

Staff Report



To	City Council
Service Area	Corporate Services
Date	Monday, May 25, 2020
Subject	2019 Year-end Capital Variance Report

Recommendation

That in accordance with report 2020-25, titled 2019 Year-end Capital Variance Report dated May 25, 2020, \$677,000 be transferred from capital account ST0018 Equipment Replacement and Upgrades to ST0014 Digester Structural Repair and Gas Proofing to complete upgrades to Digester 3 at the Guelph Wastewater Treatment Plant.

Executive Summary

Purpose of Report

This report provides a summary of the 2019 capital spending for the year-ended December 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 December 31, 2019, had approved an additional \$8.3 million¹ 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 \$102.2 million; an increase in spending from 2018 by \$2.2 million.

¹ At the time of the 2019 Second Tri-annual Capital Variance Report (CS-2019-26) dated November 4, 2019 the amount of additional approved was \$19.4 million. This has been reduced primarily by the change in reporting of Smart Cities from the capital budget to the operating budget. This accounts for \$10 million of additional funding as previously reported.

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

Details are provided in Attachment-2.

Capital variance	Tri-annual 3 (T3) December 31	Tri-annual 2 (T2) August 31	Tri-annual 1 (T1) April 30
2018 carry-over budget	165,260	165,260	165,260
2019 capital budget, approved	87,370	87,370	87,370
2019 additional approved funding	8,301	19,365	2,052
Available capital funding for 2019	260,931	271,995	254,682
2019 capital spending	102,239	55,402	19,303
Open purchase orders (PO)	43,336	59,018	56,881
Projects closed	1,381	0	0
Total spending and commitments	146,956	114,420	76,184
Uncommitted approved budget	113,975	157,575	178,498

Financial Implications

Substantial capital work has been completed in 2019 with \$102.2 million spent. The 2019 uncommitted carry-over budget into 2020 is \$114.0 million and will be spent in future years as on-going multi-year projects continue to progress. Work will continue corporately to focus on maintaining momentum in our capital programs and draw down the uncommitted approved budget.

Report

Staff is reporting on a tri-annual basis to ensure timely, transparent and meaningful reporting. This report provides a summary of the annual capital spending as of December 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 \$8.3 million have been made since that time; details are provided in Attachment-1.

This provides for a total available budget in 2019 of \$260.9 million.

The total year-to-date (YTD) capital spending is \$102.2 million, which is \$2.2 million more than 2018.

Outstanding purchase order (PO) commitments total \$43.3 million as of December 31, which is \$3.8 million less than December 31, 2018. See Attachment-2 for a summary of 2019 capital activity.

Throughout the year staff have the flexibility to reallocate budget between capital projects with approval from a combination of their General Manager and Deputy Chief Administrative Officer as well as the City's Chief Financial Officer and Manager of Financial Strategy depending on overall value. This allows for the management of overages within the approved budget envelope. It is typical for surpluses of completed projects to be reallocated to mitigate overages on on-going projects. In 2019 a total of 24 capital project accounts were closed out. After any budget reallocations, total surplus funds returned to their original source amounted to \$1.4 million, see Attachment-3 for details.

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.

Each Program provides a summary of available funding, spending YTD and outstanding PO commitments in the purchasing system. A summary of key projects, and any significant differences from the approved capital budget are included.

For further information on the City's current Tier-1 projects please visit the [City's City projects webpage](#).

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	3,839	3,839	3,839
2019 capital budget, approved	3,325	3,325	3,325
2019 additional approved funding	0	0	0
Available capital funding for 2019	7,164	7,164	7,164
2019 capital spending	1,990	930	289
Open POs	1,207	1,513	1,528
Projects closed	0	0	0
Total spending and commitments	3,197	2,443	1,817
Uncommitted approved budget	3,967	4,721	5,347

The removal of the existing fueling system at 45 Municipal Street is progressing with environmental work completed in 2019. Outstanding work to be completed in 2020 include a risk management plan for the purpose of source water protection, environmental condition of site and Environmental Condition Assessment (ECA) compliance documentation.

Monitoring and remediation continues at 200 Beverley Street, in preparation for a Record of Site Condition (RSC). Staff are working to fulfil the MECP requirements. It is anticipated that a RSC this will be filed and acknowledged by MECP by the end of 2021, at which point the project would be deemed complete from an Environmental Engineering perspective

Preparation of the Baker Street site for redevelopment is underway. Anticipated completion of environmental, hydrogeological and geotechnical work is T3 of 2020. The City is in the process of expropriating two other properties which will also require environmental, archeological and geotechnical investigation and risk assessments for which the timing is undetermined at this time.

Delays on work at Goldie Mill Park are being resolved through Legal, Realty and Court Services. This project is being managed jointly through Environmental Engineering and Facilities and Energy Management due to rehabilitation work on the ruins. Budget overages as a result of the delays have been managed through reallocations of the existing approved capital budget.

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	15,813	15,813	15,813
2019 capital budget, approved	8,361	8,361	8,361
2019 additional approved funding	4,808 ²	15,227	(763)
Available capital funding for 2019	28,982	39,401	23,411
2019 capital spending	11,675	4,673	1,856
Open POs	6,699	10,150	4,462
Closed projects	0	0	0
Total spending and commitments	18,374	14,823	6,318

² At the time of the 2019 Second Tri-annual Capital Variance Report (CS-2019-26) dated November 4, 2019 the amount of additional approved was \$19.4 million. This has been reduced primarily by the change in reporting of Smart Cities from the capital budget to the operating budget. This accounts for \$10 million of additional funding as previously reported.

Capital variance	Tri-annual 3	Tri-annual 2	Tri-annual 1
Uncommitted approved budget	10,608	24,578	17,093

In 2018, the Municipal Innovation Exchange (MIX) was 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. As part of the extension the project was re-scoped at an overall budget reduction of \$0.7 million.

The City's fleet replacement program saw significantly increased spending in T3 as POs from T2 were fulfilled. Total YTD spending is \$2,233 with issued PO commitments of another \$2,642. 2019 replacements now in service include two ice resurfacers, vector truck, lift platform and replacements of other vehicles and equipment to support Public Works, Parks and Forestry operations.

Spending on corporate information technology projects in 2019 is \$1,561 which is primarily lifecycle replacement of desktops, network, server, and software systems. Further, planning and sourcing of a new Corporate Maintenance Management System is underway, with implementation to begin in 2020.

Corporate energy projects completed in 2019 included Victoria Road Recreation Centre cold water ice flooding, West End Community Centre pool drain heat recovery and LED retrofits at City Hall, Scottsdale Drive and Bullfrog Mall library branches. Energy incentives and rebates received in 2019 totaled nearly \$175 which allowed these collective projects to come in under budget. Surplus funds will be transferred to the 100% Renewable Energy (100RE) Reserve Fund for use on future initiatives to meet the City's 100RE goal.

Significant planning work continues related to Clair-Maltby Secondary Plan with the draft Secondary Plan to be released in T2 of 2020 and completion anticipated in 2021.

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	8,660	8,660	8,660
2019 capital budget, approved	4,926	4,926	4,926
2019 additional approved funding	238	178	0
Available capital funding for 2019	13,824	13,764	13,586
2019 capital spending	8,858	5,257	1,936

Capital variance	Tri-annual 3	Tri-annual 2	Tri-annual 1
Open POs	1,516	4,024	4,107
Closed projects	0	0	0
Total spending and commitments	10,374	9,281	6,043
Uncommitted approved budget	3,450	4,483	7,543

In 2019, the Guelph Police Services (GPS) Headquarter renovation expenses are \$5,414 YTD. Additional information is available through the [City's Tier-1 process webpage](#).

Additional GPS project spending totalled \$1,323 for 2019. This spending was focused on Information Technology (IT) infrastructure upgrades and vehicle and equipment replacement. Funds carried over to 2020 will continue to be utilized for asset lifecycle replacement, to support the needs of the newly renovated headquarters with furniture and technology solutions as well as supporting the move to next generation 911 technology. These projects allow officers to have critical information and tools available when needed.

Paramedic Services 2019 spending on vehicles and replacements totalled \$1,498 which includes two new expansion ambulances and four replacement ambulances. Spending on facilities renewal includes the installation of sanitary sewer service to Delhi Street Station.

Fire Services 2019 spending is \$623 with replacements of light duty vehicles, station and other equipment, outfitting of fire service vehicles and facility renewal.

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	13,309	13,309	13,309
2019 capital budget, approved	7,916	7,916	7,916
2019 additional approved funding	420	332	82
Available capital funding for 2019	21,645	21,557	21,307
2019 capital spending	9,055	4,154	1,417
Open POs	2,493	5,421	3,707
Closed projects	0	0	0

Capital variance	Tri-annual 3	Tri-annual 2	Tri-annual 1
Total spending and commitments	11,548	9,575	5,124
Uncommitted approved budget	10,097	11,982	16,183

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 is complete at Cedarvale Avenue Park with the site now open to the public. Work on the construction of new amenities at Eastview Community Park in 2019 saw the installation of new soccer fields and playground. At Norm Jary Park, splash pad lifecycle repair has been completed. Playground equipment replacement undertaken in 2019 was \$943. The investment into the on-going lifecycle program ensures that children are able to benefit from continued access to safe playground equipment. In 2019 the following parks saw replacements: Burns Drive Park, Grange Road Park, St. George's Park, Suffolk Street park and Royal City Park (North).

Parks facilities renewal of \$937 includes renovations to washroom facilities at Riverside Park and Margaret Greene Park to replace aged infrastructure and make accessibility-related improvements. Recreation facilities renewal saw another \$631 spent in 2019 which included replacement of a condenser at the West End Arena, the replacement of the Evergreen Senior Centre's parking lot, installation of a new heating system for the spectator area at Centennial Arena and other additional works at various recreation facilities throughout the City.

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	5,948	5,948	5,948
2019 capital budget, approved	3,107	3,107	3,107
2019 additional approved funding	(13)	(13)	0
Available capital funding for 2019	9,042	9,042	9,055
2019 capital spending	1,642	868	694
Open POs	1,231	528	571
Closed projects	19	0	0
Total spending and commitments	2,892	1,396	1,265
Uncommitted approved budget	6,150	7,646	7,790

Spending on equipment and facility lifecycle of \$390 included supply of resident collection bins, LED lighting upgrades, overhead door replacement and replacement of screens for processing of recycling at the Materials Recovery Facility (MRF).

Work on the Solid Waste Master Plan (SWMP) will continue into 2020. The SWMP will provide strategic direction for the service for the next 25 years and will inform future capital and operating plans.

Additional capital works at the MRF have been temporarily paused, except to keep the MRF running for at least the next three years, due to pending legislation until further information becomes available.

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	10,160	10,160	10,160
2019 capital budget, approved	3,890	3,884	4,684
2019 additional approved funding	1,231	800	0
Available capital funding for 2019	15,281	14,844	14,844
2019 capital spending	6,036	1,933	609
Open POs	2,377	4,069	3,446
Closed projects	15	0	0
Total spending and commitments	8,428	6,002	4,055
Uncommitted approved budget	6,853	8,842	10,789

The construction of the snow disposal facility located west of the Wastewater Treatment Plant has been completed. Built from recycled concrete and asphalt this 18,600 square metre facility will provide an environmentally-friendly solution for the storage and eventual melt of snow collected throughout the City.

Stormwater pond rehabilitation work is an ongoing initiative to maintain stormwater management facilities by removing sediment and making minor structural repairs to help limit flood risk. Significant work was completed in 2019 utilizing funding from the Federal and Provincial governments to complete work through the Clean Water and Wastewater Fund program.

The 2019 Stormwater Management Master Plan (SWMMP) is underway with anticipated completion in T1 of 2021. 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. The SWMMP will identify the needs of the stormwater system and will inform future funding requirements to meet those needs.

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	39,741	39,741	39,741
2019 capital budget, approved	13,989	14,502	14,502
2019 additional approved funding	(8,626)	3,902	2,734
Available capital funding for 2019	45,104	58,145	56,977
2019 capital spending	28,190	17,077	8,105
Open POs	8,333	15,156	18,130
Closed Projects	25	0	0
Total spending and commitments	36,548	32,233	26,235
Uncommitted approved budget	8,556	25,912	30,742

Total 2019 spending of \$28,190 was mainly due to projects related to road reconstruction, right-of-way and related linear upgrades as well as other large scale projects. 2019 saw significant work completed on several major transportation projects: Market Parkade; Norfolk Street Pedestrian Bridge; final phase of Wilson St: Gordon to Macdonnell and Niska Road: City boundary to Downey Road.

City-wide installation of LED street lighting fixtures and network controls began 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.

Significant work on Transit's farebox project was completed in 2019 and saw the introduction of the OnYourWay fare card in early 2020. This project included the installation of new fare boxes on all of the City's buses to support use of the new card and integration of the system within the City's software systems. Additional work will continue through 2020 with the majority of the budgeted funds spent by the end of 2020.

As part of the 2020 capital budget process several projects were re-categorized between Transportation Services, Wastewater Services and Water Services to better align with each project's primary funding source. This resulted in an overall

decrease in the Transportation Services program of work as seen in the above table, and an offsetting increase in the Wastewater and Water Services programs.

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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	28,617	28,617	28,617
2019 capital budget, approved	14,528	13,704	13,104
2019 additional approved funding	2,418	(950)	0
Available capital funding for 2019	45,563	41,371	41,721
2019 capital spending	13,555	6,479	803
Open POs	8,069	7,485	7,491
Closed projects	1,248	0	0
Total spending and commitments	22,872	13,964	8,294
Uncommitted approved budget	22,691	27,407	33,427

Total spending of \$13,555 is made up of work at the Wastewater Treatment Plant and the renewal and expansion of linear infrastructure.

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. All underground work (including watermain and sewer) in Phase 2B is complete with final road reconstruction and landscaping works to be completed in T2 of 2020. Phase 2 which is from Ontario to Stevenson is expected to move forward with construction in T2 of 2020 with anticipated completion by 2021. Phase 3 from York to Victoria is currently in the design stage.

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, however, it has been identified that there will be a budget deficit on this project. It is recommended that \$677 be reallocated from ST0018 Equipment Replacement and Upgrades to ST0014 Digester Structural Repair and Gas Proofing to provide the necessary funds for completion of Digester 3. After work on Digester 3 is completed the digester cleaning program will commence at Digester 4 as only one digester in the system can be offline at a time.

The cleaning program will include the removal and disposal of all contents and the cleaning of the interior piping and equipment. Once cleaning of Digester 4 is complete, refurbishment work can proceed on Digester 4.

Consultation with the MECP is in the final stages 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.

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) will begin in 2020. 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 3	Tri-annual 2	Tri-annual 1
2018 carry-over budget	39,173	39,173	39,173
2019 capital budget, approved	27,328	27,645	27,445
2019 additional approved funding	7,826	(111)	0
Available capital funding for 2019	74,327	66,707	66,618
2019 capital spending	21,239	14,032	3,595
Open POs	11,411	10,672	13,438
Closed Projects	72	0	0
Total spending and commitments	32,722	24,704	17,033
Uncommitted approved budget	41,605	42,003	49,585

Total spending of \$21,239 is made up of plant, equipment and supply related works as well as linear renewal and expansion of the water distribution network.

Construction continued through the year on the Paisley feeder main to the west portion of the city; Phase 1 and 2 were substantially completed in 2019. This multi-year project will provide the west side of the City with required redundant water supply and growth capacity.

Design work on the FM Woods Water Treatment Plant upgrade began in 2019. 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 was awarded in January of 2020.

Significant work was completed related to the meter replacement program in 2019. This is a multi-year program to replace residential meters outside of their asset lifecycle. This will address the degradation of meter accuracy and risk of failure of meter components. New meters will allow for the City to have increased accuracy on utility billings resulting in the City's ability to collect the correct revenue.

Design of the expansion of the Membro Well facility continues into 2020. This multi-year project will result in the replacement well becoming operational and supports growth as outlined in the Water Supply Master Plan. It is anticipated that the award of the construction contract will be made in T3 of 2020.

As part of the new water supply program, development studies have been initiated at two locations, Guelph South Well (Puslinch Township) and Logan Well (located in the City's Northwest) in 2019. Additionally, detailed design of a water treatment facility at Clythe well was initiated in T3 of 2019 with construction anticipated in 2021.

Work on the 2019 Water Supply Master Plan Update began in 2019 with anticipated completion in T3 of 2020. 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 in 2019 with \$102.2 million of spending. The 2019 carry-over budget into 2020 is \$157.3 million (before commitments) and will be spent in future years as on-going multi-year projects continue to progress. Work will continue corporately to focus on maintaining momentum in our capital programs and draw down the uncommitted approved budget.

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

Consultations

Corporate Management Team

Strategic Plan Alignment

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

Attachments

Attachment-1 2019 Additional Approved Capital Funding

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

Attachment-3 2019 Closed Capital Projects

Departmental Approval

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