



Council Report

Report Number: CA2022-012

Meeting Date: December 13, 2022

Title: **Early-Start Approval for Certain Proposed 2023 Capital Projects**

Description: This report recommends that Council provide early-start approval for certain proposed 2023 capital projects for which timely initiation and procurement are considered essential.

Author and Title: Adam Found, Manager of Corporate Assets

Recommendation(s):

That Report CA2022-012, **Early-Start Approval for Certain Proposed 2023 Capital Projects**, be received; and

That the proposed capital projects identified in Table 1 of Report CA2022-012 be approved as part of the 2023 Tax-Supported Capital Budget.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

As part of the budget preparation process, staff has identified certain proposed 2023 capital projects for which early-start approval is considered essential. These projects are outlined in Table 1 below, wherein proposed capital expenditures and associated financing are indicated.

Table 1: Proposed 2023 Capital Projects Requiring Early-Start Approval						
Project	Primary Treatment	Expenditure (\$)	Financing (\$)			
			Asset Mgt. Reserve	Public Works Fleet Reserve	Debenture	Total
Lindsay-Ops Landfill Cells 4 and 5 - Phase 3 of 4	Construction	3,422,000			3,422,000	3,422,000
Graders (2)	Replacement	1,178,000		1,178,000		1,178,000
Tractors (1)	Replacement	200,000		200,000		200,000
Landfill Compactors (1)	Replacement	1,300,000		1,300,000		1,300,000
Single-Axle Plow Trucks (3)	Replacement; Expansion	888,000	592,000	296,000		888,000
Tandem-Axle Plow Trucks (6)	Replacement	1,980,000		1,980,000		1,980,000
Water Tanks (4)	Replacement	160,000		160,000		160,000
Excavators (2)	Expansion	1,400,000	400,000	1,000,000		1,400,000
GPS Tracking Units (321)	Replacement	125,000		125,000		125,000
	Total	10,653,000	992,000	6,239,000	3,422,000	10,653,000

This report requests that Council provide early-start approval for the capital projects outlined in Table 1.

Rationale:

Each year, staff typically bring forward to Council a number of capital projects for which early-start approval is considered essential. Normally, capital budget deliberations occur in November, with early-start approval for selected capital projects being sought from Council in the preceding September. Due to the 2022 municipal election, however, the 2022 iteration of this report is instead coming to Council in December. Early-start approval for a capital project is typically considered essential for one or more of the following reasons, each representing a relatively high threshold:

1. Mitigate or prevent major service disruption or non-compliance with legislation, or a significant risk thereto.
2. Secure substantial grant funding, cost avoidance or efficiencies through timely project procurement, timely project commencement or orderly project sequencing.
3. Address other pressing and time-sensitive matters relating to capital projects proposed for the upcoming year.

Accordingly, decisions to propose capital projects for early-start approval are not taken lightly. Based on information received from City divisions, the following paragraphs rationalize early-start approval for the projects identified in Table 1 above.

Lindsay-Ops Landfill Cells 4 and 5 - Phase 3 of 4: Cells 4 and 5 of the Lindsay-Ops Landfill are the final cells to be constructed within the existing approved footprint of the landfill. Their construction is being phased in over time as needed to meet demand. With consumption of the second phase nearing capacity, construction of the third phase must commence in April-May 2023 to ensure continuance of landfill capacity and operation and to minimize conflict with other capital projects planned for 2023 at the landfill. To achieve that timing with adequate prudence, staff should procure the project no later than January, 2023. Without timely completion of this project, it is expected the landfill will be forced to close in late 2023 or early 2024.

Graders (2): Due to continued supply chain challenges, production and delivery of graders is taking 18 months or longer, giving rise to undue operating costs as Fleet Division struggles to maintain the existing aged units to be replaced. Expensive repairs are required to keep the existing units operable while replacement units are backordered. If the capital project is procured in spring 2023 instead of winter 2022-2023, Fleet Division expects its costs to increase by about 5.5% based on recent trends in inflation.

Tractors (1): The unit to be replaced is a 110HP tractor with brushing arm, which is one of eight tractors being proposed for replacement in 2023. Due to continued supply chain challenges, production and delivery of these units is taking 18 months or longer, giving rise to undue operating costs as Fleet Division struggles to maintain the existing aged units to be replaced. The subject unit has been heavily used and is well past its useful life. Fleet Division advises that, during 2020-2021, repair costs of this unit were approximately \$100,000, which represents about half the cost of replacement. In order to avoid such excessive repair costs and high rates of capital cost inflation, Fleet Division recommends that unit be replaced as soon as possible.

Landfill Compactors (1): Due to continued supply chain challenges, production and delivery of landfill compactors is taking 18 months or longer, giving rise to undue operating costs as Fleet Division struggles to maintain the existing aged units to be replaced. Expensive repairs are required to keep the existing units operable while replacement units are backordered. If the capital project is procured in spring 2023 instead of winter 2022-2023, Fleet Division expects its costs to increase by about 3.7% based on recent trends in inflation.

Single-Axle Plow Trucks (3) and Tandem-Axle Plow Trucks (6): The first of these projects is to replace one truck and acquire two others to internalize contracted plow routes, while the second is to replace six trucks. Due to continued supply chain challenges, production and delivery of these units is taking 18 months or longer, giving rise to undue operating costs as Fleet Division struggles to maintain the existing aged units to be replaced. Expensive repairs are required to keep the existing units operable while replacement units are backordered. Units ordered in the fall 2021 are still in production as a result of long lead times and lack of part availability. With cost increases between dates of order and delivery being applied at the latter time, such delays can result in cost increases of 10-15%. Having not received replacement units for over a year, Fleet Division advises that the City's plow truck fleet and operating resources are strained. With a multiyear procurement agreement now in place for such units, orders can be secured immediately following capital project approval.

Water Tanks (4): Due to continued supply chain challenges, production and delivery of water tanks is taking 18 months or longer, giving rise to undue operating costs as Fleet Division struggles to maintain the existing aged units to be replaced. Expensive repairs are required to keep the existing units operable while replacement units are backordered. With a multiyear procurement agreement now in place for such units, orders can be secured immediately following capital project approval.

Excavators (2): These excavators are required to implement Council's direction to internalize ditching and brushing services. Council has already earmarked \$1,000,000 in the Public Works Fleet Reserve for this project; the balance of \$400,000 is proposed to be drawn from the Asset Management Reserve. Due to continued supply chain challenges, production and delivery of excavators is taking 18 months or longer. If the capital project is procured in spring 2023 instead of winter 2022-2023, Fleet Division expects its costs to increase by about 5.0% based on recent trends in inflation.

GPS Tracking Units (231): Orders of GPS tracking units are experiencing long lead times and installation delays. If the units are received before spring due to early-start approval, they could be installed during the slow construction season so as to minimize the impact on operations and services.

Other Alternatives Considered:

The obvious alternative to the recommendation of staff is for Council to defer approval of the capital projects identified in Table 1 to regular capital budget deliberations, which are presently targeted for February 14-15, 2023. Staff advises against this option for the reasons previously noted.

Alignment to Strategic Priorities:

The recommendations of this report support responsible financial and asset management, and hence align with the strategic priority of “Good Government” identified in the City’s 2020-2023 Strategic Plan.

Financial/Operation Impacts:

The expected financial and operational impacts of not providing early-start approval for the capital projects identified in Table 1 are those previously noted.

Consultations:

CAO

Director of Public Works

Manager of Fleet

Department Head email: jrojas@kawarthalakes.ca

Department Head: Juan Rojas, Director of Engineering and Corporate Assets