

Report from: Financial Management Services, Director

Report Date: May 30, 2022

Meeting Date: June 20, 2022

Report Number: FMS-B013-2022

File: 10.57.10

Subject: Capital Project Report for First Quarter ended March 31, 2022

Recommendation

That the creation of a new Tax Levy Capital Reserve be approved; and

That the \$94,000 favourable variance from completed project P21-080-1 be allocated to the Tax Levy Capital Reserve; and

That staff be delegated authority, similar to the Capital Budget Transfers By-law 2019-163 (Appendix 2 of this report), for in-year transfers from the Tax Levy Capital Reserve to non-water / wastewater linear asset capital projects in order to satisfy identified budget shortfalls, as follows:

- That the Director of the applicable department and the City Treasurer be delegated the authority to transfer funds from Tax Levy Capital Reserve, for a total amount not exceeding \$100,000; and
- That the Chief Administrative Officer (CAO) be delegated the authority to transfer funds from Tax Levy Capital Reserve to a maximum amount of \$250,000; and

That all in-year usage of and contribution to the Tax Levy Capital Reserve be reported to Budget Standing Committee (BSC) and Council with the quarterly capital project reports; and

Further, that Acting City Solicitor be directed to prepare the necessary bylaw.

Summary

This report provides the list of projects greater than \$100,000 substantially completed for the first quarter (Q1) ended March 31, 2022. It also discusses the creation of a new Tax Capital Reserve to preserve unrequired tax support funding from completed linear assets capital projects that are non-water / wastewater projects (e.g., roads, sidewalks, bridges and major culverts).

Background

At the February 29, 2016 Council meeting, Council approved the following motion:

“That staff report quarterly to Council on all completed infrastructure projects detailing budgeted costs, amounts the contract was awarded for, and the final project costs that are over \$100,000 in awarded costs.”

The report on completed capital projects over \$100,000 will come forward to the BSC on a quarterly basis.

Report

The purpose of this report is to provide information to the BSC and to Council about the capital projects over \$100,000 that have been completed in the first quarter of 2022. Capital projects are established for capital expenditures related to the renewal and replacement of the City's linear and non-linear assets. These projects are funded by debentures, operating fund contributions, water and wastewater contributions, infrastructure levy, grants, reserves, and donations. Staff rely upon, market trends, industry, past experience, various studies, and professional judgement to determine project budgets.

Where project costs exceed approved budget amounts, in accordance with the Delegation By-law 2019-163, authorized senior management can approve the transfer of additional budget from capital projects addressing similar needs. Alternatively, Council approval is requested for additional funding via a report that explains budget overage and a source for additional funding.

The details of the five capital projects completed during the first three months of 2022 are included as Appendix 1. All projects excepting two were completed within the approved budgets. Additional budget transfers were approved through delegated authority for Project P17-148 (Robertson School – Annex Rehabilitation Project) and P20-165 (Ontario Street Parking Garage – Structural Repairs Project).

When capital projects costs are lower than the approved budget:

- Funding requirements may be reduced, and consistent with the original funding sources, debt or reserve funding may be reduced. For example, the water / wastewater reserve funds will be returned to the applicable reserve. These reserves support the operation of the water and wastewater systems and assist in maintaining reasonable water and wastewater rates.
- Funds may be transferred to another project within the same infrastructure category that has an overage, in compliance with the Delegation By-law 2019-163 or with Council approval.
- If funds were from the operating budget, the funds remain in the operating budget and would be part of the year-end surplus.

Therefore, the completion of these projects under the approved budget amount does not necessarily mean that there are additional funds available.

Staff are monitoring inflationary increases and their impact on capital projects. Typically, capital projects take a few years to complete from the budget / project initiation year. Finance and project management teams have been managing the inflationary impact on capital projects. Due to the recent fast escalating inflation increases, there may be needs to delay or pause some of the capital projects based on good fiscal planning standards. Staff will provide update to BSC and Council through this quarterly report on projects that are required to be delayed or paused.

Tax Levy Capital Reserve

The purpose of this reserve is to provide additional tax support funding for non-water / wastewater linear asset capital projects (e.g., roads, sidewalks, bridges and major culverts).

If a non-water / wastewater linear asset capital project is completed under the budgeted amount, any surplus funding available from the tax support amount should be transferred to the Tax Levy Capital Reserve.

Staff recommend that the respective department directors, the City Treasurer and the CAO be given delegated authority, similar to the Capital Budget Transfers Bylaw 2019-163 (Appendix 2 of this report), for in-year requirements of Tax Levy Capital Reserve to non-water / wastewater linear asset capital projects in order to satisfy identified budget shortfalls,

The proposed targeted reserve balance is set at \$750,000 which is equivalent to fifty percent of the 2022 tax support to capital budget in the amount of \$1,527,400. Staff are recommending the allocation of \$94,000 to the Tax Levy Capital Reserve.

Target Balance	Current Uncommitted Balance	2022 Q1 Surplus Allocation
\$750,000	\$0	\$94,000

Financial Implications

There are no financial considerations associated with the preparation of the quarterly capital project report, other than those discussed within the report and related appendix.

Conclusion

Financial Management Services and Engineering Facilities and Environmental Services staff have worked collaboratively to complete the capital project report for capital projects over \$100,000 for Q1 2022. It is recommended that BSC receive for information purposes the capital project report.

Prepared and Submitted by

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Manager, Budgets and Procurement, Financial Management Services

Approved by

Kristine Douglas

Director, Financial Management Services / City Treasurer

Anthony Martuccio

Director, Engineering, Facilities and Environmental Services

Appendices

1. Completed Projects in excess of \$100,000, for First Quarter ended March 31, 2022
2. Bylaw 2019-163

Completed Capital Projects, Q1, 2022

Project #	Project Name	Asset	Total Project Budget	Budget Transferred-in (Transferred-out) Approved by Delegated Authorities	Final Project Cost	Construction Award	Final Construction Cost	Favourable Variance between Project Budget & Actual	Report Comments
P15-066	MOFFAT STREET	ROADS, SIDEWALKS, SANITARY SEWER AND WATERMAIN	\$ 4,242,187		\$ 3,654,352	\$ 2,911,354	\$ 2,865,214	\$ 587,834	Unrequired road funding will be used for other road projects. Unrequired sanitary sewer funding will remain in the Water/Wastewater Reserve.
P21-080-1	2021 RESURFACING PROGRAM PART 1	ROADS, PARKING LOT, STORM SEWER AND PARK	\$ 2,249,000	\$ (110,000)	\$ 1,956,012	\$ 1,818,884	\$ 1,873,913	\$ 292,988	Increased construction costs for additional work done over the contract amount were approved through change orders accommodated within the approved total budget. Unrequired debenture funding will be reduced. Unrequired tax support and reserve fundings will be transferred back to the applicable reserves (building improvement reserve, infrastructure levy reserve, etc.)
P17-148	ROBERTSON SCHOOL - ANNEX REHABILITATION	BUILDING	\$ 1,316,637	\$ 95,395	\$ 1,316,637	\$ 904,379	\$ 1,182,994	\$ -	Increased construction costs for additional work done over the contract amount were approved through change orders accommodated within the approved total budget.
P21-140	MERRITTON ARENA	BUILDING	\$ 2,278,147		\$ 2,204,842	\$ 1,997,800	\$ 1,993,441	\$ 73,305	Unrequired funding will remain in the Building Reserve.
P20-165	ONTARIO STREET PARKING GARAGE	PARKING GARAGE	\$ 424,068	\$ 124,068	\$ 392,655	\$ 299,600	\$ 328,091	\$ 31,413	Increased construction costs for additional work done over the contract amount were approved through change orders accommodated within the approved total budget. Unrequired funding will remain in the Building Reserve

CITY OF ST. CATHARINESBY-LAW NO. 2019-163

A By-law to amend By-law No. 2004-277 entitled "A By-law to authorize delegation of certain matters to staff."

THE COUNCIL OF THE CORPORATION OF THE CITY OF ST. CATHARINES enacts as follows:

(1) That By-law No. 2004-277, as amended, be and the same is hereby further amended by adding the following section:

Capital Budget Transfers:

- (a) That the Director of the applicable department and the City Treasurer be delegated the authority to transfer capital budget, for a total amount not exceeding \$100,000.00, between previously approved capital projects, in order to satisfy identified budget shortfalls, as long as these capital projects address similar asset needs; and
 - (b) That the Chief Administrative Officer be delegated the authority to transfer capital budget to a maximum amount of \$250,000.00, between previously approved major capital projects, in order to satisfy identified budget shortfalls, as long as these capital projects address similar asset needs.
- (2) The provisions of this By-law come into force and effect when passed.

Read and passed this

10th

day of

June

2019.

CLERK

MAYOR