



## REPORT

---

**TO:** Mayor Lawlor and Members of Council

**FROM:** Amy Prueter, Manager of Budgets and Financial Reporting

**DATE:** August 26, 2024

**REPORT NO.:** CS-2024-026

**SUBJECT:** Capital Budget Status as at June 30, 2024

---

### RECOMMENDATION:

THAT Report No. CS-2024-026 dated August 26, 2024 regarding the Capital Budget Status as at June 30, 2024 be received;

AND FURTHER THAT staff be authorized to change the scope of project 6200-26-2403, Replacement of Culverts 194C and 60C, Eighth Line, which in turn reduces the cost of the project from \$3,118,000 to \$225,000 (a difference of \$2,893,000), and results in the need to change the associated funding sources as outlined in Schedule 2 of this report;

AND FURTHER THAT staff be authorized to transfer the funding difference of \$2,893,000 to the funding sources identified in Schedule 2 of this report, making \$2,500,00 of grant funding available for re-allocation to other projects;

AND FURTHER THAT the funding source changes outlined in Schedule 2 of this report be approved, resulting in the full re-allocation of both the OCIF and CCBF grants (total \$2,500,000) to the capital projects as listed, with a net return to the capital replacement reserve of \$2,893,000.

### KEY POINTS:

The following are key points for consideration with respect to this report:

- As of June 30, 2024, a total of 340 projects are open with a total unspent budget of \$51,734,428.

- 41 capital projects are identified as being complete and will be recommended for closure with the Capital Budget Status as at December 31, 2024 and Closed Capital Projects report at year end.
- The scope of the Replacement of Culverts 194C and 60C, Eighth Line project (6200-26-2403) will be changed, reducing the project cost from \$3,118,000 to \$225,000, resulting in \$2,893,000 of funding being available for reallocation, of which \$2,500,000 is grant funding.

## **BACKGROUND AND DISCUSSION:**

The Town has a comprehensive Capital Budget Governance Policy (CORP-2019-0001) for the management of capital projects. The policy establishes financial controls that maintain public accountability and transparency while allowing flexibility to alter projects as circumstances change.

The Capital Budget Status report provides Council with a status update on open capital projects as of June 30, 2024, including capital projects that have been completed. In addition, this report recommends changes to capital projects to maximize the use of grant funding and provide efficiencies in the management of capital projects.

### **Capital Status – June 30, 2024**

Schedule 1 of this report provides a life-to-date status report of the individual open capital projects. Project Managers have provided comments on the status of capital projects, along with the total funding and expenditures for each project as of June 30, 2024.

Statistics Canada has reported that construction cost increases are beginning to slow down in 2024, with a first-quarter rise of 0.8%. This represents the slowest quarterly growth in non-residential construction since the fourth quarter of 2020. Nevertheless, challenges such as skilled labor shortages, material availability, and the effects of high interest rates continue to influence non-residential construction costs, creating pressure on the Town's capital funding sources to keep up with project cost escalations.

As of June 30, 2024, \$51,734,428 of approved capital budget funding remains unspent with a total of 340 capital projects in open status. Table 1 provides a summary of the total capital funding, expenditures to date and balance remaining by department for projects that were active or completed during 2024.

**Table 1****Life to Date Capital Project Status**

Summary by Department

as at June 30, 2024

| <b>Department</b>             | <b>Opening Balance<br/>At Jan 1, 2024</b> | <b>2024<br/>Expenses</b> | <b>2024<br/>Funding</b> | <b>Balance<br/>Remaining</b> |
|-------------------------------|---|--------------------------|-------------------------|------------------------------|
| Council & Office of the CAO   | (239,818)                                 | 46,872                   | (190,000)               | (382,945)                    |
| Community Services            | (4,735,734)                               | 1,482,273                | (9,922,914)             | (13,176,375)                 |
| Corporate Services            | (2,826,076)                               | 173,706                  | (460,000)               | (3,112,370)                  |
| Library Services              | (107,834)                                 | 283,381                  | (612,590)               | (437,043)                    |
| Fire Services                 | (875,177)                                 | 409,362                  | (1,208,000)             | (1,673,815)                  |
| Transportation & Public Works | (11,851,968)                              | 2,755,380                | (22,698,269)            | (31,794,857)                 |
| Planning & Sustainability     | (189,205)                                 | 107,163                  | (1,074,981)             | (1,157,023)                  |
| <b>Total</b>                  | <b>(20,825,812)</b>                       | <b>5,258,138</b>         | <b>(36,166,754)</b>     | <b>(51,734,428)</b>          |

Note: due to rounding, numbers presented in this table may not add up precisely to the totals provided.

The Replacement of Culverts 194C and 60C, Eighth Line capital project (6200-26-2403) was approved during the 2024 capital budget with a total project budget of \$3,118,000. The project was budgeted to be funded from the Ontario Community Infrastructure Fund (OCIF) (\$2,300,000), Canada Community Building Fund (CCBF \$400,000) and the Capital Replacement Reserve (\$418,000). The scope of this project subsequently changed, from the initial plan to fully replace the culverts, to the alternative of repairing the existing culverts to extend their useful life, which reduced the project cost by \$2,893,000. The eventual replacement of these culverts will be rescheduled to align with the widening of Eighth Line.

Staff recommend that the following funding sources \$2,100,000-OCIF; \$400,000-CCBF; and \$393,000-Capital Replacement Reserve be returned to their original reserve funds. This results in \$2,500,000 of external grant funding being available for use in other eligible capital projects.

Schedule 2 outlines the plan to reallocate the \$2,500,000 of grant funding, to other approved capital projects that were originally funded from Town reserves, resulting in the ability to return \$2,500,000 to reserves. Overall, this project scope change has resulted in a \$2,893,000 increase to Town reserves for use in future capital projects.

## **Closed Capital Projects**

All completed capital projects are managed in accordance with Town policies. As prescribed in the Capital Budget Governance Policy, the Town Treasurer is permitted to authorize additional funding where gross costs for a capital project exceed the original funding approval of the lessor of 10% or \$25,000. Projects requiring additional funding in excess of \$25,000 require Council approval.

Project managers have identified 41 projects in Schedule 1 of this report that have been completed to date. Projects that have been identified as complete will be included in the Capital Budget Status as at December 31, 2024 and Closed Capital Projects report that will be presented to Council as part of the 2024 year end reports. All funding shortfalls and positive funding variances will be dealt with at that time.

## **STRATEGIC PLAN ALIGNMENT:**

This report is administrative in nature and does not have an impact on the Town's Strategic Plan.

## **RELATIONSHIP TO CLIMATE CHANGE:**

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

## **PUBLIC ENGAGEMENT:**

Public Engagement was not needed as this report is administrative in nature.

## **INTERNAL CONSULTATION:**

Finance staff consulted with project managers and department staff for information included in this report.

## **FINANCIAL IMPLICATIONS:**

This report is administrative in nature and does not have any financial implications.

Schedule 1 provides an informational update of the life-to-date spending on open capital projects as at June 30, 2024. Project managers have identified projects that will be brought forward for closure with the Capital Budget Status and Closed Capital Projects report during the 2024 year end reporting process. Funding shortfalls and positive variances will be addressed at that time.

Schedule 2 details the recommended changes in funding resulting from the reduced scope of the Replacement of Culverts 194C and 60C, Eighth Line project. As a result of this change, OCIF and CCBF grant funding can be reallocated to other projects, replacing reserve funding. The net impact of the project budget reduction is \$2,893,000 which can be returned to the Capital Replacement Reserve.

Reviewed and approved by,

Moya Jane Leighton, Director of Finance & Town Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer