

## **Staff Report 2023-0200**

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Meeting Date: April 4, 2023

Subject: 2022 T3 Triannual Closed Capital Report

Submitted By: Sherly Mathews, Senior Financial Analyst, Finance

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### **RECOMMENDATION**

That the 31 capital projects listed in Schedule A to Staff Report 2023-0200 be closed and the unaudited net capital project surplus of \$1,186,487.07 be transferred back to/(from) the original sources of funding; and

That Capital Project 22-055 Stormwater Management Program be increased in the amount of \$285,000.00, funded by the Tax Funded Capital Contingency Reserve.

### **REPORT HIGHLIGHTS**

- A summary of the 31 projects that are complete and may be closed is included on Schedule A. As outlined in the schedule, there is a net surplus of \$1,186,487.07 that the Town will transfer back to its original funding sources.
- A new emergency capital project 22-157 St. Andrew's Emergency Culvert was created and requires capital funding.
- Based on updates from departments, this report recommends funding increased costs to capital projects 22-055 Stormwater Management Program .

### **DISCUSSION**

The purpose of this report is to identify capital projects where the work is substantially complete that can be closed, and to return any surplus funds to its original source of funding. The original source of funding includes reserves, such as the Town's development charge reserves and tax funded capital contingency reserve. By returning funds that are not spent to the original source of funding, they are made available for future projects and budgets that Council may approve. This report also provides updates to Council of any required in-year changes to capital projects. In-year changes to capital projects may be necessary where the original budget for a project was insufficient once the project was tendered, sometimes due to supply chain issues or inflation.

The projects that can be closed are outlined on Schedule A, along with the project surplus or deficit, and an outline of the original sources of funding where the surplus will be transferred to or deficit will be transferred from.

In-year changes to capital projects can include:

- Surpluses - Projects that have an identified surplus that can be reduced with the surplus returned to the original source of funding
- Emergency Works - Projects created to capture emergency work that are now complete and requires funding
- Additional funding - Projects that require additional funding to complete

- Scope Change - Projects that require a scope change

Capital Projects are managed by a Project Manager, Finance Staff, and other staff across the Town. On a tri-annual or quarterly basis, Town staff conducts a complete review of all open capital projects. The purpose of this exercise is to:

- ensure departments are fulfilling their capital project commitments; and
- monitor capital project spending to anticipate surpluses or deficits.

On a semi-annual basis, Town staff close completed capital projects to return any surplus funding back into Town reserves for future uses or funding requirements.

The Town of Caledon established By-law 96-97 to regulate the budget process, to establish current and capital budget financial controls, and to establish reserve management financial principles.

Sections 5 f), 5 h) and 5 i) of By-law 96-97 outlines as follows:

- when and how capital budgets may be increased;
- what to do with surplus/deficit balances for completed projects; and
- specific rules on deficits exceeding 10% of the gross expenditure budget to a maximum of \$10,000.

## **FINANCIAL IMPLICATIONS**

### **Part 1 – Closed Capital Projects**

In accordance with By-law 96-97, staff are recommending closing of 31 projects as identified in Schedule A: 2022 Capital Status Update Report and surplus funds of \$1,186,487.07 to be returned to the original funding sources as listed below.

#### **Funding Sources**

<b><u>Funding Source</u></b>		<b><u>Amount of Transfer to/(from) Reserve</u></b>
Tax Funded Capital Contingency Reserve		\$823,614.79
Reserve and Reserve Funds:		
DC Storm	\$161,983.76	
Fire Equipment Reserve	(\$22,504.17)	
Corporate Energy Reserve	(\$732.96)	
Capital Asset Replacement Reserve	\$6,107.40	
Fleet Equipment Reserve	\$11,342.20	
Building Permit Stabilization Reserve	\$1,144.61	
Reserve and Reserve Funds		\$157,340.84
Ontario Community Infrastructure Fund (OCIF)		\$205,531.44
<b>Total</b>		<b>\$1,186,487.07</b>

Tax Funded Capital Contingency Reserve

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The Tax Funded Capital Contingency Reserve was established to set aside funding for the replacement of Town capital infrastructure and is utilized to provide emergency asset repair, fund asset replacement and to stabilize the tax program. The reserve is funded from savings on tax funded capital projects and the year-end operating surplus and currently has a targeted minimum balance of \$6,000,000.

The current unaudited and uncommitted Tax Funded Capital Contingency Reserve Fund balance is \$3,503,566.01, and with the recommendations in this report outlined below the balance will be \$3,694,979.32:

<u>Tax Funded Capital Contingency Reserve</u>	<u>Transfer to/(from) Reserve</u>
Beginning Reserve Balance	\$3,503,566.01
Schedule A – Closure of 31 Capital Projects	\$823,614.79
22-157 St. Andrew's Emergency Culvert	(\$347,201.48)
22-055 Stormwater Management Program	(\$285,000.00)
Ending Reserve Balance	\$3,694,979.32

**Surpluses and Deficits:** The 31 projects to be closed are shown in Schedule A with the surplus or deficit balance of the individual project as of December 31, 2022. The figures shown are unaudited and may change as a result of final invoices, internal cost recoveries, or accruals. In accordance with By-law 96-97, the projects in a surplus position will offset the projects in a deficit position.

All projects in a deficit position/with a budget shortfall have a variance below 10% of the gross expenditure budget and/or have a variance less than \$10,000 except for 21-102 Personal Protective Equipment. 21-102 Personal Protective Equipment is over budget by \$33,385.30 due to change in supplier and increase in pricing for gear.

## Part 2 - Capital Update

### Surpluses

During the capital status review process, no projects were identified as having a known surplus. As part of the 3rd Tri-annual Capital Status Update and Closed Capital Report, projects with large surpluses will be identified to reduce the budget and return funds back to the original funding sources.

### Emergency Procurements

Capital Project 22-157 St. Andrew's Emergency Culvert was created to capture works procured under the emergency provisions of the Town's Purchasing By-Law. The Town's practice is to undertake the work required, and report to Council in a subsequent capital status report when the work is complete, and costs are known. The costs will be funded from the Tax Funded Capital Contingency Reserve and the financial impact on the reserve is outlined in Part 1 above.

**Additional Funding**

**22-055 Stormwater Management Project**

In 2022, Council approved \$700,000.00 for the retrofit and restoration of Stormwater Management Facility #29 (Cranston Drive, Caledon East) as part of the capital project 22-055 Stormwater Management Program. Recently, staff posted an invitational tender and it resulted in the lowest bid submission of \$822,992.90. The overbudget is due to increases in general labor fees, fuel costs, equipment operating fees, hauling fees impacted by supply chain issues and inflationary pressures, and the newly in-effect regulatory compliance requirements under O. Reg. 406/19 (On-Site and Excess Soil Regulation). To appropriately fund the shortfall and the contingency for the scope of work, it is estimated that an additional \$285,000 is required to complete the project. The contingency will cover the cost of provisional line items, potential overages in excess soils disposal fees, additional erosion and sediment control requirements per Credit Valley Conservation Authority's permit conditions, and potential additional dewatering costs for the project site.

Therefore, staff recommend that the Capital Project 22-055 Stormwater Management Program be increased by \$285,000 funded by the Tax Funded Capital Contingency Reserve.

**Scope Changes**

During the capital status review process, no projects were identified as having scope changes.

**Reserves and Reserve Funds**

Additional information on the Town's Reserves and Reserve Funds can be found in the following documents:

- By-law 2020-104 Consolidated Reserve Funds By-law
- Staff Report 2022-0086 2021 Reserves and Reserve Fund Balances

**Next Steps:**

**May 2023**

A detailed capital status memo outlining the status of the active and open capital projects will be provided to Council in May.

**Q2-2023**

A T1 (January to April) detailed capital status report will be provided to Council in spring. This report will include the projects approved in the 2023 budget and will return any surplus funds to the original source of funding or fund any open projects that require additional funding.

**COUNCIL WORK PLAN**

This report provides an update of capital projects that addresses a myriad of topics within the Council Work Plan.

**ATTACHMENTS**

Schedule A: Closed Capital Projects