

Date: 2020/09/03

Subject: **Capital Project Financial Status Report – Q2 2020**

Secondary Title: Click or tap here to enter text.

Contact: Maja Kuzmanov, Manager, Accounting, Corporate Support Services (905) 874-2259

Report Number: Corporate Support Services-2020-128

Recommendations:

That the report titled **Capital Project Financial Status Report – Q2 2020** to the Committee of Council Meeting of September 23, 2020, be received.

That the Capital Program be amended for the following capital projects:

- Capital Project #093610.006 – Project Design (Goreway – Steeles to Brandon Gate): increase budget by \$250,000 (Reserve 137 – DC Roads) to align funding source with actual spending (new Region access road)
- Capital Project #094500.006 – Environmental Assessment (Sandalwood – McLaughlin – Heart Lake): increase budget by \$50,000 (Reserve 137 – DC Roads) to align funding source with actual spending (tree impact assessment)
- Capital Project #143380.001 – Humberwest Parkway Widening: increase budget by \$500,000 (Reserve 137 – DC Roads) to align funding source with actual spending
- Capital Project #167720.001 – Downtown Revitalization: increase budget by \$150,000 (Reserve 4 – Replacement of Assets) to align funding source with actual spending
- Capital Project #202770.002 – Traffic Controller Upgrade: increase budget by \$410,000 (Region Cost Recovery) to align funding source with actual spending (purchase and installation of traffic controllers)
- Capital Project #202790.00 – Traffic Signal Communication: increase budget by \$40,000 (Region Cost Recovery) to align funding source with actual spending (purchase of modems)

- Create new project Nurturing Neighborhoods Program – transfer \$120,000 funding (Reserve 4 – Replacement of Assets) from project #207001.001 – Planning Vision Implementation

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 June 30, 2020.
- The City's Capital Program at June 30, 2020 included 508 (2019: 450) active capital projects with a total approved budget of \$2.1 billion.
- \$1.2 billion of the approved budget has been spent as of June 30, 2020.
- The remaining capital budget stands at \$893.4 million as at June 30, 2020 (2019: \$752.9 million). Of this amount, \$163.0 million has been committed through purchase orders (contracted work underway) for specific projects, leaving \$730.4 million not yet committed or spent. The increase is primarily a result of the addition of the approved 2020 Capital Budget as well as budget amendments throughout 2020.
- Staff continues to review all active capital projects and return funds no longer required to their original funding sources. As such, \$5.5 million of funding has been returned and made available for future allocation to other priorities.
- KPMG has completed Phase 1 (pre-2016 capital project review) and presented their findings to City Council on June 24, 2020. As part of Phase 1 review, \$9.2 million of funding was identified to be returned to source and additional \$10.5 million to be reviewed for potential return.
- Subsequent to presenting their findings from Phase 1, KPMG initiated Phase 2 (capital project process review) of the engagement. Results of Phase 2 are anticipated to be reported to Council in November.

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 a key performance indicator that is common to all projects. The 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 detailed status reports project managers and project teams produce and use for their own day-to-day project management and reporting.

City Council also passed the following Resolution CW364-2019 at its September 25th, 2019 Council meeting: That staff be directed to develop a draft Terms of Reference to retain an external auditor reporting to Mayor and Council, in order to analyze the project management of the systemic capital project processes (including project planning and budgeting), with particular reference to those projects initiated pre 2016, and report back for Council's review and deliberation. KPMG has completed Phase 1 (pre-2016 capital project review) and presented their findings to City Council on June 24, 2020. As part of Phase 1 review, \$9.2 million of funding was identified to be returned to source and additional \$10.5 million to be reviewed for potential return.

Subsequent to presenting their findings from Phase 1, KPMG initiated Phase 2 of the engagement. As part of the Phase 2 review KPMG will:

- Review City's capital project management processes and procedures
- Assess alignment with industry best practices
- Make recommendations to enhance transparency and efficiency

Results of Phase 2 are anticipated to be reported to Council in November.

Current Situation:

As of June 30, 2020, the City had 508 active projects with a total approved budget of \$2.1 billion. The City has spent \$1.2 billion towards completion of these projects, with \$893.4 million (2019: \$752.9 million) budget available to be spent in the coming years. Of this amount, \$163.0 million has been committed through purchase orders (contracted work underway) for various capital projects. This leaves \$730.4 million remaining in open capital projects not yet committed or spent.

Key projects comprising \$288.7 million of the unspent/uncommitted balance include:

- Centre for Education, Innovation and Collaboration - \$159.4 million
- Bus Purchases - \$64.2 million
- Goreway Drive Widening - \$33.9 million
- Cottrelle Boulevard (Humberwest to Goreway)- \$31.2 million

Schedule A provides a summary, by department, of capital spending and the budget remaining, which includes all committed and remaining budgets. Schedule C provides a detailed list of all open projects with the same information.

This report includes analysis of the following topics:

- Capital Budget Remaining
- Top 30 Projects by Ward Reporting
- 2020 Capital Budget Analysis
- Capital Expenditure Forecast
- Return of Financing and Budget Commitment Reduction

Budget Remaining (Appendix A)

The total capital project budget remaining before commitments, through purchase orders, often referred to as unspent budget or money yet to be spent, as of June 30, 2020, is \$893.4 million. This amount is \$140.5 million higher than the amount reported as at December 31, 2019 (\$752.9 million). The increase is primarily a result of the addition of the approved 2020 Capital Budget as well as budget amendments throughout 2020. Most notable being Bus Purchases (\$51.9 million).

The unforeseen COVID-19 pandemic has resulted in some projects being delayed due to the shutdown which directly impacted project spending in Q2.

The following schedule shows the 2020 financial activities of the Capital Program.

	\$ Million
Remaining Budget before Commitments as at December 31, 2019	752.9
Less: 2020 Capital Spending	94.4
Less: 2020 Net Return of Financing and adjustments	5.5
Sub Total	653.0
Add: Council approved 2020 Capital Budget	221.9
Add: 2020 Budget Amendments	18.5
Remaining Budget before Commitments as at June 30, 2020	893.4

	\$ Million
Remaining Budget before Commitments as at June 30, 2020	893.4
Less: Purchase Orders (contracted works underway)	163.0
Remaining Budget, Uncommitted as at June 30, 2020	730.4

Top 30 Projects by Ward Reporting (Appendix B)

For the purpose of this analysis, staff has identified 30 major Council approved capital projects, representing 6% of the number of all open projects and 65% of the uncommitted budget of the Capital Program. All of these projects are progressing in various stages of project management.

The status of the 30 major projects is as follows:

- 14 projects have an uncommitted budget of 90% or more.
- 3 projects were approved prior to 2014, some with budget top-ups in recent years.
- Delivery status of the 30 projects
 - 8 of the projects are in construction stage
 - 13 are in various stages of planning, approval and design
 - 1 project is in the procurement stage
 - 3 project is in either the close-out, litigation or warranty stage
 - 5 projects are comprised of multiple activities in various stages of completion

2020 Capital Budget Analysis

Council approved a Capital Budget of \$221.9 million for 2020 and an additional \$18.5 million in budget amendments. The following Table provides an analysis of the 2020 Capital Budget spending to June 30, 2020 and it highlights that \$21.6 million of the approved \$240.4 million has been either spent or procured on a year to date basis.

2020 Capital Budget Spending to June 30, 2020

	\$ Million
Council Approved 2020 Capital Budget	221.9
2020 Budget Amendments	18.5
Less: YTD Spending Against 2020 Budget	4.9
Less: Purchase Orders Against 2020 Budget	16.7
2020 Capital Budget Remaining	218.8

Capital Expenditure Forecast:

The City forecasted through the 2020 budget process that it would achieve \$220.0 million in capital spending (cash flow) during the 2020 fiscal year. This includes 2020 spending on projects approved in the 2020 budget and open projects approved in prior years. Actual spending as at June 30, 2020 on all capital projects was \$94.4 million comprised of \$4.9 million related to the 2020 Capital Budget and \$89.5 million related to projects approved prior to 2020.

Following are major contributors to capital spending in 2020:

- Transit bus purchases and refurbishment
- Road construction and resurfacing
- Property acquisition
- Facility repair and replacement

Return of Financing and Budget Commitment Reduction:

As of June 30, 2020, \$5.5 million of funding has been returned to source or the budget commitment reduced and made available for future allocation to other priorities. 42 projects were determined complete and therefore closed and \$4.1 million of the budget remaining associated with these projects was returned to source. An additional \$1.4 million was returned to source for projects that remain active.

Following is summary of return of financing by department:

Corporate Support Services	Community Services	Fire	Public Works	Transit	Total
0.3	0.0	0.5	3.7	1.0	5.5

It is worth noting that ongoing capital project review has resulted in \$1.4 million being returned to Development Charges Reserve Funds and an additional \$0.6 million reduction in budget commitment.

Staff will continue to review the City's Capital Program regularly to determine which projects should remain open, with the goal of returning financing, that is no longer required for project completion, to the original funding sources (Reserve Funds).

Budget Amendments and Reallocations:

Budget amendments related to Capital Projects are required in order to reconcile overall funding for the projects as following:

- Capital Project #093610.006 – Project Design (Goreway – Steeles to Brandon Gate): increase budget by \$250,000 (Reserve 137 – DC Roads) to align funding source with actual spending (new Region access road)
- Capital Project #094500.006 – Environmental Assessment (Sandalwood – McLaughlin – Heart Lake): increase budget by \$50,000 (Reserve 137 – DC Roads) to align funding source with actual spending (tree impact assessment)
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Budget amendments requiring increase in funding are being off-set by funds returned funds through project closures.

Corporate Implications:

Financial Implications:

\$5.5 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 semi-annual 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 Plan:

This report achieves the Strategic Plan priority of Good Government by practicing proactive, effective and responsible management of finances, policies and service delivery and promotes transparency in the reporting of the City's financial affairs.

Term of Council Priorities:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable 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 June 30, 2020, the City had spent \$1.2 billion on the 508 open projects with a further \$730.4 million remaining yet to be committed or spent to deliver the projects.

KPMG has completed Phase 1 (pre-2016 capital project review) and presented their findings to City Council on June 24, 2020. As part of Phase 1 review, \$9.2 million of funding was identified to be returned to source and additional \$10.5 million to be reviewed for potential return.

Subsequent to presenting their findings from Phase 1, KPMG initiated Phase 2 (capital project process review) of the engagement. Results of Phase 2 are anticipated to be reported to Council in November.

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Attachments:

Schedule A Capital Project Spending Summary

Schedule B Capital Projects with Significant Budget Remaining

Schedule C Open Projects Analysis