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# HALDIMAND COUNTY

Report FIN-11-2023 Capital Status Report as at December 31, 2022

For Consideration by Council in Committee on June 20, 2023

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## OBJECTIVE:

To provide an update on all approved Capital Projects, as at December 31, 2022, including recommendations for changes to project budgets, revised financing and/or the closure of projects.

## RECOMMENDATIONS:

1. THAT Report FIN-11-2023 Capital Project Update as at December 31, 2022, be received;
2. AND THAT the recommendations for individual capital projects, as outlined in Attachment #3 to Report FIN-11-2023, be approved.

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**Reviewed by:** Heather Love, CPA, CGA, Supervisor, Budgets & Financial Planning

**Respectfully submitted:** Mark Merritt, CPA, CA, General Manager of Financial & Data Services

**Approved:** Cathy Case, Interim Chief Administrative Officer

## EXECUTIVE SUMMARY:

This report provides a status update on all active capital projects, as well as addresses many housekeeping matters related to budget amendments and closure of completed projects. Improved project management and budget monitoring, along with the implementation of Procurement Policy 2013-02, have led to a reduction in the number of individual reports on capital project budget amendments being brought directly to Council for approval.

Staff propose that the amendments to funding and closure of completed Capital Projects outlined in Attachment #3, be approved. This comprehensive project summary includes all recommended revisions, including:

- 25 projects not started and recommended to close in Attachment #1
- 9 projects requiring financing amendments, mainly administrative in nature, in Attachment #2
- 336 projects complete within revised budget and recommended to close in Attachment #3

## BACKGROUND:

This report provides an update on the status of all capital projects that were approved as at December 31, 2022. The status report includes year to date actuals, recommendations to close completed projects and recommendations on revised financing. The previous capital project status report, as at December 31, 2021, was presented at the August 23<sup>rd</sup>, 2022 Council in Committee meeting.

Active capital projects will be recommended to be closed if:

- The project is completed at or under the approved budget; or

- The project is completed over its original budget and a subsequent budget revision was completed under the terms outlined in the Procurement Policy (2013-02).

At year end, capital projects with committed amounts are carried forward to the following year and all other annual capital projects are closed out at December 31<sup>st</sup>. Inactive capital projects, previously approved but not initiated, will be recommended to be closed and re-budgeted (as necessary) if any one of the following criteria is met:

- The projected cost of the project would materially exceed the original budget;
- There is a material change in the nature or scope of the project; or
- The following year's capital budget and forecast preparation has begun, the capital project has remained dormant and there are no immediate plans or formal commitments to initiate the project within the following six (6) months.

In the case where existing, inactive projects will be closed and re-budgeted, the ultimate decision to proceed with the project will be based on the project's new assumptions and its subsequent ranking as measured by Haldimand's current business plans and priorities (i.e. through subsequent budget deliberations with Council). Projects meeting these requirements have been evaluated during preparation and deliberation of the 2023 Tax Supported or Rate Supported Capital Budgets.

The action required by Council affects 370 of the 817 active projects and 336 recommendations are related to the closing of projects completed within budget. The approval of the 2023 Capital Budgets has resulted in an additional 459 projects being activated. These, in conjunction with the remaining 447 active projects after the recommendations in this report are considered, totals 906 projects currently being administered by staff in 2023.

## **ANALYSIS:**

### **Accounting for Capital Projects**

All capital projects for Tax Supported and Rate Supported (Water and Wastewater) functions are accounted for and administered through the Capital Fund (irrespective of the size or funding source for the specific projects). This allows for monitoring of the actual costs of capital projects, in relation to the approved capital budget, on a regular basis.

Accounts in the General Operating Fund and Water/Wastewater Operating Funds are used for current year revenues and expenditures then are closed at year-end. Accounts in the Capital Fund remain active beyond the current fiscal year and are carried forward from year to year. The "closing of a capital project" is based on the criteria noted above.

The Public Sector Accounting Board (PSAB) requires all municipalities to report tangible capital assets in their audited financial statements. The County's current budgeting principles for capital projects are premised on a "long range financing approach". As there is currently no direct relationship between the amortization of capital assets and the financing requirements associated with the replacement of existing infrastructure, there are limited impacts on annual capital budgeting. For reporting purposes, the Council approved Capital Budget will be converted to meet PSAB reporting requirements and details provided with the annual audited financial statements.

### **Capital Project Approvals**

A capital project receives Council approval to be initiated in a given year through the budget process or through a separate report to Council for exceptional situations. Once approval is given to initiate the project, staff proceed to get pricing from external parties. In accordance with Procurement Policy 2013-02, competitive bids/contracts must be awarded with a report to Council, under the following conditions:

- Any Contract prescribed by Statute to be awarded by Council;
- Any Contract where the awarded bid price is outside of the parameters set out in Section 3.03 or anticipated to be outside such parameters;
- Any Contract where the award is not being recommended to the lowest bidder or the lowest Price Per Point proposal;
- In the case of a revenue generating proposal, where the net revenue amount proposed for acceptance is lower than the Council approved budget and cannot be offset within the existing budget without changing the budgeted level of service; or
- Where Council direction has been provided to have Council make the Award directly.

In all other cases, staff have the delegated authority to award contracts for capital works that have been approved in the annual budgets.

## **Managing and Reporting on Capital Projects**

During the procurement process for a capital project (or components of an overall project), there may be shortfalls or surplus funding realized. For budget shortfalls, additional funding sources must be identified, which is typically accommodated by one of the following (or a combination thereof):

- deferral of other projects with similar funding sources;
- change in scope of original project or deferral of certain components;
- utilization of realized/anticipated savings from other projects; or
- alternative funding from available reserves/reserve funds.

As there are numerous projects ongoing at any given time, it is critical to manage and monitor these commitments in aggregate in relation to the funding sources to ensure the County's long range financial plan is maintained. Council has delegated the authority to reallocate budgets under specific circumstances. Budget amendments falling outside these parameters must be approved by Council.

Although there may be anticipated savings based on a specific tender result, there will inevitably be requirements for additional unforeseen expenditures on other projects funded from the same source(s); as a result, project savings should be left unspent. The exception to this practice is related to certain capital road programs where provisional projects can be awarded at the time of procurement to ensure the annual funding allocation for these programs is fully utilized. These exceptions, as outlined in the resolutions during deliberations on the 2012 and 2016 Tax Supported Capital Budget, relate to the following annual capital road programs: Urban Paving Program, Surface Treatment Program and Gravel Road Conversion Program. As such, on an annual basis, the intent is to complete all the approved projects within these programs and, if there are excess funds available (in excess of \$100,000), the surplus would be used to complete the provisional items. This provides the ability to accelerate the implementation of these programs. The individual project/road segments are processed and managed as one tender award for each program. As a result, the total annual funds allocated to these programs are allocated between the individual projects to ensure any shortfalls/savings are utilized to complete the required projects, as well as any provisional projects as the case may be.

This report also contains projects that include a community funding financing component, most of which fall under the Community Partnership Program Policy 2011-01. Under this Policy a project cannot be initiated until funding has been received in full from the community group in order to ensure there is no risk to County resources or funding. As of December 31, 2022, there were no projects in violation of this Policy. Community Development and Partnership Division staff continue to work closely with community groups to ensure all applicable projects are in compliance with the Policy.

## Budget Reallocations

Procurement Policy 2013-02 provides managers with flexibility to manage their projects through delegated authority for certain budget reallocations. Section 3.03 (c) of Procurement Policy 2013-02:

In order to allow purchases to proceed which exceed the approved budget, a Manager shall have the authority to reallocate funds, without exceeding the aggregate budget within their control, under the following conditions:

### Capital Budget

- i. The shortfall cannot exceed 20% of the project budget to a maximum of \$75,000;
- ii. General Scope of work or service delivery method cannot be changed
- iii. If reallocating funds from a capital project/component, the capital project/component in which funds are being transferred from must already be an awarded project/component;
- iv. Revised Bid Award Form must be completed when funds are reallocated;
- v. The funding source must be the same for all accounts affected by the reallocation.

Section 3.03 (e) Managers shall have the authority to accept grants or donations under the following conditions:

- i. The grant/donation has a \$0 impact on the net levy and gross expenditures do not exceed \$75,000;
- ii. The grant/donation is one-time and covers 100% of the cost of purchase;
- iii. There are no ongoing or future additional operating or replacement costs, or future operating or replacement costs have been previously approved by Council;
- iv. The grant does not increase staff hours or require the hiring of additional staff;
- v. The receipt of the grant/donation and the associated expenditure must be posted to the General Ledger

Council approved report CS-FI-20-2014 amended the delegated authority provisions, as follows:

- i. Where offsetting same source funding is available and the balance of the reallocation provisions within the Procurement Policy are met: if the funding shortfall is in excess of 20% of the project budget but less than \$10,000, the Manager is delegated the authority to reallocate funds, as long as the aggregate budget for projects within their control is not exceeded;
- ii. Where offsetting same source funding is not available and the balance of the reallocation provisions within the Procurement Policy are met: if the funding shortfall is less than \$5,000, the Manager, with advice from the Treasurer or designate, is delegated the authority to approve budget amendments for projects within their control.

As a result, any of the above situations which resulted in budget changes have been incorporated in the Revised Budget for each project and have been detailed and reviewed within the budget system.

If a budget shortfall exists and falls outside of the delegated authority parameters outlined above, then the applicable Manager is required to obtain Council approval before the expenditure is incurred. The required report to Council will: outline the anticipated shortfall; suggest a plan of action to rectify the overrun if available; and identify additional funding sources to offset any remaining shortfall.

It should be noted that staff are undertaking a review of Procurement Policy 2013-02. This review is being done in an effort to update the policy for legislative changes that have occurred in recent years, as well as to streamline and modernize the procurement process. Any changes to the policy as a result of this review may impact future years' Capital Status report composition and recommendations.

## Required Action as per Attachments

Attachment #3 provides the status updates for all active projects as at December 31, 2022, as well as all of the required individual recommendations needing Council approval that affect current capital projects.

## FINANCIAL/LEGAL IMPLICATIONS:

Legislation requires that Council approve all transfers to and from Reserves and Reserve Funds. The recommendations outlined in Attachment #3 provide for the closure of projects and/or amendments to approved financing budgets of individual projects, where required.

The County has 817 active capital projects as at December 31, 2022, with budgeted expenditures of \$235.4 million. About 62% of the budgeted capital funds relate to tax supported projects, with the remaining 38% for water and wastewater services. The following table provides a high level summary of active capital projects as at December 31, 2022, by recommendation category.

**Table 1 - Projects Summary**

Project Status	# of Projects	LTD Actuals	Revised Budget	Variance
<b>Project Complete within Revised Budget and Recommended to Close</b>				
Rate Supported	61	8,560,158	12,725,310	4,165,152
Tax Supported	275	25,814,138	29,882,020	4,067,882
<b>Project Complete within Revised Budget and Recommended to Close with Funding Amendment</b>				
Rate Supported	0	-	-	-
Tax Supported	9	2,770,226	5,097,000	2,326,774
<b>Project Not Started and Recommended to Close</b>				
Rate Supported	10	-	512,500	512,500
Tax Supported	15	-	256,770	256,770
<b>Project Ongoing within Revised Budget</b>				
Rate Supported	126	15,322,226	75,843,220	60,520,994
Tax Supported	320	64,354,296	109,751,910	45,397,614
<b>Project Over Budget with Pending Report to Council</b>				
Rate Supported	0	-	-	-
Tax Supported	1	1,628,156	1,342,310	(285,846)
<b>Total</b>	<b>817</b>	<b>118,499,200</b>	<b>235,411,040</b>	<b>116,961,840</b>
<b>Summary of Projects</b>				
Rate Supported	197	23,882,384	89,081,030	65,198,646
Tax Supported	620	94,566,816	146,330,010	51,763,194
<b>Total</b>	<b>817</b>	<b>118,499,200</b>	<b>235,411,040</b>	<b>116,990,170</b>

(\*) Note: See Attachment #3. Projects completed within budget and recommended to close have anticipated savings as indicated above. The total savings at time of project closure may change slightly as expenses are finalized and final payments are released. As these projects are within budget, the applicable approved budgets do not require amendment. Savings will be returned to the original funding sources for the projects.

As noted above, of the 817 active capital projects, project managers have identified one project that is anticipated to be over budget, thus requiring a future Council report (project details provided below).

## Projects Not Started and Recommended to Close (Attachment #1)

As of December 31, 2022, there are 25 projects which had not been started. As a result, these projects are recommended to be closed and re-budgeted as necessary in future years. All projects noted in this attachment have not incurred any costs.

## Projects Requiring Funding Amendments (Attachment #2)

There are nine (9) projects identified that require a funding amendment in order to close them as of December 31, 2022.

Eight of these projects are related to the emergency storm event in October of 2019. Haldimand County submitted an application for emergency funding through the Municipal Disaster Recovery Assistance program through the province of Ontario. At the time of claim submission, total costs, including estimates for future costs based on the engineering storm damage assessment, were estimated at \$5.21 million. Based on this estimate, Haldimand County was eligible to receive up to \$4.57 million in funding.

The table below summarizes the total costs, eligible costs and funding received for both operating and capital:

<b>Claim Summary – Municipal Disaster Recovery Assistance Program</b>	<b>Operating Costs</b>	<b>Capital Costs</b>	<b>Total Costs</b>
<b>Expenditures:</b>			
Claims Submitted	\$219,932	\$2,507,898	\$2,727,830
<u>Less: Ineligible Costs</u>	(\$4,450)	(\$374,633)	(\$379,083)
<b>Total Eligible Expenditures</b>	<b>\$215,482</b>	<b>\$2,133,265</b>	<b>\$2,348,747</b>
<b>Funding:</b>			
Provincial Funding Received	\$167,713	\$1,660,350	\$1,828,063
Haldimand County Portion of Eligible Costs	\$47,769	\$472,915	\$520,684
<b>Total Funding for Eligible Costs</b>	<b>\$215,482</b>	<b>\$2,133,265</b>	<b>\$2,348,747</b>

As shown above, the total operating and capital costs of the emergency storm repairs were significantly less than the original estimates at the time of claim submission. Additionally, of the \$2.73 million in costs that was submitted, \$379,000 was determined to be ineligible by the province throughout the claim review process. In total, \$1.83 million in provincial funding was received, with \$1.66 million to be allocated to the eight capital projects. The table below shows the overall funding shortfall to be covered by CRR – Roads Infrastructure:

<b>Funding Source – Municipal Disaster Recovery Assistance Projects</b>	<b>LTD Capital Actuals</b>	<b>LTD Capital Budget</b>	<b>Funding Amendment Required</b>	<b>Revised Capital Budget</b>
Provincial Funding	\$1,660,350	\$4,227,850	(\$212,800)	\$4,015,050
CRR- Roads Infrastructure	\$847,548	\$635,150	\$212,800	\$847,950
<b>Total Funding</b>	<b>\$2,507,898</b>	<b>\$4,863,000</b>	<b>\$0</b>	<b>\$4,863,000</b>

These eight projects are all completed within budget, and are recommended to be closed subject to the funding amendment above.

The ninth project requiring a funding amendment is the Fisherville Lions & Love Be'in Me Committee Track Installation project, which was originally approved through the Community Partnership Program through Report PED-COM-13-2018. Unforeseen expenditures caused this project to be completed over budget by \$28,328. A review of options to address the shortfall – during the COVID-19 pandemic – resulted in a considerable delay in identifying additional funding to reconcile the project. Staff has now been able, with the agreement of the Ward 2 Councillor, to fund this overage from the Community Vibrancy Fund – Ward 2 Allocation.

### **Projects Completed within Revised Budget and Recommended to Close**

There are 336 projects that have been completed within budget and are recommended to close. Based on actual expenditures to date, there will be a projected surplus of approximately \$8.2 million with \$4.0 million relating to Tax Supported capital projects and the remaining \$4.2 million being Rate Supported. The surplus is retained within the original funding source, if internally financed by reserves/reserve funds. A number of the current open projects are considered annual projects in that they have a budget each year in the 10 year forecast. For these projects, only funds committed at the end of the year are to be carried forward. Given the annual nature of these projects, it is implied with the projects themselves that they will also close on an annual basis, therefore, recommendations to close have not been included in the detailed project notes for these specific projects in Attachment #3.

### **Projects Over Budget with Pending Report to Council**

There is one project, noted below, that is currently over budget and will require a report to Council to amend the budgets. This is Project 383034 Haldimand Road 74 – Concession 12 Walpole to Road 20, the details of which can be found on Page 9 of Attachment #3.

At this time, budget amendment requirements have not been identified for this project as of this report. This surface treatment project is related to a boundary road with Norfolk County, and will be 50% recoverable from Norfolk. Once the project is completed and Norfolk's recoverable amount has been invoiced, an amendment for Haldimand's portion of the project will be determined at that stage. The additional funds required will be detailed in the individual report being prepared by the applicable Division.

### **Projects Ongoing within Revised Budgets**

All other projects (446 in total) are within their approved budget allocations and will remain open and active. The details of all projects can be found in Attachment #3 of this report.

### **Debt Related Capital Projects:**

Any capital project that is to be fully or partially funded from debt proceeds will incur fees as a result of the actual debt issuance. These debt related expenses are to form an integral part of the overall budget for any projects with approved debt financing. Though these items are budgeted during the capital budgeting process, they are estimated based on the total project value and the anticipated timing of project construction. Given these are estimates, from time to time budget amendments to these components may be required and will form a part of the capital status update, as required. As of December 31, 2022, no such budget amendments are necessary.

### **STAKEHOLDER IMPACTS:**

All Divisions that manage Capital Projects are involved with monitoring the actual spending on an ongoing basis, and have provided input for this report to Council.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: Yes

Policy: No

## **ATTACHMENTS:**

1. Summary of Projects Not Started and Recommended to Close
2. Projects Requiring Funding Amendments
3. 2022 Capital Projects Details