



Town of Newmarket
395 Mulock Drive P.O. Box 328,
Newmarket, Ontario, L3Y 4X7

Email: info@newmarket.ca | Website: newmarket.ca | Phone: 905-895-5193

2022 Capital Program Information Report to Council

Report Number: INFO-2021-37

Department(s): Financial Services

Author(s): Mikes Mayes, Director, Financial Services/Treasurer

Distribution Date: November 26, 2021

In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

Executive Summary

N/A

Purpose

The purpose of this report is to provide supplementary information for the 2022 draft capital budget. It will address comments and questions that have arisen during the budget process related to the 2022 capital program.

Background

Eliminating Capital Carryovers

Capital carryovers result when capital expenditures are below budget. Sometimes projects are completed for less than the approved budget, but the majority of the variances are from expenditures that have been budgeted for but not occurred yet – capital carryovers.

Prior to 2020, unspent capital budget allocations were carried over to the next year, and consolidated with the new budget requests. By the end of 2019, the carryovers amounted to \$60 million - equivalent to a 3-year workload.

Capital carryovers create a number of issues. Approving large annual capital budgets and completing less than half of the annual program had been the Town's experience. At the same time delivery expectations were not being fully met with Council and the public seeing approved projects in the budget, but there would be no guarantee that work would be done that year or the following year.

For the capital program to be achievable, it was decided to eliminate the practice of accumulating large capital carryovers.

A new approach was introduced

For fiscal 2020, the budget and carryovers were sorted and re-prioritized to reduce the program to a manageable level.

There were 4 key components introduced:

1. Capital Spending Authority

The Capital Spending Authority is the total of all capital expenditures approved by Council and spans more than one year. This differs from the Capital Budget, which is the annual component and includes approval of the required funding. The Capital Program is the list of projects to be delivered by the Capital Budget in a given year.

2. Capacity

There are two capacity tests for the capital budget:

- Operational – that the projects can be delivered
- Financial – that funding is available from each required source

3. Multi-year budgeting

Capital plans are to be linked to Asset Management Plans (AMP's) and the Development Charges (DC)) Background Study. These would be the starting point until a multi-year capital plan was developed.

4. Quarterly review and reporting

Regular reporting tracks the progress of the projects in the annual program. It allows for adjustments if it is determined that projects will not be completed in the current year. In that situation, a request can be made to modify/cancel the project or defer it to the next year. If this opens up operational capacity, or if that capacity already exists, there could be requests to add deferred projects to the program. However, these adjustments must remain within the approved annual budgets and require Council approval.

Implementation of the new approach

The Capital Program was divided into two components. Major Projects were defined to be those that require minimal effort from dedicated capital project staff and thus do not impede delivery of the rest of the Capital Program. They were segregated from the

Standard Program. Based on past experience, a limit of \$20 million has been applied to the Standard program to ensure timely delivery.

Projects were only to be included in the budget if they were “tender ready” – meaning that they were ready, just waiting for budget approval to have a request for tender issued. This meant that design and costs were known. Separate budgets could be required to get projects tender ready with design and cost estimates.

Discussion

Going into our 3rd year with this approach, it is timely to review the process and to see if some there should be some refinements.

Operational Capacity

The \$20 million limit is arbitrary – cost of the project has been used as a proxy for the amount of effort. It is recognized that the amount of effort can vary based on the type of project and that effort is not uniform and may impact different Town departments differently. However, a simple but more sophisticated solution has not been found yet.

Increasing the overall amount is being investigated. Processes are being reviewed. Adding additional resources is under consideration, but availability of qualified assistance is limited.

For 2022, the \$20 million ceiling will remain in place. It will be reviewed for 2023 as circumstances change.

Program review and reporting

Quarterly reports in 2020 and 2021 have been used to obtain Council approval for changes to the Capital Program. This appears to have been an effective means to recognize delivery delays and to move previously deferred and new projects forward.

For 2022, we should continue to use the practice as a means to adopt and adapt a flexible program.

Multi-year Budgets

The preliminary results of the Asset Management Plans for core assets were used as a key factor in determining the programs for 2022. In 2022, these Plans will be finalized, and there will be an updated DC Background Study. These will form the base for the 2023 Capital program.

Tender Ready

Although improvements have been seen where designs are prepared in prior years to construction, this concept has not been fully implemented. As a result, some projects have had tenders later in the year with resulting delays in completion.

In addition, budgets are not being requested separately to get projects tender ready. For high profile projects that require scoping and design, this can give the appearance that they are not moving forward.

Requests will be made to add the following to the 2022 Capital program:

- Parkettes & Sports Pads - scope, public engagement, and design for \$ 50,000
 - This is an umbrella for ward specific initiatives
- Mulock Multi-use Path – design for \$370,000
 - A separate report has requested the design budget for this project.

Provisions will be requested for construction, anticipated to be in 2023. These estimates are subject to revision and can be brought forward when the projects reached the tender ready stage – subject to there being sufficient operational capacity.

Recognizing Council Priorities

While reviewing the proposed 2022 Capital program, Council has identified some priority projects that were not included in the Preliminary Draft Budget.

The following additions are being proposed:

	2022	2023	Total
Parkettes & Sports Pads			
scope, public engagement, design	\$ 50,000		
provision for construction		\$ 300,000	\$ 350,000
Northwest Quadrant trails			
Completion of design	100,000		
provision for construction		2,300,000	2,400,000
Mulock Multi-use Path			
design	370,000		
provision for construction		3,330,000	3,700,000
Goose Management	25,000		25,000
Library Windows	30,000	60,000	90,000
Water & Wastewater Master Plan Update	200,000		200,000
Total	\$ 775,000	\$ 5,990,000	\$ 6,765,000

Reporting

Although the current quarterly reporting meets the requirements for monitoring and revising the Capital Program, it does not answer all of the questions that Council has on the status of projects. These questions were about budget, tender preparation, procurement, and delivery.

Staff are investigating the possibility of developing an online dashboard to track major projects – capital and operating – to provide updates for Council and the public, with regards to:

- Budget – proposed and approved, spent and remaining
- Tender preparation – scoped, designed and costed
- Procurement – tender in process or awarded
- Delivery - % of completion, expected completion date

This is just at the concept stage. More work and consultation is required, Staff are targeting the first quarter of 2022 to attempt a prototype.

Conclusion

This report provides supplementary details for Report 2022 Draft Operating and Capital Budget Report on the December 6 Committee of the Whole agenda.

Business Plan and Strategic Plan Linkages

This report supports Council's Strategic Priority - develop a multi-year operating and capital budget that aligns with Budget – under the strategic pillar of Long-term Financial Sustainability.

Consultation

Consultation with staff in the Development & Infrastructure Services Commission was undertaken.

Human Resource Considerations

Not applicable to this report.

Budget Impact

Factored into the Draft 2022 Capital Budget.

Attachments

None

Contact

For more information, contact Mike Mayes at mmayes@newmarket.ca or 905-953-5300, ext. 2102

Approval

Mike Mayes, CPA, CGA, DPA
Director, Financial Services/Treasurer

Peter Noehammer
Commissioner, Development and Infrastructure Services