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| TO: | CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON SEPTEMBER 24, 2019 |
| FROM: | ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER |
| SUBJECT: | 2019 MID-YEAR CAPITAL MONITORING REPORT |

RECOMMENDATION

That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the 2019 Mid-Year Capital Monitoring Report **BE RECEIVED** for information, it being noted that the life-to-date capital budget represents \$2.1 billion with \$1.4 billion committed and \$0.6 billion uncommitted.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Strategic Priorities and Policy Committee, August 26, 2019 meeting, Agenda Item #4.3, 2019 Corporate Asset Management Plan
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=66549>

Corporate Services Committee, July 23, 2019 meeting, Agenda Item # 2.1, 2019 Development Charges Capital Budget Adjustments
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=65855>

Strategic Priorities and Policy Committee, May 6, 2019 meeting, Agenda Item #2.3, Approval of the 2019 Development Charges By-law and Background Study
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=62406>

Corporate Services Committee, April 16, 2019 meeting, Agenda Item # 2.1, 2018 Year-End Capital Monitoring Report
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=61237>

Corporate Services Committee, June 19, 2018 meeting, Agenda Item # 2.6, Capital Budget Realignment – Bus Rapid Transit
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=46354>

Corporate Services Committee, July 17, 2018 meeting, Agenda Item # 2.4, Reserve and Reserve Fund Policy Report
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=47669>

Strategic Priorities and Policy Committee, May 15, 2017 meeting, Agenda # 3, Council Policy Manual Review (Capital Budget and Financing Policy)
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=31570>

LINK TO 2019-2023 STRATEGIC PLAN

Council's 2019-2023 Strategic Plan for the City of London identifies "Leading in Public Service" as one of five strategic areas of focus. The Capital Monitoring Report supports this strategic area of focus via the strategic priority "The City of London is a leader in public service as an employer, a steward of public funds, and an innovator of service" which includes maintaining London's finances in a transparent and well-planned manner to balance equity and affordability over the long term.

BACKGROUND

Strong financial management of the capital budget is essential to ensure the budget monitoring processes that are in place demonstrate Civic Administration is providing Council and the community with appropriate information that can be used to promote accountability and transparency, enhance operational effectiveness and promote citizen confidence. To achieve this

objective, this report will address the life-to-date capital budget, key financing strategies and emerging issues that may impact the 2019-2028 capital plan.

This report traditionally provides information regarding capital projects recommended to be closed as well as the status of capital projects with budgets greater than three years old that have no future budget requests. Providing this information requires significant administrative effort which at the current time would detract from the efforts currently underway to develop the 2020-2023 Multi-Year Budget (MYB). This information will be provided again in the 2019 Year-End Capital Monitoring Report in the spring of 2020.

Within this report the terms “rate supported” and “non-rate supported” are used when referring to the sources of financing that support the City’s capital budget. Rate supported refers to property tax and water and wastewater rate sources of financing (e.g. capital levy, water rates, reserve funds, debt, etc.). Non-rate supported refers to sources of financing primarily supported by development charges, senior government funding and in some cases contributions from parties external to the Corporation of the City of London.

2019 LIFE-TO-DATE CAPITAL BUDGET ACTIVITY AND REVISIONS

After Council approves the capital budget, as the year progresses, reports are presented to Council to approve major awards to proceed with capital projects. Each report includes a Source of Financing (SofF). Most awards are within the approved capital budget, but some awards require revisions or adjustments to the capital budget, as detailed in the SofF.

Other capital awards can proceed with Administrative approval according to the Procurement of Goods and Services Policy. Details on these approvals are provided in an annual report from the Purchasing and Supply Division. Budget adjustments may also result from the application of assessment growth funding, receipt of senior government funding and other revenue sources such as insurance and private drain connections.

Table 1 summarizes 2019 life-to-date budget adjustments by Tax Supported, Wastewater & Treatment and Water budgets; it being noted that the Council approved budget adjustments are higher than usual due to the recently approved 2019 Development Charges Background Study and By-law. Appendix “A” provides details on the source of these adjustments.

Table 1 – 2019 Capital Budget Life-To-Date Revisions as of June 30, 2019 (\$000’s)

| Category | 2019 Life-to-Date Approved Budget (as of Jan 1, 2019) | 2019 Budget Adjustments | | 2019 Life-to-Date Approved Budget (as of June 30, 2019) |
|---------------|-------------------------------------------------------|-------------------------|----------------|---------------------------------------------------------|
| | | Council | Administrative | |
| Tax Supported | \$1,158,079 | \$20,796 | \$2,632 | \$1,181,507 |
| Wastewater | 597,827 | 37,156 | 260 | 635,243 |
| Water | 244,588 | 692 | 0 | 245,280 |
| Total | \$2,000,494 | \$58,644 | \$2,892 | \$2,062,030 |

* Amounts subject to rounding.

As of June 30, 2019 there have been 91 discrete contract awards worth \$128 million (50 were awarded by Council and 41 were awarded administratively). Table 2 summarizes year-to-date contract awards by Tax Supported, Wastewater & Treatment and Water. Appendix “A” provides details on all Council awards.

Table 2 - Contract Awards 2019 Life-To-Date as of June 30, 2019 (\$000’s)

| Category | Council Approved Contract Awards | | Administration Approved Contract Awards | | Total Awards | |
|---------------|----------------------------------|-----------|-----------------------------------------|-----------|------------------|-----------|
| | \$ Amount | Number | \$ Amount | Number | \$ Amount | Number |
| Tax Supported | \$32,728 | | \$23,787 | | \$56,514 | |
| Wastewater | \$39,814 | | \$8,730 | | \$48,545 | |
| Water | \$19,053 | | \$3,877 | | \$22,930 | |
| Total | \$91,595 | 50 | \$36,394 | 41 | \$127,989 | 91 |

* Amounts subject to rounding.

2019 LIFE-TO-DATE CAPITAL BUDGET STATUS

A summary of the 2019 life-to-date capital budget, including the amount that is committed spending and the amount that is uncommitted is summarized in Table 3. This information is essential for budget monitoring to ensure that spending is being managed within the approved budget.

Table 3 - 2019 Approved Life-To-Date Capital Budget & Activity (\$000's)

| Category | 2019 Life-To-Date (as of June 30, 2019) | | | Percent Committed |
|----------------------------|--------------------------------------------|---------------------------------------------------------------|-------------------------------------|----------------------|
| | Approved Budget ¹ | Actuals & Commitments (Purchase Orders) ² | Uncommitted To-Date ² | |
| TAX SUPPORTED | | | | |
| Lifecycle Renewal | 430,183 | 331,888 | 98,295 | 77.2% |
| Growth | 487,940 | 268,187 | 219,753 | 55.0% |
| Service Improvement | 263,384 | 209,909 | 53,475 | 79.7% |
| TOTAL TAX SUPPORTED | 1,181,507 | 809,984 | 371,523 | 68.6% |
| WASTEWATER | | | | |
| Lifecycle Renewal | 185,005 | 166,190 | 18,815 | 89.8% |
| Growth | 304,048 | 152,489 | 151,559 | 50.2% |
| Service Improvement | 146,190 | 109,423 | 36,767 | 74.8% |
| TOTAL WASTEWATER | 635,243 | 428,102 | 207,141 | 67.4% |
| WATER | | | | |
| Lifecycle Renewal | 163,507 | 133,509 | 29,998 | 81.7% |
| Growth | 72,869 | 64,521 | 8,348 | 88.5% |
| Service Improvement | 8,904 | 5,098 | 3,806 | 57.3% |
| TOTAL WATER | 245,280 | 203,128 | 42,152 | 82.8% |
| GRAND TOTAL | 2,062,030 | 1,441,214 | 620,816 | |
| % of Total | | 69.9% | 30.1% | |

* Amounts reported are subject to rounding, year-end audit and associated adjustments.

(1) Totals are for active projects only. Projects approved to be closed during the course of the year are excluded from this table.

(2) Once a capital project has an approved budget, spending or commitments may not be made for several years, for example, longer term projects like multi-purpose recreation centres.

CAPITAL BUDGET HOUSEKEEPING ADJUSTMENTS

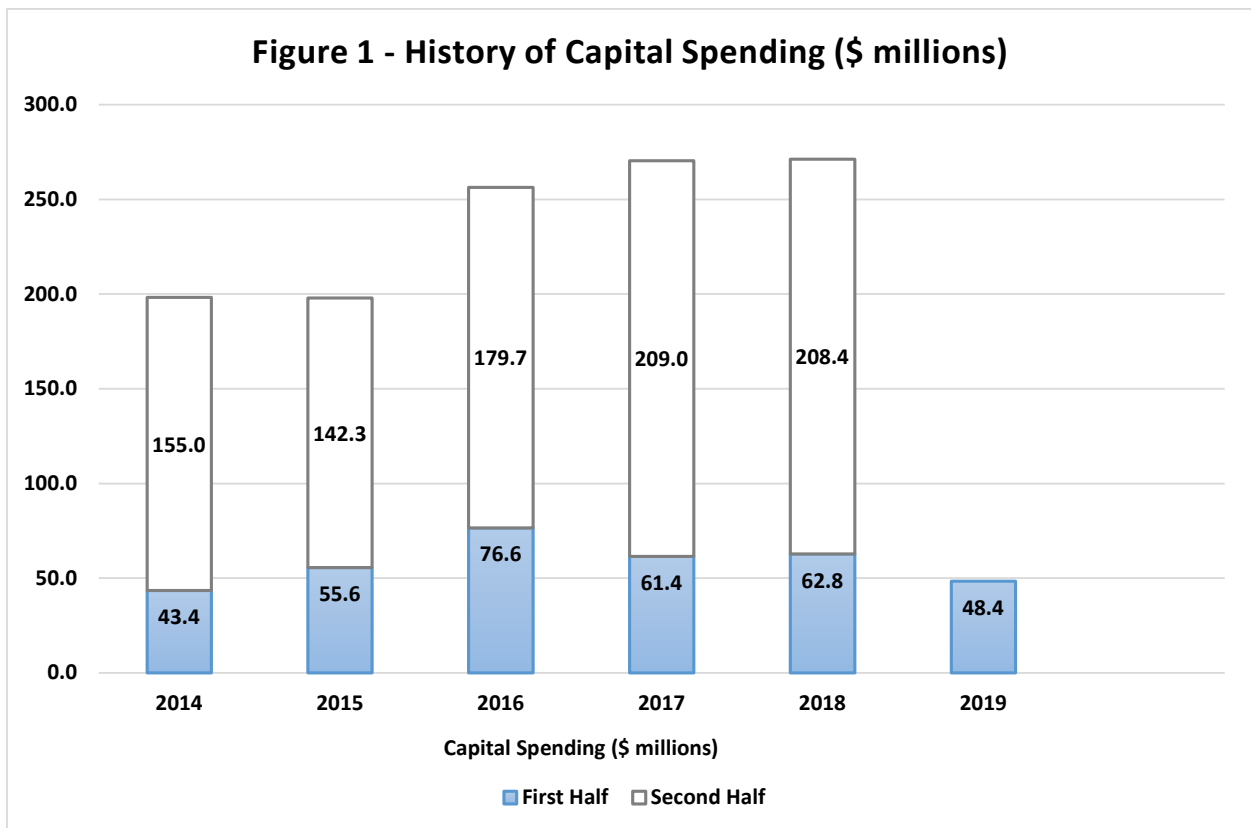
On May 12, 2015, Council approved a Multi-Year Budget Policy. Included in the policy is authorization for the City Treasurer or designate to make adjustments considered "housekeeping" in nature. These adjustments do not have a material impact on the capital plan. Reporting housekeeping budget adjustments of significance through the budget monitoring process, which occurs twice per year, allows more timely disclosure of capital budget adjustments to Council and the community, better reflects operational requirements and keeps the capital budget in a more current state. There are no significant housekeeping budget adjustments to report for the first half of 2019.

CAPITAL CASH FLOW

Capital spending in a given year is not the same as the capital budget for that year. Spending on capital projects can extend several years after the budget is approved by Council. Spending within a given year is therefore a layering of several capital projects approved in various years and at various stages.

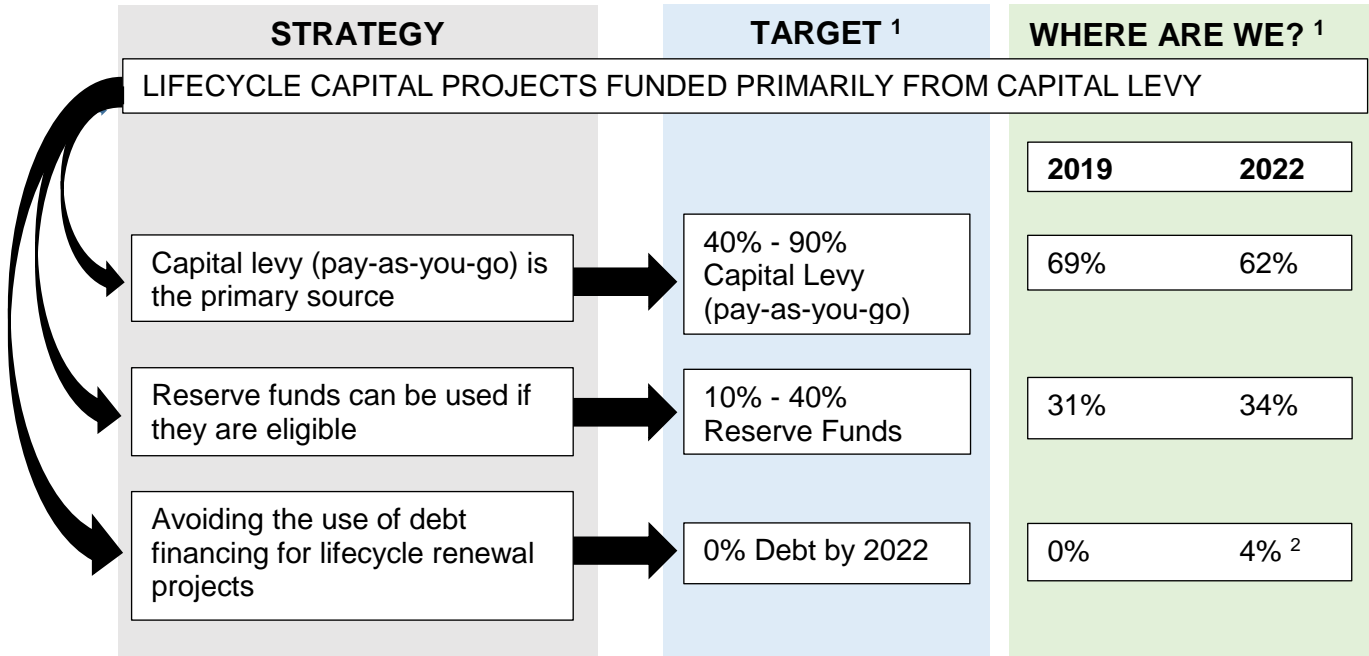
In any given year, total capital spending tends to be greater during the latter part of the year as construction invoices are received, approved and paid. As of June 30, 2019 **total capital spending was \$48.4 million** compared to \$62.8 million in 2018 (Figure 1). This variance relates to the cyclical nature of capital spending that is continuously monitored to gauge potential short and long term cash flow impacts. Civic Administration has identified capital projects in various states of planning or nearing completion that contributed to this low first half result. These amounts represent capital spending for the Tax Supported Budget, Wastewater & Treatment Rate Supported Budget and Water Rate Supported Budget.

This information is important for the timing of debt issuances, reserve fund drawdowns and cash flow investment decisions.



CAPITAL BUDGET FINANCING STRATEGIES – CAPITAL LEVY

The overarching capital financing strategy for capital levy, also referred to as pay-as-you-go financing, is to first apply this funding source to lifecycle renewal capital budgets as the purpose of projects in this classification is to maintain existing infrastructure. Administrative targets have been established, consistent with the overarching strategy and Council approved Capital Budget and Financing Policy, as follows:



(1) Targets apply to the tax/rate supported component only. Non-tax/rate funding (e.g. Federal gas tax, one-time senior government funding) fluctuates based on project mix and program guidelines, beyond the control of Civic Administration.

(2) It is Civic Administration's goal to eliminate the 4% of debt financing presently contained within the 2022 lifecycle renewal capital budget by applying financial management strategies included in the Council approved Capital Budget and Financing Policy. This metric has increased from 1% reported in the 2018 Year-End Capital Monitoring report due to approval of the Victoria Bridge project.

CAPITAL BUDGET FINANCING STRATEGIES – RESERVE FUNDS

Discretionary reserve funds are primarily used as a source of financing for lifecycle renewal and service improvement projects where appropriate reserve funds and sufficient balances exist. Obligatory reserve funds are primarily used as a source of financing for growth projects.

Obligatory and discretionary reserve funds are categorized as follows:

OBLIGATORY

- 1) **City Services Development Charges (DC)** – dictated by the DC by-law
- 2) **Parkland** – cash-in-lieu of parkland dedication through the Parkland Conveyance and Levy By-law (CP-9) according to the Planning Act (Section 51.1)
- 3) **Federal Gas Tax** – funds received under the Municipal Funding Agreement for Transfer of Federal Gas Tax Revenues

DISCRETIONARY

- 1) **Capital Asset Renewal and Replacement** – to support renewal and replacement of existing assets
- 2) **Capital Asset Growth** – to support Development Charges incentive programs and Industrial Land Development Strategy
- 3) **Specific Projects and New Initiatives** – to support specific planned projects (e.g. economic development, affordable housing, community improvement grants and loans)
- 4) **Contingencies/Stabilization and Risk Management** – to provide contingency funding for specific risk areas

Obligatory and discretionary reserve funds are controlled by municipal by-laws and the City's Reserve and Reserve Fund Policy.

RESERVES & RESERVE FUNDS – NOTEWORTHY DEVELOPMENTS

Capital Asset Renewal and Replacement Reserve Fund Report

Civic Administration presented the Reserve Rationalization Report at the September 25, 2018, Corporate Services Committee meeting (agenda item #2.2). This report aligned the City's reserves portfolio with the Council approved Reserve and Reserve Fund Policy. The recommendations of that report established target balances for each reserve and created administrative efficiencies by condensing the number, and standardizing the structure, of the City's reserve portfolio.

Presently, Civic Administration is undertaking a similar exercise focusing on the City's capital asset renewal and replacement (CARR) reserve funds. These reserve funds help address the City's infrastructure gap and are a significant source of financing for the capital budget. The recently approved 2019 Corporate Asset Management Plan (Strategic Priorities and Policies Committee, August 26, 2019 meeting, agenda item #4.3) will be incorporated into the analysis of the CARR reserve funds and ultimately the recommendations included in the CARR reserve fund report.

Special Projects & New Initiatives and Contingencies/Stabilization & Risk Management Reserves and Reserve Funds

At its meeting on July 30, 2019, Council resolved:

That the following actions be taken with respect to the review of City of London services for potential reductions and eliminations:

- a) the staff report dated July 29, 2019 detailing the cost savings and avoidance initiatives ongoing and recently undertaken by the City of London BE RECEIVED for information; and
- b) the following specific areas BE CONSIDERED for further review for potential service reductions and eliminations:
 - i) the Downtown and Industrial CIPs, with consideration for a reduced level of subsidy;
 - ii) Information Technology, with a report back with a summary of past initiatives and potential future review tools; and,
 - iii) a review of reserve funds with uncommitted balances, (excluding capital asset renewal/replacement funds, and capital asset growth funds) for an analysis of funding contributions to those funds where the annual contributions from the tax levy may be scaled back;

To address clause b) i) and iii) of the above resolution Civic Administration is preparing a report with respect to the identified reserve and reserve fund tax supported contributions expected to impact the City's next four year budget. This report will be brought forward in fall 2019 prior to tabling the 2020-2023 Multi-Year Budget, which is scheduled for December 9, 2019.

CAPITAL BUDGET FINANCING STRATEGIES – DEBT

A summary of the projected debt levels for 2019 is detailed in Table 4.

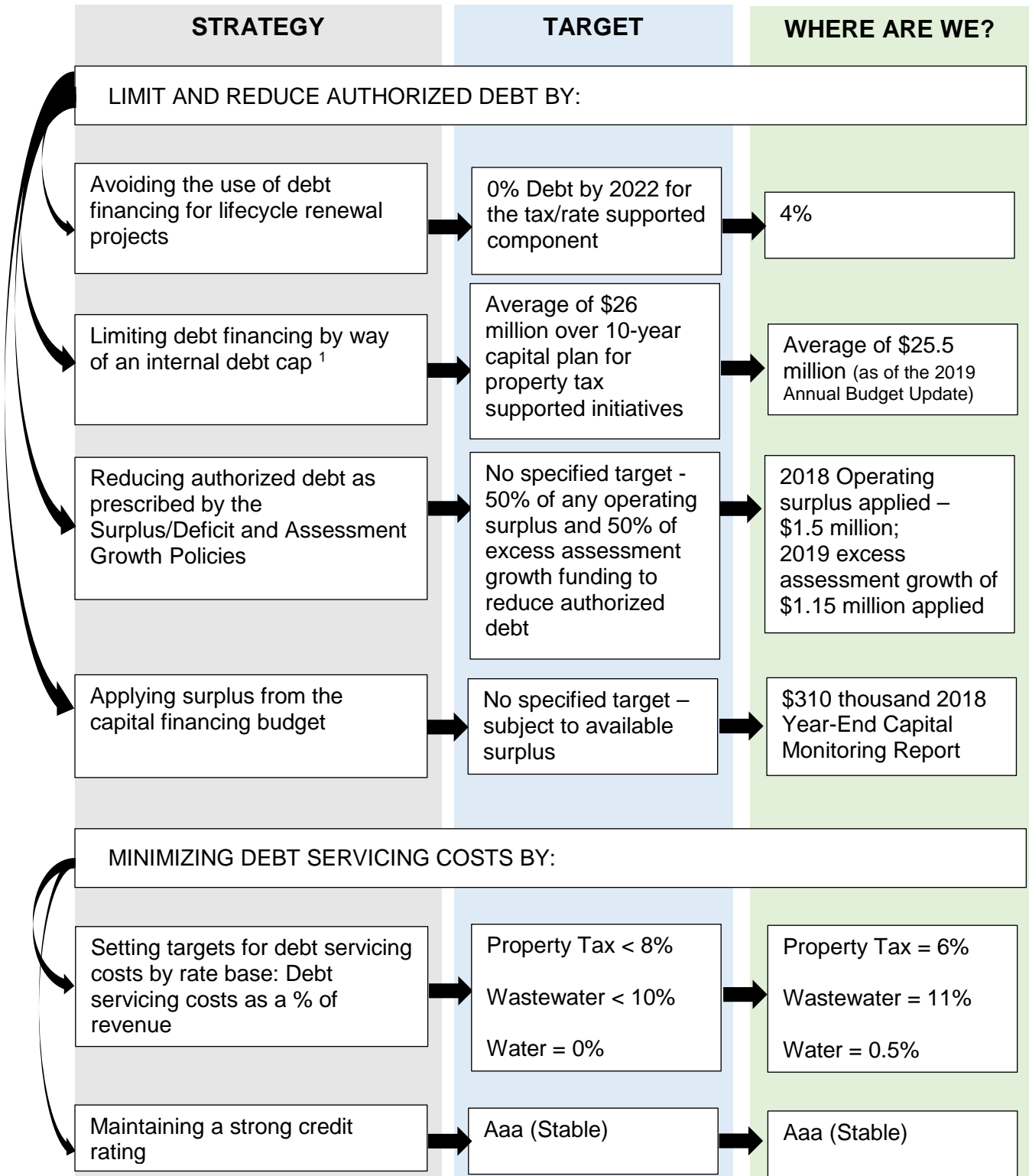
Table 4 – 2019 Debt Level as of June 30, 2019 (\$519.6 millions)

| Category | Dec 31, 2018 | Issued in 2019 | Retired in 2019 | Dec 31, 2019 ⁽¹⁾ | Authorized 2019 | Total Potential |
|-----------------------------------|--------------|----------------|-----------------|-----------------------------|-----------------|-----------------|
| General Property Taxes | 163.4 | 22.8 | 30.4 | 155.8 | 91.6 | 247.4 |
| Wastewater | 50.3 | - | 8.7 | 41.7 | 4.0 | 45.7 |
| Water | 1.2 | - | 0.3 | 0.9 | - | 0.9 |
| Rate Supported Reserve Funds | 14.6 | - | 4.3 | 10.2 | 4.4 | 14.6 |
| Subtotal | 229.5 | 22.8 | 43.7 | 208.6 | 100.0 | 308.6 |
| Joint Water Boards - City's Share | 14.4 | - | 2.2 | 12.3 | 2.4 | 14.7 |
| City Services Reserve Funds | 61.0 | 26.6 | 8.0 | 79.6 | 116.6 | 196.3 |
| Total Debt Level | 305.0 | 49.4 | 53.9 | 300.5 | 219.1 | 519.6 |

* Amounts subject to rounding.

(1) Outstanding debt level is subject to completion of 2019 financial statement audit.

The City's Debt Management Policy was approved by Council on August 30, 2016. The policy establishes strategies for the management of the City's debt program. These strategies are outlined below.



(1) As part of the 2020-2023 Multi-Year Budget development Civic Administration will review the reasonability of the internal debt cap and report findings in the tabled 2020-2023 MYB cerlox.

EMERGING ISSUES

Table 5 below provides information on emerging issues that may impact the capital budget in 2019 and beyond.

Table 5 – Emerging Capital Budget Issues

| Emerging Issue Description | Likelihood of Impact on 2019 and Beyond Budget ⁽¹⁾ |
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| Property Tax | |
| <p>Approved Infrastructure Funding</p> <p>On March 26, 2019, City Council approved a list of ten transit projects, including three of the five corridors included in the Rapid Transit business case, to be submitted to the provincial and federal governments for funding.</p> <p>The City of London recently received confirmation of federal and provincial funding to proceed with ten transit and transit-supportive projects worth \$375 million that City Council submitted for funding consideration earlier this year. On August 23, 2019, the Government of Canada pledged \$123.8 million to the projects after the Government of Ontario promised \$103.1 million on June 25, 2019. The balance of funding, approximately \$148 million, will come from municipal and other sources.</p> <p>In the near future, the City will confirm municipal funding sources that will include development charges as well as various other property tax-supported funding sources. Civic Administration is working with Federal and Provincial partners to secure the formal Transfer Payment Agreement and a report will be presented for Council's approval.</p> <p>To qualify for federal and provincial funding projects had to demonstrate they could improve the capacity of public transit, the quality and/or safety of transit, or access to public transit. The ten projects listed below include Rapid Transit elements, improvements to key intersections, and enhanced connections for cycling and other forms of active transportation.</p> <ol style="list-style-type: none"> 1. Downtown Loop 2. East London Link 3. Wellington Gateway 4. Expansion Buses 5. Bus Stop Amenities 6. Intelligent Traffic Signals 7. Adelaide Street Underpass Active Transportation Connections 8. Dundas Place Thames Valley Parkway Active Transportation Connection 9. Dundas Street Old East Village Streetscape Improvements 10. Oxford Street / Wharncliffe Road Intersection Improvements <p>Many of the projects, all part of the City's Transportation Master Plan, are shovel-ready and construction could begin on some of the projects as early as 2020.</p> <p>The remaining two Rapid Transit corridors not yet submitted for funding have been referred to future discussions. Approximately \$143 million of the original \$370 million of senior government funding included in London's Rapid Transit capital budget remains available to support discussions regarding future transit projects.</p> | High |
| <p>Federal Gas Tax</p> <p>On March 27, 2019, the Federal Government confirmed a one-time transfer of \$2.2 billion through the Federal Gas Tax program to address municipal infrastructure deficits, doubling the Federal Government's commitment to municipalities in 2019–20. In July 2019, the City of London received \$23.3 million in Federal Gas Tax from this one-time transfer. The Association of Municipalities of Ontario is working with the Federal Government to encourage the Government to make this commitment permanent.</p> | High |

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| <p>In May 2019, Municipal Council approved \$4.5 million of this one-time funding to install the Organic Rankine Cycle Equipment at the Greenway Wastewater Treatment Plant. This allocation leaves approximately \$19 million of one-time Federal Gas Tax that can be allocated to other strategic capital priorities during the upcoming multi-year budget process.</p> | |
| <p>Corporate Asset Management Plan</p> <p>On August 26, 2019, the 2019 Corporate Asset Management Plan (AMP) was presented to Council's Strategic Priorities and Policy Committee. The Corporate AMP showed that the City of London owns and maintains assets with a replacement value of approximately \$20.1 billion and that the City manages its infrastructure to keep it in generally 'Good' condition. The report also highlights that over the next decade, the City of London plans to invest in excess of \$1.4 billion to address the lifecycle needs of its infrastructure. The City's current infrastructure gap is approximately \$168 million and it is forecasted to grow to roughly \$568.8 million over the ten year AMP period (2018-2027).</p> <p>The 2019 Corporate AMP proposes to explore opportunities to address the infrastructure gap through different financial strategies, including pursuing funding from external sources; updating the Water and Wastewater 20 Year Financial Plans; incorporating reinvestment rate concepts through assessment growth and service improvement business cases in the 2020-2023 Multi-Year Budget; and continuing to utilize one-time funding to address the gap.</p> | <p>High</p> |
| <p>Other Infrastructure Funding</p> <p>The Investing in Canada Infrastructure Program (ICIP) is a cost-shared infrastructure funding program between the federal government, provinces and territories, and municipalities and other recipients. This program includes up to \$30 billion in combined federal, provincial and other partner funding under four priority areas, including the Public Transit Infrastructure Stream (as discussed above) and the Community, Culture and Recreation Stream.</p> <p>The on-line application process for the Community, Culture and Recreation stream opened on September 3, 2019, and will remain open until November 12, 2019. Approximately \$407 million in federal funding and \$320 million in provincial funding will be available for the Community, Culture and Recreation stream over ten years to support community infrastructure priorities across the province. Community infrastructure is defined as publicly accessible, multi-purpose spaces that bring together a variety of different services, programs and/or social and cultural activities to reflect local community needs. Civic Administration is currently assessing opportunities to access this funding.</p> | <p>Medium</p> |
| <p>Capital Planning Impacts from Cancelled Provincial Funding</p> <p>The new Provincial government cancelled a number of funding programs for municipalities that were supported by Cap and Trade revenues. For London, this impacted programs to save on fuel costs, utilize landfill gas and provide upgrades to social housing infrastructure. Where possible, these initiatives will be brought forward to Council through direct reports, or as part of the 2020-2023 Multi-Year Budget, with revised scope and/or alternative funding strategies.</p> | <p>Medium</p> |
| <p>Tariffs on Steel and Aluminum</p> <p>On May 17, 2019, Canada and the United States reached an understanding <u>to eliminate</u> all tariffs on steel and aluminum that were implemented in June 2018 (previously 25% on imports of Canadian steel and 10% on imports of Canadian aluminum). Preliminary analysis completed in 2018 indicated that the estimated impact of steel and aluminum tariffs on the City of London could be close to \$10 million over the next five years for purchases of fleet vehicles and equipment (including Fire and Police), new and refurbished facilities and transportation or pathway projects that include bridges. This will result in significant cost avoidance for the City.</p> | <p>Low</p> |

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| <p>Fleet Fuel and Oil Storage Tanks Replacements</p> <p>Recent adverse results from cathodic testing have confirmed that several fuel and oil storage tanks are at end of life and require replacement at A.J.Tyler and Adelaide North Operations Centres. These tanks are in excess of thirty years old and are steel single wall tanks which need to be replaced to meet regulatory compliance. Failing cathodic protection increases the risk of tank rusting and structural integrity failure. Replacement is recommended by our fuel station maintenance vendor Phoenix Petroleum Ltd., their engineering consultant (NACE Engineering) and the Technical Standards and Safety Authority (TSSA).</p> <p>To resolve this matter Fleet has been working closely with Phoenix Petroleum Ltd., NACE Engineering and the TSSA to determine the capital works requirements. Once finalized a Source of Financing report will be presented to the Civic Works Committee in the fall of 2019.</p> | High |
| Wastewater & Water | |
| <p>Corporate Asset Management Plan</p> <p>On August 26, 2019, the 2019 Corporate Asset Management Plan (AMP) was presented to Council's Strategic Priorities and Policy Committee. The Corporate AMP showed that the City of London owns and maintains assets with a replacement value of approximately \$20.1 billion and that the City manages its infrastructure to keep it in generally 'Good' condition. However, it also concludes that over the next decade, the City of London projects spending in excess of \$1.4 billion to address the lifecycle needs of the assets. The current infrastructure gap is approximately \$168 million and it is forecasted that the infrastructure gap will grow to roughly \$568.8 million over the cumulative 10 year period from 2018-2027.</p> <p>The 2019 Corporate AMP proposes to explore opportunities to address the infrastructure gap through different financial strategies, including pursuing funding from external sources; updating the Water and Wastewater 20 Year Financial Plans; incorporating reinvestment rate concepts through assessment growth and service improvement business cases in the 2020-2023 Multi-Year Budget; and continuing to utilize one-time funding to address the gap.</p> | High |
| <p>Climate Change Adaptation Strategy (Flood Proofing and Protection) (Wastewater)</p> <p>Flood proofing of several of the City's wastewater treatment plants and flood control dykes have been identified in the 2015-2019 Strategic Plan. It was anticipated that funding would be available as part of the Federal/Provincial infrastructure program; however, the application window for the next round of funding has been delayed by over one year. Alternative funding for upgrades to part of the West London dyke system was recently received, but if the federal/provincial program is not available, a strategy for addressing this need will be established as part of the multi-year budget process.</p> | Low |
| <p>Canada-Ontario Lake Erie Action Plan (Wastewater)</p> <p>The Great Lakes Water Quality Agreement requires the United States and Canada to reduce phosphorus levels that contribute to algal blooms in Lake Erie by 40% based on levels measured in 2008. The Thames River Watershed has been identified as a priority watershed. The final Canada-Ontario Lake Erie Action Plan was issued by the Federal government in February 2018. The plan includes a series of specific actions to be undertaken by the City of London that were endorsed by Council in Q4-2017. The timing and funding of these actions will be considered as part of the multi-year budget process. These actions are dependent on federal and provincial funding to proceed.</p> | Low |
| <p>Pollution Prevention and Control Plan (Wastewater)</p> <p>The Pollution Prevention and Control Plan is London's long-term strategy to identify, investigate, and reduce sewer system overflows. This plan includes \$290 million worth of projects to be implemented over a 20 year period. The timing and funding of these projects will be considered as part of the multi-year budget process.</p> | Low |

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| <p>East London Sanitary Servicing (Wastewater)</p> <p>The East London Sanitary Servicing Study identified a plan to provide growth wastewater servicing to east London at a cost of \$34 million to \$74.5 million. The timing and funding of these projects will be considered as part of the multi-year budget process.</p> | <p>Low</p> |
| <p>Core Area Servicing Studies (Wastewater and Water)</p> <p>The Core Area Servicing Studies provide a plan to provide servicing for intensification related development within the built out City. The plan includes \$176 million in stormwater and wastewater works with a City funded share of \$111 million and \$9 million in water works with a City funded share of \$600 thousand. The timing and funding of these projects will be considered as part of the multi-year budget process.</p> | <p>Low</p> |
| <p>Long-term Water Storage Environmental Assessment (Water)</p> <p>One of the City's key water storage reservoirs, the Springbank Reservoir 2, is nearing the end of its useful life. An environmental assessment has been completed and has recommend the construction of a new reservoir at an estimated cost of \$38.5M. The timing and funding of the projects identified in this plan will be considered as part of the multi-year budget process.</p> | <p>Low</p> |
| <p>Arva Huron Waterline (Water)</p> <p>The Arva-Huron Pipeline is the most critical supply of water into the City of London, supplying approximately 85% of water used by all customers. An environmental assessment is currently scheduled to determine the long-term strategy for replacing this key component of the City's water system. The timing and funding of the projects identified in this plan will be considered as part of the multi-year budget process.</p> | <p>Low</p> |

(1) Definition of Likelihood:

High – likelihood of the issue impacting the 2019 and beyond period is predicted to be greater than 60%.

Medium – likelihood of the issue impacting the 2019 and beyond period is predicted to be between 30% and 60%.

Low – likelihood of the issue impacting the 2019 and beyond period is predicted to be less than 30%.

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| CONCLUSION |
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Key items included in the 2019 Mid-Year Capital Monitoring Report include the following:

- The 2019 life-to-date capital budget:
 - \$1,441.2 million (69.9%) of the \$2,062.0 million 2019 life-to-date capital budget is committed, leaving \$620.8 million (30.1%) of approved capital funding uncommitted.
- \$ 61.5 million of capital budget adjustments as of June 30, 2019:
 - Tax Supported \$23.4 million,
 - Wastewater \$37.4 million, and
 - Water \$0.7 million.
- \$128.0 million of contracts were awarded in the first six months of 2019.
- Emerging issues were identified that may impact the capital budget in 2019 and beyond. Civic Administration will continue to monitor these issues and report back to Council and the community in a timely manner.

Acknowledgements

This report was prepared with significant contributions from Government Relations and Alan Dunbar, Marta Semeniuk and Lauren Pasma in Financial Planning & Policy.

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Appendix A - 2019 Capital Budget Activity (Life-To-Date June 30, 2019)

| SOF # | Date of Committee Award | Service | Description | Awarded Amount | Budget Adjustments Required |
|-----------------------|-------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------------------|
| Council Awards | | | | | |
| 19001 | 22-Jan | Transportation Services | Appointment of Consulting Engineers - Adelaide Street North/Canadian Pacific Railway Grade Separation | 2,482,755 | |
| 19002 | 22-Jan | Parks, Recreation & Neighbourhood Services | Consultant Services for Foxfield Park Development | 181,372 | |
| 19003 | 8-Jan | Water | Appointment of Consulting Engineers - Replacement/Relocation of Watermain on Pond Mills Road to Facilitate future Highway 401 Overpass at Pond Mills Road Structure Expansion | 110,341 | |
| 19004 | 8-Jan | Wastewater & Treatment | Greenway Sludge Tank Mixing System Pre-Purchase | 249,906 | |
| 19006 | 22-Jan | Transportation Services | Property Purchase - Bus Rapid Transit Project | 288,240 | |
| 19007 | 22-Jan | Transportation Services | Property Purchase - Bus Rapid Transit Project | 220,659 | |
| 19008 | 8-Feb | Water | Large Diameter Watermain Inspection | 1,647,729 | |
| 19009 | 5-Feb | Transportation Services | Environmental Assessment and Design Services - Dingman Drive East of Wellington Road to Highway 401 and Area Intersections | 438,914 | 388,200 |
| 19010 | 19-Feb | Wastewater & Treatment | Stormwater Management Facility (SWM) Land Acquisition Agreement | 626,219 | |
| 19011 | 5-Feb | Transportation Services | Property Purchase - Bus Rapid Transit Project | 302,709 | |
| 19012 | 20-Feb | Water | Sole Source Award - Acoustic Fiber Optic Monitoring Contract | 153,578 | |
| 19013 | 20-Feb | Wastewater & Treatment | Infrastructure Renewal Program - Cavendish Crescent and Mount Pleasant Avenue Phase 2 Reconstruction | 4,232,684 | 113,060 |
| 19013 | 20-Feb | Water | Infrastructure Renewal Program - Cavendish Crescent and Mount Pleasant Avenue Phase 2 Reconstruction | 347,147 | |
| 19014 | 20-Feb | Wastewater & Treatment | Infrastructure Renewal Program - Egerton Street, Brydges Street and Pine Street Phase 2 Reconstruction | 2,882,562 | 340,960 |
| 19014 | 20-Feb | Water | Infrastructure Renewal Program - Egerton Street, Brydges Street and Pine Street Phase 2 Reconstruction | 2,483,953 | |
| 19014 | 20-Feb | Transportation Services | Infrastructure Renewal Program - Egerton Street, Brydges Street and Pine Street Phase 2 Reconstruction | 889,706 | |
| 19015 | 20-Feb | Wastewater & Treatment | Infrastructure Renewal Program - Downtown Sewer Separation Phase 2 | 3,872,706 | 700,370 |
| 19015 | 20-Feb | Water | Infrastructure Renewal Program - Downtown Sewer Separation Phase 2 | 1,734,801 | |
| 19015 | 20-Feb | Transportation Services | Infrastructure Renewal Program - Downtown Sewer Separation Phase 2 | 1,740,561 | |
| 19016 | 19-Feb | Water | Subdivision Special Provisions - Eagle Ridge Subdivision Phase 2 | 40,297 | |
| 19016 | 19-Feb | Transportation Services | Subdivision Special Provisions - Eagle Ridge Subdivision Phase 2 | 165,201 | |
| 19016 | 19-Feb | Wastewater & Treatment | Subdivision Special Provisions - Eagle Ridge Subdivision Phase 2 | 983,801 | |
| 19016 | 19-Feb | Parks, Recreation & Neighbourhood Services | Subdivision Special Provisions - Eagle Ridge Subdivision Phase 2 | 111,253 | |
| 19017 | 19-Feb | Wastewater & Treatment | Subdivision Special Provisions - Sunninglea Subdivision | 39,709 | |
| 19017 | 19-Feb | Water | Subdivision Special Provisions - Sunninglea Subdivision | 18,970 | 9,267 |
| 19017 | 19-Feb | Transportation Services | Subdivision Special Provisions - Sunninglea Subdivision | 7,426 | |
| 19017 | 19-Feb | Parks, Recreation & Neighbourhood Services | Subdivision Special Provisions - Sunninglea Subdivision | 163,029 | |
| 19018 | 18-Mar | Transportation Services | Arterial Road Rehabilitation Contract No. 1 | 4,651,450 | |
| 19019 | 18-Mar | Wastewater & Treatment | Tree Pruning and Removal Services | 1,682,247 | |
| 19021 | 19-Mar | Corporate, Operational & Council Services | Single Source Procurement - Microfiche Digitalization MES Hybrid | 279,840 | 279,840 |
| 19023 | 18-Mar | Wastewater & Treatment | Appointment of Services - Dingman Creek Surface Water Monitoring Program | 571,968 | |
| 19025 | 18-Mar | Wastewater & Treatment | Infrastructure Renew Program - Avalon Street Reconstruction Phase 2 | 1,643,327 | 16,000 |
| 19025 | 18-Mar | Water | Infrastructure Renew Program - Avalon Street Reconstruction Phase 2 | 938,888 | |
| 19025 | 18-Mar | Transportation Services | Infrastructure Renew Program - Avalon Street Reconstruction Phase 2 | 978,173 | |
| 19027 | 18-Mar | Water | 2019 Watermain Cleaning and Structural Lining Tender | 6,776,728 | |
| 19028 | 18-Mar | Wastewater & Treatment | Detailed Design & Tendering of the Churchill Avenue Infrastructure Replacement Project | 230,588 | |
| 19028 | 18-Mar | Water | Detailed Design & Tendering of the Churchill Avenue Infrastructure | 230,588 | |
| 19030 | 2-Apr | Parks, Recreation & Neighbourhood Services | Tree Inventory Update | 526,099 | |
| 19038 | 16-Apr | Wastewater & Treatment | Colonel Talbot Sanitary Sewer and Forceman Installation | 6,516,959 | |
| 19039 | 2-Apr | Environmental Services | Material Recovery Facility Old Corrugated Cardboard Screen Upgrade | 140,416 | |
| 19040 | 16-Apr | Wastewater & Treatment | Supervision Engineering Services Award - Wistow Street Reconstruction | 149,704 | |
| 19040 | 16-Apr | Water | Supervision Engineering Services Award - Wistow Street Reconstruction | 149,704 | |
| 19041 | 16-Apr | Wastewater & Treatment | Infrastructure Renewal Program - Waterloo Street | 2,651,115 | 459,160 |
| 19041 | 16-Apr | Water | Infrastructure Renewal Program - Waterloo Street | 1,193,751 | |
| 19041 | 16-Apr | Transportation Services | Infrastructure Renewal Program - Waterloo Street | 153,305 | |
| 19042 | 16-Apr | Wastewater & Treatment | Budget Adjustment for Pincombe Drain Stormwater Management Facility #3 | | 935,200 |
| 19043 | 16-Apr | Wastewater & Treatment | Vauxhall WWTP Flood Protection - additional Dewatering costs | 117,024 | |
| 19044 | 16-Apr | Transportation Services | Accessible Pedestrian Signals Irregular Result | 219,039 | |
| 19048 | 16-Apr | Transportation Services | Appoint Consultant - Fanshawe Park Road & Richmond Street Intersection Improvements | 606,660 | |
| 19049 | 15-Apr | Wastewater & Treatment | Subdivision Special Provisions - Richardson Lands Phase 1A (Sifton) | 199,456 | |
| 19049 | 15-Apr | Transportation Services | Subdivision Special Provisions - Richardson Lands Phase 1A (Sifton) | 10,613 | |
| 19053 | 15-Apr | Water | Subdivision Special Provisions - Applewood Subdivision Phase 1B | 7,449 | 7,449 |
| 19053 | 15-Apr | Transportation Services | Subdivision Special Provisions - Applewood Subdivision Phase 1B | 12,743 | |
| 19054 | 16-Apr | Planning & Development Services | Request for Proposal - Lease of Commercial Space - Dundas Place Field House | 375,494 | 95,494 |
| 19055 | 16-Apr | Wastewater & Treatment | Vauxhall WWTP Flood Protection - Delay Claim by H.I.R.A. Limited | 661,440 | |
| 19057 | 16-Apr | Economic Prosperity | Industrial Land Purchase - 2497 Bradley Ave. | 4,474,643 | 4,297,219 |
| 19058 | 16-Apr | Corporate, Operational & Council Services | City of London/Western Fair Association Lands - Archaeological Study | 100,000 | 100,000 |
| 19069 | 14-May | Wastewater & Treatment | RFP- 19-19 Sanitary Siphon & Trunk Sanitary Sewer Inspection | 125,397 | |
| 19070 | 18-Jun | Wastewater & Treatment | UTRCA and CoL Flood Protection Projects | 813,063 | |
| 19071 | 14-May | Transportation Services | RFT19-60 Wilton Grove Road Reconstruction | 10,675,350 | 336,504 |
| 19071 | 14-May | Wastewater & Treatment | RFT19-60 Wilton Grove Road Reconstruction | 343,052 | |
| 19071 | 14-May | Water | RFT19-60 Wilton Grove Road Reconstruction | 873,212 | 42,225 |
| 19072 | 14-May | Wastewater & Treatment | Greenway WTP Organic Rankin Cycle Equipment Installation | 915,840 | 11,000,000 |
| 19075 | 28-May | Protective Services | Portable Radios for Fire Prevention Inspectors Working alone | 61,093 | |
| 19080 | 18-Jun | Wastewater & Treatment | T19-48 & T19-49 Dingman Creek Pumping Station Forceman Installation | 8,634,837 | |
| 19081 | 18-Jun | Corporate, Operational & Council Services | RFP19-22 CNG Rear Loading Waste Collection Trucks | 1,110,121 | |
| 19082 | 18-Jun | Wastewater & Treatment | Infrastructure Renewal Program - Appoint Consulting Engineers | 771,801 | |
| 19082 | 18-Jun | Water | Infrastructure Renewal Program - Appoint Consulting Engineers | 735,053 | |
| 19082 | 18-Jun | Transportation Services | Infrastructure Renewal Program - Appoint Consulting Engineers | 220,946 | |
| 19083 | 17-Jun | Wastewater & Treatment | Subdivision Special Provisions - Summerside Phase 13B (Drewlo) | 278,941 | |
| 19083 | 17-Jun | Parks, Recreation & Neighbourhood Services | Subdivision Special Provisions - Summerside Phase 13B (Drewlo) | 29,715 | |
| 19084 | 18-Jun | Wastewater & Treatment | Greenway Incinerator Refurbishment | 457,920 | |
| 19085 | 18-Jun | Transportation Services | Property Acquisition - Wharcliffe Rd Widening (99.5 Stanley St.) | 873,901 | |
| 19101 | 23-Jul | Wastewater & Treatment | Infrastructure Renewal: Oakridge Acres Phase III | 161,986 | 36,000 |

Appendix A - 2019 Capital Budget Activity (Life-To-Date June 30, 2019)

| SOF # | Date of Committee Award | Service | Description | Awarded Amount | Budget Adjustments Required |
|---------------------------------------------------------|-------------------------|-------------------------|-------------------------------------------------------------------|-------------------|-----------------------------|
| 19101 | 23-Jul | Water | Infrastructure Renewal: Oakridge Acres Pase III | 1,610,823 | |
| 19101 | 23-Jul | Transportation Services | Infrastructure Renewal: Oakridge Acres Pase III | 236,372 | |
| Subtotal Council Awards | | | | 91,595,062 | 19,156,948 |
| Council Approved Budget Adjustments | | | | | |
| | | Wastewater & Treatment | 2018 Year-End Monitoring Report Budget Adjustments ⁽¹⁾ | | (1,300,000) |
| | | Wastewater & Treatment | 2019 Development Charges Study Budget Adjustments | | 24,855,145 |
| | | Water | 2019 Development Charges Study Budget Adjustments | | 632,949 |
| | | Property Tax | 2019 Assessment Growth | | 2,446,776 |
| | | Property Tax | 2019 Development Charges Study Budget Adjustments | | 11,910,916 |
| | | Property Tax | Adjustments resulting from various Council approved reports | | 941,000 |
| Subtotal Council Awards & Budget Adjustments | | | | 91,595,062 | 58,643,734 |

| | Awarded Amount | Budget Adjustments Required |
|-------------------------------------------------------|-------------------|-----------------------------|
| Council Awards and Budget Adjustments | | |
| Property Tax Budget | 32,727,798 | 20,795,949 |
| Wastewater & Treatment Budget | 39,814,252 | 37,155,895 |
| Water Budget | 19,053,012 | 691,890 |
| Subtotal Council Awards and Budget Adjustments | 91,595,062 | 58,643,734 |

| Administrative Awards and Budget Adjustments ⁽²⁾ | | |
|--------------------------------------------------------------------|-------------------|------------------|
| Property Tax Budget | 23,786,558 | 2,631,972 |
| Wastewater & Treatment Budget | 8,730,453 | 259,685 |
| Water Budget | 3,877,109 | 0 |
| Subtotal Administrative Awards and Budget Adjustments | 36,394,120 | 2,891,657 |

| Total Council and Administrative Awards and Budget Adjustments | | |
|-----------------------------------------------------------------------|--------------------|-------------------|
| Property Tax Budget | 56,514,356 | 23,427,921 |
| Wastewater & Treatment Budget | 48,544,705 | 37,415,580 |
| Water Budget | 22,930,121 | 691,890 |
| Total | 127,989,182 | 61,535,391 |

Notes:

- 1) The budget adjustments presented in the 2018 Year-End Capital Budget Monitoring Report impact the 2019 LTD budget thus they are reflected as a Council approved budget adjustment.
- 2) Civic Administration source of financing awards are in accordance with the Procurement of Goods & Services Policy and are reported annually through that process. Budget adjustments include additional revenue from private drain connections and other non-tax supported funding sources.