

Date: 2022-03-29

Subject: **Capital Project Financial Status Report – Q4 2021**

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Report Number: Corporate Support Services-2022-172

Recommendations:

That the report titled **Capital Project Financial Status Report – Q4 2021**, to the Committee of Council Meeting of April 13, 2022, be received;

That the Treasurer be authorized to amend budgets for Capital Projects listed in Schedule D of this report with no net impact on the overall approved 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 December 31, 2021.**
- **The City’s Capital Program at December 31, 2021 included 490 (2020: 484) active capital projects with a total approved budget of \$2.2 billion.**
- **\$1.2 billion of the approved budget has been spent as of December 31, 2021.**
- **The remaining capital budget stands at \$1.0 billion as at December 31, 2021 (2020: \$751.7 million). Of this amount, \$138.1 million has been committed through purchase orders (contracted work underway) for specific projects, leaving \$892.7 million not yet committed or spent.**
- **The increase in unspent capital is largely driven by the addition of the approved 2021 Capital Budget and budget amendments throughout 2021.**

- **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 growing unspent capital. During this term of Council, \$183.3 million in unspent capital was returned including \$83.7 million in 2021.**
- **The return of capital process aims to consolidate the financial impacts of the decisions made by the project delivery departments to close projects and align approved funding with the capacity to deliver and latest project developments.**

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. 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 detailed status reports project managers and project teams produce and use for their own day-to-day project management and reporting.

Current Situation:

As of December 31, 2021, the City had 490 active projects with a total approved budget of \$2.2 billion. The City has spent \$1.2 billion towards completion of these projects, with \$1,030.8 million (2020: \$751.7 million) budget available to be spent in the coming years. Of this amount, \$138.1 million has been committed through purchase orders (contracted work underway) for various capital projects. This leaves \$892.7 million remaining in open capital projects not yet committed or spent.

Key projects comprising \$441.3 million (49.4%) of the unspent/uncommitted balance include:

- Transit Maintenance & Storage Facility - \$183.7 million
- Centre for Education, Innovation and Collaboration - \$91.8 million
- Bus Purchases - \$101.2 million
- Goreway Drive Widening - \$33.5 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 capital projects.

This report includes analysis of the following topics:

- Capital Budget Remaining
- Capital Projects with Significant Budget Remaining
- 2021 Capital Budget Analysis
- Annual Capital Spend
- Return of Financing and Budget Commitment Reduction

Budget Remaining (Schedule 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 December 31, 2021, is \$1,030.8 million. This amount is \$279.1 million higher than the amount reported as at December 31, 2020 (\$751.7 million).

As demonstrated by the below table, 52% (\$533.7 million) of the total budget remaining before commitments is related to projects that were approved in 2021. 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					
2017 and prior	2018	2019	2020	2021	Total
54.6	82.3	225.3	134.9	533.7	1,030.8

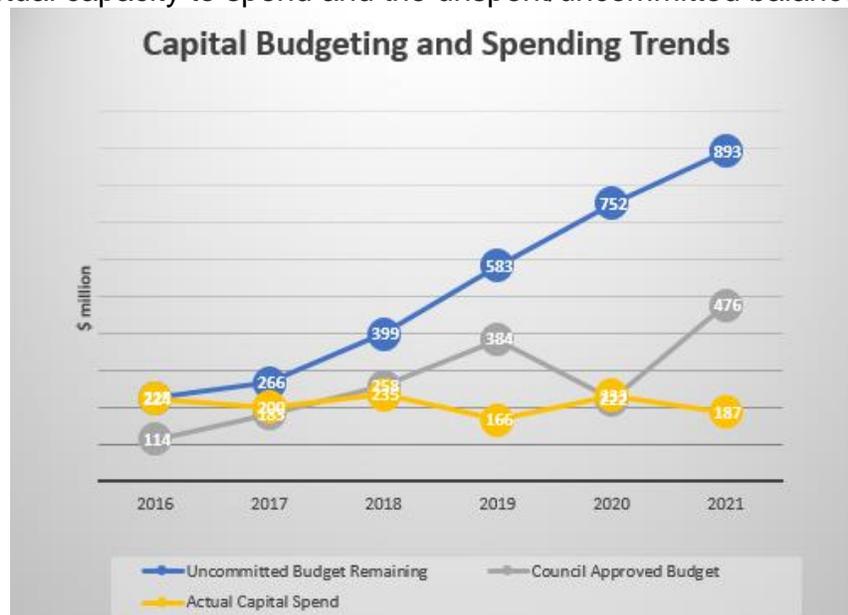
Fundamental to understanding the causes of the unspent capital funds balance is the multi-year nature of large capital projects. To ensure that sufficient funds will be available to pay invoices throughout the life of a project, total funding has to be committed before a contract is awarded even though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

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

	\$ Million
Remaining Budget before Commitments as at December 31, 2020	751.7
Less: 2021 Capital Spending	(187.0)
Less: 2021 Net Return of Financing and adjustments	(82.0)
Sub Total	482.7
Add: Council approved 2021 Capital Budget	475.6
Add: 2021 Budget Amendments	72.5
Remaining Budget before Commitments as at December 31, 2021	1,030.8
Less: Purchase Orders (contracted works underway)	(138.1)
Remaining Budget, Uncommitted as at December 31, 2021	892.7

As demonstrated by the above table, a major driver of the increase in uncommitted budget remaining is the approval of the 2021 capital budget (\$475.6 million) of which 37% (\$174.8 million) is related to the New Transit facility required to accommodate planned future growth.

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



Capital Projects with Significant Budget Remaining (Schedule B)

For the purpose of this analysis, staff has identified 30 major Council approved capital projects, representing 6.1% of the number of all open projects and 75.5% (\$674.4 million) 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.
- 1 projects was approved prior to 2015.
- Delivery status of the 30 projects
 - 6 of the projects are in construction stage
 - 16 are in various stages of planning, approval and design
 - 4 projects are in the procurement stage
 - 1 project is in either the close-out, litigation or warranty stage
 - 3 projects are comprised of multiple activities in various stages of completion

2021 Capital Budget Analysis

Council approved a Capital Budget of \$475.6 million in 2021 and an additional \$72.5 million in Council approved budget amendments. The following Table provides an analysis of the 2021 Capital Budget spending to December 31, 2021 and it highlights that \$79.8 million of the approved \$548.1 million has been either spent or procured on a year to date basis.

2021 Capital Budget Spending to December 31, 2021

	\$ Million
Council Approved 2021 Capital Budget	475.6
2021 Council Approved Budget Amendments	72.5
Less: YTD Spending Against 2021 Budget	(49.6)
Less: Purchase Orders Against 2021 Budget	(30.2)
2021 Capital Budget Remaining	468.3

Annual Capital Spend:

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 December 31, 2021 on all capital projects was \$187.0 million comprised of \$49.6 million related to the 2021 Capital Budget and \$137.4 million related to projects approved prior to 2021.

Following are major contributors to capital spending in 2021:

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

Return of Financing and Budget Commitment Reduction:

Staff conducts continuous reviews of the City's Capital Program to ensure available funding is being utilized timely and effectively as approved by Council. This process can result in project funding being returned and / or substituting alternative funding sources in order to maximize tax based capital contributions.

As of December 31, 2021, \$83.7 million of funding has been returned to source or the budget commitment reduced and made available for future allocation to other priorities. 104 projects were determined complete and therefore closed and \$31.8 million of the budget remaining associated with these projects was returned to source. An additional \$51.9 million was returned to source for projects that remain active. Note that included in this number is the \$69.1 return of financing forecasted in Q3 report.

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

Reserve #4	Development Charges	CIF	Cash in Lieu of Parkland	Other	Total
48.6	13.9	11.4	6.9	2.9	83.7

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

Corp. Supp. and Legislative Services	Community Services	Transit	Public Works	Planning, Building and EDO	Total
3.0	17.3	1.0	62.0	0.4	83.7

The following table shows annual capital returns in each of the past 4 years of this Council (\$ million):

Annual Return of Financing			
2018	2019	2020	2021
19.5	60.6	19.5	83.7

Corporate Implications:

Financial Implications:

In total in 2021, \$83.7 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.

On quarterly basis, housekeeping budget amendments related to Capital Projects are required in order to adjust overall funding for the projects resulting from external grant applications as well as various project scope and condition changes. As outlined in Schedule D of this report \$1.6 million draw from reserves is required to accommodate these amendments for Q4 of 2021. Any budget amendments requiring increase in funding are being off-set by returned funds through project closures.

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.

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 December 31, 2021, the City had spent \$1.2 billion on the 490 open projects with a further \$892.7 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, Reallocations and Projected Return of Funding