

REPORT
Office of the Chief Administrative Officer
And
Finance Department

To: Mayor Cote and Members of Council,
Closed Council Meeting

Date: June 13, 2022

From: Lisa Spitale
Chief Administrative Officer

File:

Harji Varn
CFO/Director of Finance

Item #: 2022-412

Subject: Q1 2022 Capital Budget Adjustments

RECOMMENDATION

THAT Council approves the 2022 Quarter 1 capital budget adjustments as outlined in Attachment 1 of this report.

PURPOSE

To seek Council's approval of the proposed 2022 Quarter 1 Capital Budget Adjustments & Revised 2022 Capital Budget: (1) Adjust the underestimated 2022 Carryover Spending by \$4.8M; (2) Adjust for net budget increases of \$13.8M; and (3) Approve the proposed revised 2022 Multi-Year Capital Budget of \$189.4M.

BACKGROUND

The 2022 Budget and Five Year Financial Plan were approved in February, 2022. This plan was guided by the Financial Sustainability Principles that align with the City's core values when building a vibrant, compassionate City that includes everyone and ensures the City's budget is sustainable, adaptable, stable and accountable.

The **Capital Budget of \$170.7M** was presented by Strategic Priority which reinforced the alignment of spending to Council's priorities. The **Operating Expenditure Budget of \$216.0M** was prepared and presented by each Department Head focused on 2021 highlights and achievements and 2022 initiatives which demonstrated commitment to transparency of our services.

As indicated in previous Council reports, as part of the City's commitment to flexibility and transparency, the Finance Department will report back to Council on a quarterly basis and seek Council approval for any adjustments where budgets would need to be reset or varied from the original budget targets throughout the year.

The annual budget draws from an existing Five Year Financial Plan and is established in advance of the year of delivery with Council approval specific to annual property and utility rates (the funding sources).

A quarterly monitoring and reporting process is recognized as a best practice and acknowledges that change happens over the course of any given fiscal year. Accordingly, this approach allows for:

- Reporting out on the quarter results so Council is well informed on accomplishments or project deferrals due to economic or internal factors;
- Consultation on needed changes to the 2022 Approved Budget which therefore incorporates Council's feedback on project adjustments or new projects on a timely basis; and
- Increases transparency and robust financial oversight which supports a more seamless transition into the next annual budget setting exercise and Five Year Financial Plan update.

ANALYSIS

Capital projects and program spending can span over multiple years and therefore budgets can be larger than the actual annual spend due to the need to complete the procurement strategy and contract awards ahead of time. As per the Procurement Policy, the City's budgets must be in place before contracts are committed

The 2022 Approved Capital Budget of \$170.7M has ~\$29M spend up to end of May and over \$80M in commitments to span spending over multiple years.

At this time, there are some significant change orders related to the t̄əməsew̄tx^w Aquatic and Community Centre (TACC) and Boundary Pump Station projects; both projects have spent the available project contingencies and it is forecasted that the TACC project will need an additional \$5-8M to complete the project.

Attachment 1 is a detailed list of items by major project or program which staff have brought forward as proposed adjustments to the 2022 Approved Capital Budget.

See **Table 1-1** for a brief summary of the adjustments which bring us to the Proposed Revised 2022 Multi-Year Capital Budget of **\$189.4M**.

Table 1-1

2022 Approved Capital Budget	2021 Unspent Budget Carryforward	2022 Quarterly Adjustment	Proposed - Revised 2022 Multi-Year Capital Budget	Spend to Date (As of May 31, 2022)
\$ 170.7	\$ 4.8	\$ 13.8	\$ 189.4	\$ 29.4

2021 Unspent Budget Carry-forward \$4.8M:

The total 2022 Approved Capital Budget of \$170.7M estimated \$51.0M carryover from 2021 and \$119.7M in new asks. Of the estimated \$51.0M in carryover spending, an additional **\$4.8M** was deferred to 2022, largely due to Water and Sewer Works. This project spending has continued into 2022 and staff are proposing an increase to the 2022 Capital Budget to acknowledge and align with when the work will actually be completed.

2022 Net New Capital Budget Increases \$13.8M:

An additional net **\$13.8M increase** is being proposed for a net increase to the 2022 Capital Budget. The total dollar value of projects requesting an increase is \$14.2M where staff have found offsets in the amount of (\$0.4M). Major project increases as mentioned above include:

- **təməsewtx^w Aquatic and Community Centre (TACC) for \$8M** (including \$3M of construction contingency)
- **Boundary Pump Station projects \$0.7M**
- **Sewer Separation and Rehabilitation, \$4.5M**, increase in budget to support the long lead times and acceleration of construction timelines in high priority aging infrastructure works and sewer separation

Major Projects Highlight and Status update at the end of the first Quarter:

- **\$53.9M təməsewtx^w Aquatic & Community Centre (TACC)** - Current forecast of \$8.0M overspend (including \$3.0M construction contingency) is proposed to be funded by temporarily re-aligning the EV Charging Infrastructure at Civic-Buildings project and the Artificial Turf Field project as the City advances the work on amortizing climate credits. The City will acquire \$93.6M debt authorized by Bylaw No. 8073, 2019 this fall to fund the project. The project is expected to be substantially completed in 2023.

- **\$24.5M Queensborough (QB) Substation** – Project is on track to be completed by end of 2022. Estimated total project cost is around \$25M. The City will acquire \$25M of the \$30M debt authorized by Bylaw No. 8041, 2018 this fall to fund the project.
- **\$10M Advance Metering Infrastructure (AMI)** – Meter negotiations are underway and a detailed project and resource plan will be established once the contract details are completed. Target date for contract award is July 2022.
- **\$5.9M Boundary Pump Station** – Construction is well underway; increase in funding of \$0.75M is proposed to come from the Sewer Fund Provisions Reserve for unforeseen soil conditions and supply of utility services. The project is expected to be completed by end of 2022.
- **\$5.5M Water Main Replacement** - Working with Engineering to co-ordinate with Sewer projects over the next 5 years.
- **\$4.1M Massey Theatre** – The project manager has been selected. Staff is currently reviewing the work schedule. Timing of budget spend will be better understood at Q2.
- **\$4.0M Sewer Separation** – Working with Engineering to co-ordinate with Sewer and other city-wide projects over the next 5 years. The proposed revised multi-year budget is now \$8.75M.
- **\$3.5M Agnes Street Greenway Construction** – Project has been tendered and is nearing contract award.
- **\$2.8M Electrical New Services** - Suppliers have been prequalified to provide services as and when required.
- **\$2.5M McInnis Overpass** - Projecting spend of \$250K for design work in 2022. Construction to start in 2023.
- **\$2.0M Sapperton District Energy** – Consultant's finance model was reviewed. Project is not feasible without additional grant or developer funding. Further detailed due diligence underway.

INTERDEPARTMENTAL LIAISON

SMT has collaborated in this report.

OPTIONS

There are two options for Council's consideration:

Option 1: THAT Council approves the 2022 Quarter 1 capital budget adjustments as outlined in Attachment 1 of this report; or

Option 2: Council provides staff with further direction.

Option 1 is recommended.

ATTACHMENTS

Attachment 1 – 2022 Q1 Capital Budget Adjustments

APPROVALS

This report was prepared by:
Gary So, Senior Financial Services Analyst

This report was approved by:

Harji Varn
CFO/Director of Finance

Lisa Spitale
Chief Administrative Officer