into 2023.

Identified as completed in Q4 was IT0072 Citywide Multi-factor Authentication. Adopting this best practice provides the City with an additional measure to reduce risk and increase our cyber security maturity.

In 2022, four capital accounts in this priority were closed with a combined budget surplus of \$74 thousand which was returned to reserve funds.

Building our future

The [Building our future](#) priority includes open spaces, parks, recreation, culture, library and corporate facilities projects as well as projects related to public works, corporate and community safety and all of the emergency services including fire, paramedics and police.

This is the second largest Strategic Plan priority from a capital budget perspective with the building of key assets a main driver. The total 2022 available budget for

Baker District Redevelopment (including the library, open space, and parking), and South End Community Centre (SECC) account for over 72 per cent of this priority and over 86 per cent of the uncommitted balance at December 31, 2022. See the [City's capital projects webpage](#) for quarterly updates on these and other Tier 1 capital projects.

The 2022 capital spending on projects within this priority was \$33.9 million with another \$22.5 million in PO commitments as of December 31, 2022. This leaves \$186.8 million of budget to be executed with \$161.8 million of that belonging to Baker District and SECC.

The top three project expenditures (spending and commitments), excluding Baker District and SECC, occurred in the following accounts:

- PN2439 Computerized Maintenance Management System (CMMS) Implementation (\$3.6 million) – implementation of the replacement of the existing work order management and procurement systems is underway with change management training on-going to support successful adoption and hardware to support the data system storage has been purchased and additional temporary staff resources have been obtained.
- RF0095 Recreation Facilities Renewal (\$3.3 million) – Replacement of roof and exterior wall stucco as well as the replacement of 20 HVAC units with premium high efficiency heat pumps at the West End Community Centre. Operating savings from these replacements will be monitored and budgets adjusted as needed. At the Guelph Sports Dome the indoor turf and rubber floor was replaced.
- GG0245 Administration Facilities Renewal (\$2.7 million) – Citywide renewal to corporate buildings completed including work done to elevators, secured entry key systems, life safety equipment and building automation systems.

Projects that have the largest uncommitted balances (excluding Baker District and SECC) include the following:

- PK0075 Downtown Pedestrian Bridge (\$6.7 million) - currently in progress with tendering for the construction of the new bridge from the Macdonell and Wellington Street East. intersection across the speed river to a proposed multi-use path from Arthur Street South. in Q2 2023
- PN2439 CMMS Implementation (\$2.5 million) – once fully implemented the new maintenance management system will become the asset management system of record and will integrate with the City's financial system. Upgrades to procurement processes and continued change management will round out the implementation.
- GG0252 Dunlop Site Preparation (\$3.4 million) – in progress, refer to [2023-17 - Operations Facilities Long-Term Plan Update](#).

Projects identified as completed in Q4 included:

- PO0021 Parks Facilities Renewal and PK0096 Hanlon Creek Splashpad – Hanlon Splashpad and washrooms were replaced in 2022,
- PK0025 Norm Jary Park Amenity Replacements and Upgrades – new outdoor basketball courts were installed,

- PK0030 Cedarvale Park – new playground, shade structure, trails, exercise equipment and furniture were constructed/installed,
- PK0104 Starwood Park – new playground, shade structure, trails and furniture were constructed/installed and
- PK0124 Oliver Street Parkette – new playground, trails and furniture was constructed/installed.

In 2022, a total of 20 capital accounts in this priority were closed.

Grant Funding Updates

The City was able to secure additional grants in 2022 to help offset the cost of maintaining existing assets and for the procurement of new assets, which will provide additional benefits to the city.

In 2022, the City was a recipient of a Canada Community Revitalization Fund in the amount of \$750 thousand to reinvent and revitalize Riverside Park (PO0048 Riverside Park Revitalization). This work includes accessibility improvements at the train station, bandshell and washroom, refurbishment of the bandshell and construction of an outbuilding and connecting train tracks to allow for seasonal storage of the train.

Guelph Police Service received a grant of \$534 thousand from the Ministry of the Solicitor General to procure and operationalize 30 in-car cameras with automated license plate recognition technology. This allows for the comparison of license plate numbers to Ministry of Transportation database and the capability of capturing plate information of vehicles of interest (e.g. amber alters, stolen vehicles, suspended driver, etc.).

In addition, the City receives funding from other levels of government for the capital program annually. In 2022, the City received just under \$8.4 million from the CCBF (previously Federal Gas Tax) and \$3.2 million in Provincial Gas Tax for public transportation. In 2022, \$4.5 million of CCBF funding was allocated to road resurfacing projects such as Road Restoration and Resurfacing Program (RD0403), \$2.2 million to the reconstruction of Speedvale Avenue (PN0097 and PN0236), \$920 thousand to Drill Hall Assessment and Repair (FM003) and just over \$730 thousand to solid waste projects (WC0042 Organic Waste Processing Facility and WC0041 Materials Recovery Facility) along with allocations to many other eligible projects. Provincial Gas Tax provided funding for the replacement of diesel transit buses (TC0058 Bus Replacement and TC0070 Bus Electrification - replacement) along with control room upgrades (TC0066).

Financial Implications

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

Consultations

Capital Steering Committee

Attachments

Attachment-1 2022 Capital Spending

Attachment-2 Q4 2022 Capital Budget Adjustments

Departmental Approval

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