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**TO:** GENERAL COMMITTEE

**SUBJECT:** CAPITAL PROJECT STATUS REPORT

**WARD:** ALL

**PREPARED BY AND KEY CONTACTS:** J. KUEHL, MANAGER OF BUSINESS PLANNING & BUDGET  
C. GILLESPIE, SENIOR MANAGER OF INVESTMENT AND CORPORATE FINANCE

**SUBMITTED BY:** C. MILLAR, DIRECTOR OF FINANCE

**GENERAL MANAGER APPROVAL:** D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES  
B. ARANIYASUNDARAN, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT

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

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**RECOMMENDED MOTION**

1. The staff be authorized to close completed and cancelled projects as described in Appendix "A-1" (City Build Capital Project Status) and Appendix "A-2" (Developer Build Capital Project Status) to Staff Report FIN007-22.
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 \$5,924,468 as described in Appendix "B-2" (Summary of New Capital Projects Funding) to Staff Report FIN007-22.
3. That staff be authorized to release funding commitments in the amount of \$41,712,820 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) to Staff Report FIN007-22.
4. That staff be authorized to increase funding commitments in the amount of \$6,240,921 and adjust funding plans as described in Appendix "D-1" (Projects Requiring Additional Funding) and Appendix "D-2" (Summary of Additional Funding Adjustments) to FIN007-22.
5. That staff be authorized to reallocate funding commitments among project phases resulting in net budget release in the amount of \$2,099,808 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) to Staff Report FIN007-22.

**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 23, 2022.

**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. \$402.3M in capital spending is approved in the 2022 Capital Plan. Of this amount, \$179.8M (45%) is forecast to be spent in 2022 with the remaining balance to be spent between 2023 and 2026.

14. The total additional funding required is \$13.2M, while the total funding commitment being released is \$43.8M, which amounts to a net \$30.6M decrease to the overall Capital Budget. The following table summarizes the various returns and requests from the different appendices.

<b>Staff Report Appendix</b>	<b>Pending Adjustment</b>
Appendix B-1 - New Capital Projects	\$ 5,924,468
Appendix C-1 - Projects with Excess Committed Funding	\$ (41,712,820)
Appendix D-1 - Projects Requiring Additional Funding (Council Approval Required)	\$ 6,240,921
Appendix E-1 - Projects Reallocating Budget within Project Phases (Council Approval Required)	\$ (2,099,808)
Appendix F-1 - Projects Requiring Additional Funding - Delegated Authority	\$ 1,090,580
<b>Total Capital Budget Request</b>	<b>\$ (30,556,659)</b>

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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", \$46.2M in capital spending is approved in the 2022 Capital Plan. Of this amount, \$16.9M is forecast to be spent in 2022.
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. Salem Road Reservoir and Pumping Station**  
**Approved Budget: \$0**

**Additional Funding Required: \$1,117,467.68 (DC Reserves Water (Annex))**

Property required for the construction of the Salem Reservoir and Pumping Station, a project noted in the 2019 master plan, as required to support growth in the Secondary Plan Areas.

**b. Infrastructure Master Plans**  
**Approved Budget: \$0**

**Additional Funding Required: \$4,607,000 (DC Administrative Reserve)**

A new project titled Infrastructure Master Plans is being created with the equivalent budget being returned from project EN1177 Infrastructure Master Plans/DC Technical Studies Update. The purpose of separating the projects is to have the next round of Master Plan shown separately from the master plans completed in 2019. This will allow tracking and reporting to be clearer and more transparent. There is no net financial impact due to returning the same amount of budget from project EN1177 in this report, only a change in the way the projects will be tracked and reported.

**c. DC Background Study & By-Law**  
**Approved Budget: \$0**

**Additional Funding Required: \$200,000 (DC Administrative Reserve)**

As per Council motion 21-G-270 in conjunction with the Long-Range Financial Plan, the DC and CBC by-laws are to be updated in 2023. The 2021 DC Study portion of F11025 (2021 Development Charge Study and CBC By-Laws) has been completed. The CBC component of the project will be completed with the 2023 DC By-law, therefore \$200,000 of this project (F11025) is being requested to be transferred to project 1076. This new project is not requesting any additional project dollars or new work as the funds and project were already approved by Council for 2022 under the former project number F11025.

**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 few 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 \$41.7M on 37 active and 60 complete or cancelled projects with details provided on Appendix “C-1”.

<b>Status</b>	<b>Pending Adjustment</b>
Cancelled	\$ (3,852,412)
Completed	\$ (8,798,556)
Not Started	\$ (2,064,796)
Design Phase	\$ (2,925,191)
Construction	\$ (7,663,197)
Underway	\$ (11,782,274)
Substantially Complete	\$ (4,626,393)
<b>Total Excess Funding</b>	<b>\$ (41,712,820)</b>

**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 \$6.2M 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 above the delegated authority materiality threshold on Appendix “E-1”.
25. The overall net result of the budget reallocation among project phases and asset classes amounts to \$2.1M 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 April 30, 2022. 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	\$ 2,914,688	\$ 1,052,000	\$ 955,369	\$ 19,480
Transfers In	\$ 82,717	\$ -	\$ -	\$ -
Transfers Out	\$ (283,258)	\$ (81,494)	\$ (13,999)	\$ -
<b>Closing Balance</b>	<b>\$ 2,714,146</b>	<b>\$ 970,506</b>	<b>\$ 941,370</b>	<b>\$ 19,480</b>

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
Canada Grant Revenue	\$ (53,192)		\$ (53,192)
Cash-In-Lieu Parkland Reserve	\$ (101,779)	\$ 405,800	\$ 304,021
Commercial/Industrial Land Reserve	\$ (72,777)		\$ (72,777)
DC Reserves	\$ (12,471,629)	\$ 8,141,246	\$ (4,330,383)
Debenture DCs	\$ (2,023,072)		\$ (2,023,072)
Debenture Tax		\$ 829,637	\$ 829,637
Debenture Wtr	\$ (11,227)		\$ (11,227)
Debenture WW	\$ (113,733)		\$ (113,733)
Developer Contributions	\$ (26,197)	\$ 9,008	\$ (17,189)
Developer Front Ending	\$ (2,410,486)	\$ 172,530	\$ (2,237,956)
Federal Gas Tax Reserve	\$ (622,016)	\$ 1,803,036	\$ 1,181,020
Fleet Mngt	\$ (7,900,000)		\$ (7,900,000)
Legal Contingency Reserve	\$ (25,363)		\$ (25,363)
Local Improvements Revenue	\$ (3,813)		\$ (3,813)
Marina Reserve	\$ (50,000)		\$ (50,000)
Municipal Grant Revenue	\$ (301,806)		\$ (301,806)
Ontario Grant Revenue	\$ (65,303)		\$ (65,303)
Parking Reserve	\$ (10,558)	\$ 9,687	\$ (871)
Reinvestment Reserve	\$ (650,000)	\$ 650,000	\$ -
Simcoe County Capital Reserve		\$ 488,354	\$ 488,354
Strategic Priority Reserve		\$ 1,118	\$ 1,118
Tax Capital Reserve	\$ (17,013,636)	\$ 1,693,201	\$ (15,320,435)
Tax Rate Holding Acct	\$ (82,717)	\$ 283,258	\$ 200,542
Tax Rate Stabilization	\$ (286,182)	\$ 17,923	\$ (268,260)
Tourism Reserve		\$ 67,429	\$ 67,429
Wastewater Holding Account		\$ 13,999	\$ 13,999
Wastewater Reserve Fund	\$ (1,988,133)	\$ 2,333,894	\$ 345,761
Water Holding Acct		\$ 81,494	\$ 81,494
Water Rate Stabilization	\$ (14,182)		\$ (14,182)
Water Reserve Fund	\$ (2,955,228)	\$ 1,694,753	\$ (1,260,475)
<b>Grand Total</b>	<b>\$ (49,253,029)</b>	<b>\$ 18,696,367</b>	<b>\$ (30,556,659)</b>

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**ENVIRONMENTAL AND CLIMATE CHANGE MATTERS**

30. There are no environmental or climate change 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 some of 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 2023 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.