

Date: 2023-10-31

Subject: **Capital Project Financial Status Report – Q3 2023**

Contact: Maja Kuzmanov, Sr. Manager Accounting Services/Deputy Treasurer, Finance

Report Number: Corporate Support Services-2023-982

Recommendations:

1. That the report from Maja Kuzmanov, Senior Manager Accounting Services/Deputy Treasurer to the Committee of Council Meeting of November 29, 2023 re. **Capital Project Financial Status Report – Q3 2023** be received;
2. That the Treasurer be authorized to amend budgets for Capital Projects listed in Schedule D of this report.

Overview:

- **The purpose of this report is to provide City Council with an update on the financial status of the City's Capital Program as at September 30, 2023.**
- **The City's Capital Program at September 30, 2023 included 595 (2022: 554) active capital projects with a total approved budget of \$2,889.8 million.**
- **\$1,265.7 million of the approved budget has been spent as of September 30, 2023.**
- **The remaining capital budget stands at \$1,624.1 million as at September 30, 2023. Of this amount, \$357.7 million has been committed through purchase orders (contracted work underway) for specific projects, leaving \$1,266.4 million (2022: \$885.7 million) not yet committed or spent.**
- **As in previous years, staff continues to review all active capital projects and return funds no longer required to their original funding sources as a measure to aid with the unspent capital. As of September 30, 2023, \$22.6**

million in unspent capital was returned to source or the budget commitment reduced.

- **Staff has identified additional \$16.7 million funding to be returned to source in preparation for the 2024 budget.**

Background:

The Capital Project Financial Status Report provides a financial update of the City's Capital Program that includes analysis compiled from submissions made by departments managing their various capital programs. This report keeps Council informed on the use of financial resources and supports senior leaders by providing information to assist with project oversight and delivery.

Although there are a number of methods used to measure progress in Capital Program delivery, level of spending on projects compared to the approved budget is one of the key performance indicator that is common to all projects. This information reported helps generate discussion at the senior levels of departments with responsibility for project delivery and to draw attention to project areas that might require course correction. It is not meant to replace comprehensive corporate project management and reporting.

Current Situation:

As of September 30, 2023, the City had 595 active projects each comprised of one or more activities with a total approved budget of \$2,889.8 million. The City has spent \$1,265.7 million towards completion of these projects, with \$1,624.1 million budget available to be spent in the coming years. Of this amount, \$357.7 million has been committed through purchase orders (contracted work underway) for various capital projects. This leaves \$1,266.4 million (2022: \$885.7 million) remaining in open capital projects not yet committed or spent.

Key projects comprising \$600.8 million (37.0%) of the unspent/uncommitted balance include:

- Transit Maintenance & Storage Facility - \$183.3 million
- Facility Electrification (Third Transit Facility) - \$150.0 million
- Centre for Education, Innovation and Collaboration - \$96.4 million
- Goreway Drive Widening - \$93.2 million
- Property Acquisition - \$77.9 million

Schedule A provides a summary, by department, of capital spending and the budget remaining, which includes all committed and remaining budgets.

Schedule B provides a list of the top 30 projects which has significant budget remaining.

Schedule C provides a detailed list of all open capital projects.

This report includes analysis of the following topics:

- Capital Budget Remaining
- Capital Projects with Significant Budget Remaining
- Annual Capital Spend
- Return of Financing and Budget Commitment Reduction

Capital Budget Remaining (Schedule A)

The total capital project budget remaining after commitments as of September 30, 2023, is \$1,266.4 million. This amount is \$380.7 million higher than the amount reported as at December 31, 2022 (\$885.7 million).

As demonstrated by the below table, 55% (\$691.3 million) of the total budget remaining before commitments is related to projects that were approved in 2022 and 2023. These figures show approved funding in each year approved capital budget in addition to in year budget amendments net of spent capital.

Project Approval Year					
2019 and prior	2020	2021	2022	2023	Total
155.5	85.6	334.0	124.4	566.9	1,266.4

Fundamental to understanding the causes of the unspent capital funds balance is the multi-year nature of large capital projects. To ensure that sufficient funds will be available to pay invoices throughout the life of a project, total funding has to be committed before a contract is awarded even though that funding may only be expended over several years.

The following schedule shows the year to date 2023 financial activities of the Capital Program.

	\$ Million
Remaining Budget before Commitments as at December 31, 2022	1,138.8
Less: 2023 Capital Spending	176.9
Less: 2023 Net Return of Financing and adjustments	26.0
Sub Total	935.9
Add: Council approved 2023 Capital Budget	498.9
Add: 2023 Budget Amendments	189.3
Remaining Budget before Commitments as at September 30, 2023	1,624.1
Less: Purchase Orders (contracted works underway)	357.7
Remaining Budget, Uncommitted as at September 30, 2023	1,266.4

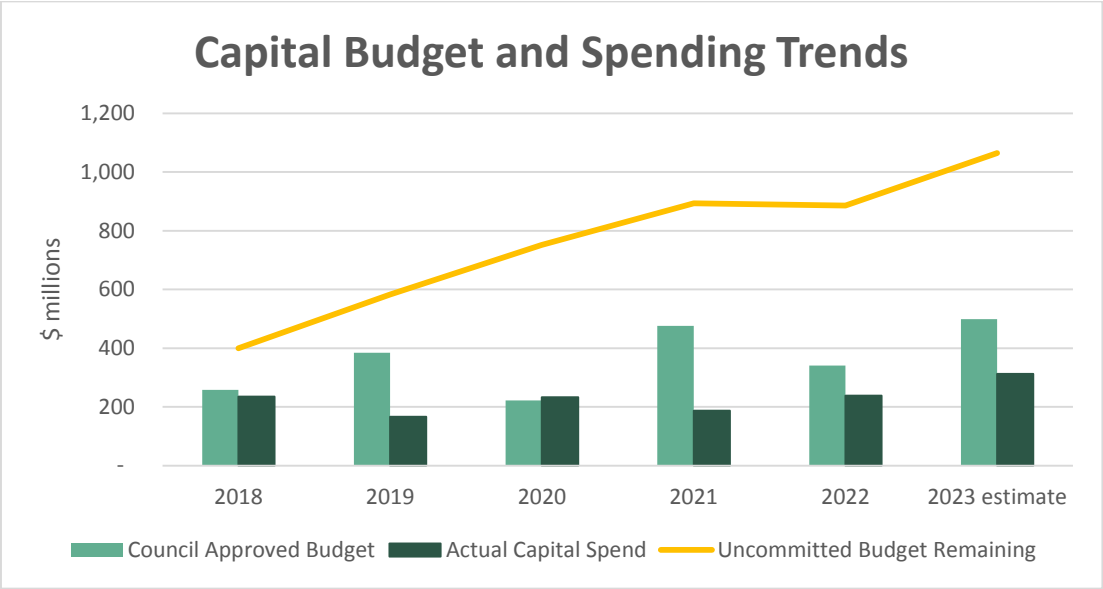
As demonstrated by the above table, a major driver of the increase in uncommitted budget remaining is the approval of the 2023 capital budget (\$498.9 million) of which \$210.0 million is related to electrification of Transit facilities.

In addition, contributing factors were budget amendments in the amount of \$189.3 million. Most significant being Property Acquisitions (\$101.0 million), Chris Gibson Recreation Centre (\$9.9 million) and Zero Carbon Retrofit of Susan Fennell Sportsplex (\$11.6 million).

As part of the Capital Program review, staff classified open projects into following categories:

Standard Recurring	Strategic & Council Priorities	Funding Advocacy Projects	Total
183.1	571.5	511.8	1,266.4

The following chart illustrates comparative trends between annual capital budget approvals, average capacity to spend and the unspent/uncommitted balance:



The 2023 estimate of Year-End Uncommitted Budget Remaining of \$1,064.4 million are a result of adjustments to reflect annual historical levels in addition to forecasted completion of significant property acquisitions approved by Council during 2023.

Capital Projects with Significant Budget Remaining (Schedule B)

For the purpose of this analysis, staff has identified 30 major Council approved capital projects, representing 73.2% (\$927.2 million) of the uncommitted budget of the Capital Program. All of these projects are progressing in various stages of the project lifecycle.

The status of the 30 major projects is as follows:

- 13 projects have an uncommitted budget of 90% or more.
- 1 projects was approved prior to 2017.
- Delivery status of the 30 projects
 - 8 of the projects are in construction stage
 - 9 are in various stages of planning and design
 - 3 projects are in the procurement stage
 - 8 projects are comprised of multiple activities in various stages of completion
 - 2 project is on hold pending third party funding

Annual Capital Spend:

The City forecasted through the 2023 budget process that it would achieve \$204.0 million in capital spending (cash flow) during the 2023 fiscal year. This includes 2023 spending on projects approved in the 2023 budget and open projects approved in prior years. Actual spending as at September 30, 2023 on all capital projects was \$176.9 million.

Following are major contributors to capital spending in 2023:

- Transit bus purchases and refurbishment
- Property acquisition
- Facility construction, repair and replacement (Fire Station 201, Balmoral Recreation Centre)
- Roads infrastructure (Cottrelle-Humberwest-Goreway, Remembrance Road, Street lighting LED Retrofit, Noise Walls, Torbram-CNR Grade Separation)
- New Neighborhood Parks

Return of Financing and Budget Commitment Reduction:

Staff meets quarterly to identify adjustments needed to existing projects, which may result in reallocation or return of funds.

As of September 30, 2023, \$22.6 million of funding has been returned to source or the budget commitment reduced and made available for future allocation to other priorities. Seventy Three (73) projects were determined complete and therefore closed and \$8.1 million of the budget remaining associated with these projects was returned to source. An additional \$14.5 million was returned to source for projects that remain active.

The following is summary of return of financing by source of funding (\$million):

Reserve #4	Development Charges	Canada Community Building Fund	GRS	Other	Total
9.1	8.0	2.9	1.5	1.1	22.6

The following is summary of return of financing by department (\$ million):

Corporate Support Services	Community Services	Other	Public Works	Planning, Building and EDO	Total
3.0	1.7	0.5	15.4	2.0	22.6

Staff has identified additional \$16.7 million funding to be returned to source in preparation for the 2024 budget. These additional projects are outlined in Schedule E of this report.

The following is summary of return of financing by source of funding (\$million):

Reserve #4	Development Charges	Canada Community Building Fund	GRS	Total
10.5	0.5	5.6	0.1	16.7

Corporate Implications:

Financial Implications:

\$22.6 million of capital funding has been returned to source through return of financing and budget amendments and is available for allocation to other priorities, subject to Council approval.

Other Implications:

The quarterly Capital Status report will serve to maintain focus on project delivery and as a tool to identify available financial resources to be reallocated to other City priorities.

Strategic Focus Area:

This report fulfils *Government & Leadership* Strategic Focus Area through strict adherence to effective financial management policies and ensuring transparent and accountable financial operations.

Conclusion:

This report provides Council with a financial status of the City’s Capital Program and contributes to improved management oversight of the City’s Capital Program. As of September 30, 2023, the City had spent \$1,265.7 million on the 595 open projects with a further \$1,266.4 million remaining yet to be committed or spent to deliver the projects.

Authored by:

Reviewed by:

Maja Kuzmanov
Senior Manager, Accounting
Services/Deputy Treasurer, Finance

Nash Damer
Treasurer, Finance

Approved by:

Submitted by:

Jason Tamming,
Acting Commissioner, Corporate
Support Services

Marlon Kallideen, Chief Administrative
Officer

Attachments:

- Schedule A** Capital Project Spending Summary
- Schedule B** Capital Projects with Significant Budget Remaining
- Schedule C** Open Projects Analysis
- Schedule D** Budget Amendments, Reallocations and Projected Return of Funding
- Schedule E** Return of Financing