



TO: GENERAL COMMITTEE

SUBJECT: CAPITAL PROJECT STATUS REPORT

WARD: ALL

PREPARED BY AND KEY CONTACTS: T. GAVRILOVA, SUPERVISOR OF BUDGET
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SUBMITTED BY: C. MILLAR, DIRECTOR OF FINANCE

GENERAL MANAGER APPROVAL: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES
A. MILLER, RPP, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. The staff be authorized to close completed and cancelled projects as described in Appendix “A-1” (City Build Capital Project Status).
2. That staff be authorized to undertake the new capital projects as identified in Appendix “B-1” (New Capital Projects) and add the funding commitments in the amount of \$165,000 as described in Appendix “B-2” (Summary of New Capital Projects Funding).
3. That staff be authorized to release funding commitments in the amount of \$20,917,269 and adjust funding plans as described in Appendix “C-1” (Projects with Excess Committed Funding) and Appendix “C-2” (Summary of Excess Committed Funding Adjustments).
4. That staff be authorized to increase funding commitments in the amount of \$5,161,898 and adjust funding plans as described in Appendix “D-1” (Projects Requiring Additional Funding) and Appendix “D-2” (Summary of Additional Funding Adjustments).
5. That staff be authorized to reallocate funding commitments among project phases resulting in net budget release in the amount of \$4,080,507 and adjust funding plans as described in Appendix “E-1” (Projects Reallocating Budget Among Phases) and Appendix “E-2” (Summary of Funding Adjustments for Phase Reallocation).

PURPOSE & BACKGROUND

6. The purpose of this report is to describe the status of the City of Barrie’s Capital Plan as required by the City’s Capital Project Financial Control Policy.
7. Project managers are responsible for ensuring each capital project assigned to them adheres to schedule requirements and financial policies throughout the year.
8. This report provides an update on the progress and performance of the Corporation’s Capital Plan.

Capital Project Financial Control Policy

9. A key element of the Capital Project Financial Control Policy is the requirement for a semi-annual Capital Status Report which includes:
 - a) The status of all approved Capital Projects (i.e. not started, design phase, underway, substantially complete, or other);
 - b) Capital Projects to be closed with related recommendations for treatment of project savings and over expenditures which exceed the materiality threshold of the lesser of 10% of the Project Capital Budget or \$500,000;
 - c) Recommendations for the deferral or closure of capital projects to either fund new projects, or over expenditures on other projects;
 - d) Recommendations for financing adjustments when requirements for any anticipated over expenditures exceed the materiality threshold of the lesser of 10% of the Capital Budget or \$500,000; and,
 - e) Recommendations to address substantive changes in the nature or scope of an approved capital project.
10. Any over expenditures below the materiality threshold can be addressed by the Department Head, subject to review by the Director of Finance or delegate, through the use of holding accounts established for each fund (i.e. tax rate, water rate, wastewater rate, and parking rate).
11. The status of the City’s capital projects is being presented as of March 31, 2021.

ANALYSIS

Capital Project Status – Appendices “A-1” and “A-2”

12. Appendix “A-1” (City Build Capital Project Status) of the Capital Project Status Report provides a listing of all City-build active approved projects in the City’s Capital Budget by status.
13. \$353.9M in capital spending is approved in the 2021 Capital Plan. Of this amount, \$140M (40%) is forecast to be spent in 2021 with the remaining balance to be spend in 2022 and 2023.
14. The total additional funding required is \$5.5M, while the total funding commitment being released is \$25.0M, which amounts to a net \$19.5M decrease to the overall Capital Budget. The funds being released are mainly due to completed design phases and completed projects including ones where the full contingency amounts were not required and/or better tender prices were achieved. It is expected most of the net decrease is temporary and will be offset by inflationary cost pressures and project additions that will be included as part of the proposed 2022 Capital Plan.

Staff Report Appendix	Pending Adjustment
Appendix B-1 - New Capital Project	\$ 165,000
Appendix C-1 - Projects with Excess Committed Funding	\$ (20,917,269)
Appendix D-1 - Projects Requiring Additional Funding (Council Approval Required)	\$ 5,121,898
Appendix E-1 - Projects Reallocating Budget within Project Phases (Council Approval Required)	\$ (4,080,507)
Appendix F1 - Projects Requiring Additional Funding - Delegated Authority	\$ 240,035
Total Capital Budget Request	\$ (19,470,843)

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15. Appendix "A-2" (Developer Build Capital Project Status) of the Capital Project Status Report provides a listing of all Developer-build approved projects. In 2014, a Memorandum of Understanding (MOU) was executed by the City and the Landowners Groups for the Salem and Hewitt's Secondary Plan Areas. The MOU provided the City with some tools to assist in financing the infrastructure required to service these areas, including the ability for developers to construct certain projects in exchange for development charge (DC) credits. Several of these developer-build projects have been included in the approved capital plan and are either underway or set to start in the near future. As identified in appendix "A-2", \$58.8M in capital spending is approved in the 2021 Capital Plan. Of this amount, \$15.2M is forecast to be spent in 2021.
16. Staff are currently reviewing the approach of using developers to build growth projects. While developer build projects have provided some benefits, such projects are not without their challenges and risk.

Other Priority Projects – Appendices "B-1" and "B-2"

17. It is recommended that the following project be added to the Capital Budget and funded as outlined in Appendix "B":

- a. Unsafe septic system located at 41 Maclaren**
Approved Budget: \$0

Additional Funding Required: \$40,000 (Wastewater Capital Reserve)

The Building Department has a need for capital funding to assist in enforcing provisions of the Building Code Act. Under section 15.9(6)(b) of the Act, where an unsafe condition exists within a building and the owner has failed to remedy the unsafe condition, the Chief Building Official may cause the building to be renovated to remove the unsafe condition for the protection of the public. The Building Code Act further requires the municipality shall have a priority lien status on the land as described in section 1 of the Municipal Act, for the amount spent on the repairs, if the property owner does not reimburse the City.

A capital project funding amount of \$40,000.00 is being requested for an unsafe septic system located at 41 Maclaren. The owner is unable to repair the system and has been pumping out the septic tank on an interim basis. This condition has existed for 2 years and they can no longer continue to pump the tank which is done monthly. This funding is required to enforce the City's obligations under the Building Code Act and protect the public.

- b. Little Lake Parkland Improvements**
Approved Budget: \$0

Additional Funding Required: \$125,000 (Cash-In-Lieu Parkland Reserve)

The project and funding are associated with the private development of the property at 10 Little Lake Drive. As per the Site Plan Agreement, the developer will transfer ownership of the waterfront lands to the City and at their expense will restore the dedicated lands to a natural condition. As part of the scope of works, the developer will construct a parking lot, trail head, granular trail, and water access providing waterfront access to Barrie residents to Little Lake. The requested funding is to offset the developer's cost to construct the required waterfront landscape/access elements that are consistent with the Council approved Little Lake Master Plan.

Projects with Excess Funding – Appendices “C-1” and “C-2”

18. Appendix “C-1” identifies capital projects by status that are either completed and have excess funds or are still underway but excess funds have been identified based on tender results. All completed projects will be closed.
19. Over the last two budget cycles, staff have developed costing processes to improve estimates for capital budgets. It is expected these improvements will result in more accurate budget to actual results.
20. Generally, excess funds are the result of several factors. The common reasons include:
 - a) Releasing previously approved Capital Budgets to reflect updated timing of infrastructure projects;
 - b) Economies of scale and competitive bid process;
 - c) Better than expected market conditions. These are very hard to predict at the capital planning stage, well in advance of the actual tendering and construction. The market conditions can fluctuate a number of times throughout the year, and can be affected by what other municipalities are doing, or not doing;
 - d) The City includes contingencies in contracts, which in some cases are not utilized. The contingencies are required because of project risks, such as unknown underground installations or soil conditions that cannot be determined prior to construction; and
 - e) Projects are cancelled.
21. The total excess funding released represents \$20.9M on 29 active and 34 complete or cancelled projects with details provided on Appendix “C-1”.

Status	Pending Adjustment
Cancelled	\$ (335,064)
Completed	\$ (1,730,050)
Not Started	\$ (4,854,099)
Design Phase	\$ (7,472,879)
Construction	\$ (2,638,130)
Underway	\$ (1,428,706)
Substantially Complete	\$ (2,458,341)
Total Excess Funding	\$ (20,917,269)

Projects Requiring Additional Council Approved Funding – Appendices “D-1” and “D-2”

22. Appendix “D-1” identifies capital projects by status that exceed their materiality threshold (the lesser of 10% of the project budget or \$500,000) or where there are insufficient funds available in the holding accounts. In these instances, Council approval is required for additional funding. The projects are either those that are still active and require additional funds in order to complete or projects that have been completed but require additional funding in order to close them. Staff have provided detailed comments/explanations in the appendix for each project where an over expenditure occurred.

23. The total anticipated over expenditure represents \$5.1M with the explanations for the requested additional funding described on Appendix “D-1”.

Projects Reallocating Budget Amounts Among Phases – Appendices “E-1” and “E-2”

24. Appendix “E-1” identifies budget adjustments within the approved phases or asset components in each project. The reallocation of funds is based on the actual costs for completed phases, updated estimates for phases in progress, or new phase or asset segment requests. The budget distribution changes within the project phases and/or components may result in a net overall project budget increase, decrease, or no budget change in each project. This budget reallocation ensures that each asset component is sufficiently funded from its respective funding source. It is normally the City’s policy to return or request funds based on the phase and/or asset within a project. However due to the volume of budget changes by phase and/or asset within individual projects on this report it is more direct to show these adjustments consolidated on a single appendix. Staff have provided reasoning for net project adjustments that resulted in additional cost requests as described on Appendix “E-1”.
25. The overall net result of the budget reallocation among project phases and asset classes amounts to \$4.1M excess funding as described on Appendix “E-1”.

Projects Requiring Additional Funding (Delegated Authority) – Appendix “F”

26. Appendix “F” includes capital projects that have been overspent but are within the materiality threshold established in the Capital Project Financial Control Policy. As per the Capital Project Financial Control Policy, Department Heads, subject to the review by the Director of Finance or delegate, have delegated authority to transfer the required funds from the appropriate holding accounts established for this purpose. This information is being provided for information purposes only.

Holding Accounts:

27. As per the Capital Project Financial Control Policy, holding accounts are to be established for the following program areas with balances not to exceed the following:

a.	Tax Rate Holding Account	\$3,000,000
b.	Water Rate Holding Account	\$1,000,000
c.	Wastewater Rate Holding Account	\$1,000,000
d.	Parking Rate Holding Account	\$ 100,000

The purpose of these holding accounts is to provide Department Heads, subject to the review by the Director of Finance or delegate, with some flexibility to authorize adjustments to a Capital Project Budget in an amount not to exceed a Council approved materiality threshold. This facilitates effective project management and reduces the need for Council to become engaged in routine project administration matters that not only consumes valuable time at Council meetings, but also risks slowing the project down and generating increased costs due to delay claims, price escalations or other factors.

28. The following table indicates the status of the holding accounts as of October 31, 2020. With the adjustments proposed in this report, the balance in the holding accounts will be available in order to deal with future financing needs. The following chart depicts the impact on the holding accounts as a result of the transactions in appendices:

Holding Accounts	Tax Rate	Water Rate	Wastewater Rate	Parking Rate
Opening Balance	\$ 2,934,376	\$ 1,040,481	\$ 1,029,323	\$ 19,238
Transfers In	\$ 51,415	\$ -	\$ -	\$ -
Transfers Out	\$ (156,136)	\$ (1,741)	\$ (1,086)	\$ -
Closing Balance	\$ 2,829,655	\$ 1,038,740	\$ 1,028,237	\$ 19,238

29. The table below presents the net impact of the budget adjustments proposed in this report by reserve and funding source, as a result of the transactions in the appendices:

Funding Source	Returned Funding	New Funding Request	Net CSR Impact
Development Charges	\$ 11,661,380	\$ (235,848)	\$ 11,425,533
Developer FE Annex	\$ 4,373,971	\$ (742,194)	\$ 3,631,777
Wastewater Rate Reserve	\$ 2,222,438	\$ (42,077)	\$ 2,180,361
Debentures	\$ 1,713,353	\$ -	\$ 1,713,353
Tax Capital Reserve	\$ 4,374,541	\$ (3,615,022)	\$ 759,519
Ontario Grant Rev	\$ 688,500	\$ (2,500)	\$ 686,000
Developer Contributions	\$ 417,721	\$ -	\$ 417,721
Landfill Closure Reserve	\$ 358,609	\$ -	\$ 358,609
Tax Rate Stabilization	\$ 293,909	\$ -	\$ 293,909
Municipal Grant	\$ 224,837	\$ -	\$ 224,837
Recovery from Enforcement	\$ 130,500		\$ 130,500
Strategic Priorities Reserve	\$ 31,945	\$ -	\$ 31,945
Wastewater Rate Stabilization	\$ 4,414	\$ -	\$ 4,414
Reinvestment Reserve	\$ 1,957	\$ -	\$ 1,957
PGT Reserve	\$ 271	\$ -	\$ 271
Tourism Reserve	\$ -	\$ (603)	\$ (603)
Wastewater Holding Account	\$ -	\$ (1,086)	\$ (1,086)
Water Holding Account	\$ -	\$ (1,741)	\$ (1,741)
Tax Holding Account	\$ 51,415	\$ (156,136)	\$ (104,721)
CIL Park	\$ -	\$ (175,000)	\$ (175,000)
FGT Reserve	\$ 118,500	\$ (602,550)	\$ (484,050)
Water Rate Reserve	\$ 775,596	\$ (2,398,258)	\$ (1,622,661)
Grand Total	\$ 27,443,857	\$ (7,973,014)	\$ 19,470,843

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

30. There are no environmental or climate change impact matters directly related to the recommendation.

ALTERNATIVES

31. There is one alternative available for consideration by General Committee:

Alternative #1

General Committee could choose alternative financing plans to fund the over expenditures such as increasing debt financing.

This alternative is not recommended as overall funding of the Capital plan will be considered as part of the 2022 Business Plan and Budget process.

FINANCIAL

32. The financial impacts are identified in the analysis section of the report.

LINKAGE TO 2018-2022 STRATEGIC PLAN

33. The recommendation(s) included in this Staff Report support the following goals identified in the 2018-2022 Strategic Plan:

- Fostering a Safe and Healthy City
- Offering Innovation and Citizen Driven Services
- Improving the Ability to Get Around Barrie

34. The Capital Project Financial Policy is a key element of the City's Financial Policy Framework. The transparency and accountability that it requires will support Council's Strategic Goals.