

**Date:** 2021-08-30

**Subject:** **Capital Project Financial Status Report – Q2 2021**

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**Report Number:** Corporate Support Services-2021-994

**Recommendations:**

1. That the report titled **Capital Project Financial Status Report – Q2 2021**, to the Committee of Council Meeting of September 22, 2021, be received;
2. That the Treasurer be authorized to amend budget for Capital Projects listed in Schedule D of this report with no net impact on City budget.

**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, 2021.**
- **The City’s Capital Program at June 30, 2021 included 550 (2020: 484) active capital projects with a total approved budget of \$2.4 billion.**
- **\$1.2 billion of the approved budget has been spent as of June 30, 2021.**
- **The remaining capital budget stands at \$1.2 billion as at June 30, 2021 (2020: \$751.7 million). Of this amount, \$144.9 million has been committed through purchase orders (contracted work underway) for specific projects, leaving \$1.1 billion not yet committed or spent. The increase is primarily a result of the addition of the approved 2021 Capital Budget and budget amendments throughout 2021.**
- **Staff continues to review all active capital projects and return funds no longer required to their original funding sources. As such, \$9.9 million of funding has been returned and made available for future allocation to other priorities.**

- **As per Council direction, in 2020 KPMG reviewed City's open capital projects (pre-2016) as well as its project management practices. One of the key recommendations was the establishment of an enterprise-wide Project Management Office (PMO). Council subsequently approved \$390,000 in the 2021 operating budget to address KPMG's recommendation and included this initiative in their refreshed Term of Council Priorities.**

### **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 project management and the related reporting requirements.

As per Council direction, in 2020 KPMG reviewed City's open capital projects (pre-2016) as well as its project management practices. One of the key recommendations was the establishment of an enterprise-wide Project Management Office (PMO). Council subsequently approved \$390,000 in the 2021 operating budget to address KPMG's recommendation and included this initiative in their refreshed Term of Council Priorities. This function resides within Organizational Performance team reporting to the CAO and is responsible for leading the development, implementation and maintenance of corporate standards for the City's project management methodology, processes, tools and training within the Corporation, in order to ensure consistent results in the delivery of capital projects. This function will work collaboratively with corporate project and policy teams in establishing standardized governance, competency and related policies.

### **Current Situation:**

As of June 30, 2021, the City had 550 active projects with a total approved budget of \$2.4 billion. The City has spent \$1.2 billion towards completion of these projects, with \$1,206.2 million (2020: \$751.7 million) budget available to be spent in the coming years. Of this amount, \$144.9 million has been committed through purchase orders (contracted work underway) for various capital projects. This leaves \$1,061.3 million remaining in open capital projects not yet committed or spent.

Key projects comprising \$517.6 million (42.9%) of the unspent/uncommitted balance include:

- Transit Maintenance & Storage Facility - \$187.1 million
- Centre for Education, Innovation and Collaboration - \$129.9 million
- Fire Campus Design - \$37.9 million
- Bus Purchases - \$97.9 million
- Goreway Drive Widening - \$33.7 million
- Cottrelle Boulevard (Humberwest to Goreway)- \$31.1 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
- 2021 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, 2021, is \$1,206.2 million. This amount is \$454.5 million higher than the amount reported as at December 31, 2020 (\$751.7 million).

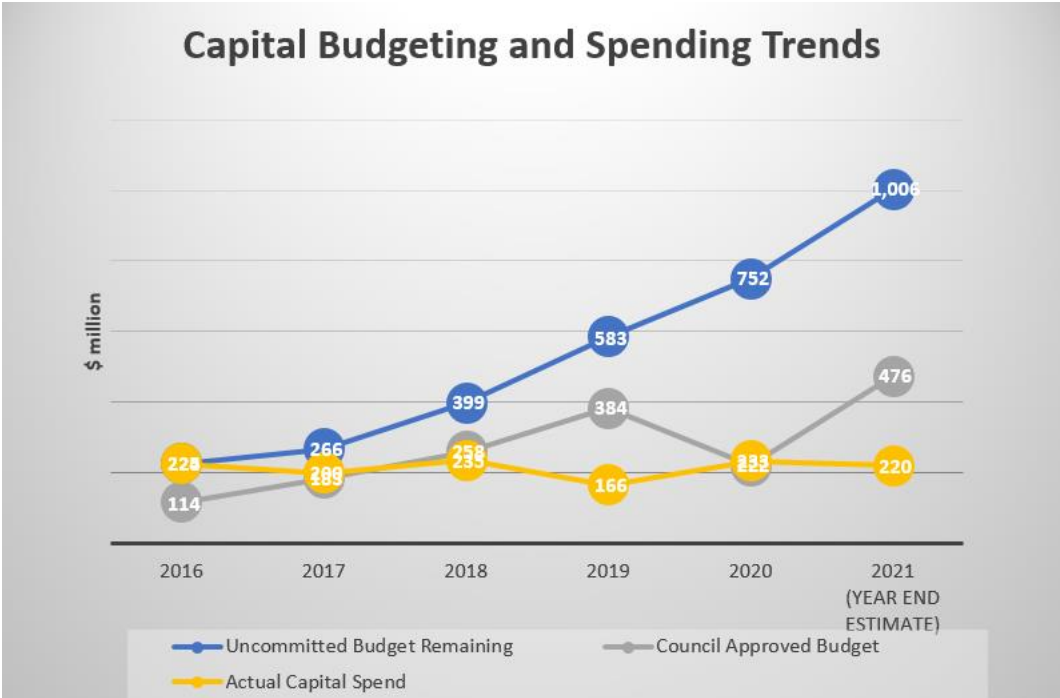
The following schedule shows the 2021 financial activities of the Capital Program.

	<b>\$ Million</b>
Remaining Budget before Commitments as at December 31, 2020	751.7
Less: 2021 Capital Spending	62.3
Less: 2021 Net Return of Financing and adjustments	9.0
<b>Sub Total</b>	<b>680.4</b>
Add: Council approved 2021 Capital Budget	475.6
Add: 2021 Budget Amendments	50.2

<b>Remaining Budget before Commitments as at June 30, 2021</b>	<b>1,206.2</b>
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	<b>\$ Million</b>
Remaining Budget before Commitments as at June 30, 2021	1,206.2
Less: Purchase Orders (contracted works underway)	144.9
<b>Remaining Budget, Uncommitted as at June 30, 2021</b>	<b>1,061.3</b>

Following is capital budgeting and spending trend analysis:



**Top 30 Projects by Ward Reporting (Appendix B)**

For the purpose of this analysis, staff has identified 30 major Council approved capital projects, representing 5% of the number of all open projects and 69% 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:

- 19 projects have an uncommitted budget of 90% or more.
- 1 projects was approved prior to 2015.
- Delivery status of the 30 projects
  - 7 of the projects are in construction stage
  - 13 are in various stages of planning, approval and design
  - 5 projects are in the procurement stage
  - no projects are in either the close-out, litigation or warranty stage
  - 5 projects are comprised of multiple activities in various stages of completion

### **2021 Capital Budget Analysis**

Council approved a Capital Budget of \$475.6 million for 2021 and an additional \$50.2 million in budget amendments. The following Table provides an analysis of the 2021 Capital Budget spending to June 30, 2021 and it highlights that \$40.4 million of the approved \$525.8 million has been either spent or procured on a year to date basis.

#### **2021 Capital Budget Spending to June 30, 2021**

	<b>\$ Million</b>
Council Approved 2021 Capital Budget	475.6
2021 Budget Amendments	50.2
Less: YTD Spending Against 2021 Budget	15.9
Less: Purchase Orders Against 2021 Budget	24.5
<b>2020 Capital Budget Remaining</b>	<b>485.4</b>

### **Capital Expenditure Forecast:**

The City forecasted through the 2021 budget process that it would achieve \$200.0 million in capital spending (cash flow) during the 2021 fiscal year. This includes 2021 spending on projects approved in the 2021 budget and open projects approved in prior years. Actual spending as at June 30, 2021 on all capital projects was \$62.3 million comprised of \$15.9 million related to the 2021 Capital Budget and \$46.4 million related to projects approved prior to 2021.

Following are major contributors to capital spending in 2021:

- Transit bus purchases and refurbishment
- Technology program
- Property acquisition
- Facility construction, repair and replacement

**Return of Financing and Budget Commitment Reduction:**

As of June 30, 2021, \$9.9 million of funding has been returned to source or the budget commitment reduced and made available for future allocation to other priorities. 53 projects were determined complete and therefore closed and \$6.2 million of the budget remaining associated with these projects was returned to source. An additional \$3.7 million was returned to source for projects that remain active.

Following is summary of return of financing by department:

Corporate Support and Legislative Services	Community Services	Fire	Public Works	Transit	Total
0.1	2.7	0.0	7.1	0.0	9.9

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).

**Corporate Implications:**

Financial Implications:

\$9.9 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.

## **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, 2021, the City had spent \$1.2 billion on the 550 open projects with a further \$1,206.2 million remaining yet to be committed or spent to deliver the projects.

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## **Attachments:**

- Schedule A** Capital Project Spending Summary
- Schedule B** Capital Projects With Significant Budget Remaining
- Schedule C** Open Projects Analysis
- Schedule D** Budget Amendments and Reallocations