

Date: 2023-01-03

Subject: **Capital Project Financial Status Report - Q3 2022**

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Report Number: Corporate Support Services-2023-051

Recommendations:

That the report titled **Capital Project Financial Status Report – Q3 2022**, to the Committee of Council Meeting of February 1, 2023, be received;

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, 2022.**
- **The City’s Capital Program at September 30, 2022 included 584 active capital projects (490 as of Dec. 2021) with a total approved budget of \$2.5 billion.**
- **\$1.3 billion of the approved budget has been spent as of September 30, 2022.**
- **The remaining capital budget stands at \$1.23 billion as of September 30, 2022 (\$1.0 billion as of Dec. 2021). Of this amount, \$171.5 million has been committed through purchase orders (contracted work underway) for specific projects, leaving \$1.05 billion 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. During 2018-2022 term of Council, \$191.5 million in unspent capital was returned including \$8.2 million in first three quarters of 2022.

- **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.**
- **In December of 2022 Council endorsed a series of strategies and solutions to resolve the capital backlog and approach future capital projects: 1. Project Planning and Budget Strategies for Future Capital Requests; 2. Resource Planning and Forecasting; 3. Innovative Project Delivery Methods to Resolve Capital Backlog; 4. Procurement Approaches; and 5. Project Management Standards for Future Projects.**

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 indicators 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 September 30, 2022, the City had 584 active projects each comprised of one or more activities with a total approved budget of \$2.5 billion. The City has spent \$1.3 billion towards completion of these projects, with \$1.23 billion (2022: \$1.0 billion) budget available to be spent in the coming years. Of this amount, \$171.5 million has been committed through purchase orders (contracted work underway) for various capital projects. This leaves \$1.05 billion remaining in open capital projects not yet committed or spent.

Key projects comprising \$431.3 million (40.9%) of the unspent/uncommitted balance include:

- Transit Maintenance & Storage Facility - \$182.8 million
- Centre for Education, Innovation and Collaboration - \$91.5 million
- Goreway Drive Widening - \$91.5 million
- Chris Gibson Recreation Centre - \$34.9
- 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
- 2022 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 September 30, 2022, is \$1,225.2 million. This amount is \$194.4 million higher than the amount reported as at December 31, 2021 (\$1,030.8 million).

As demonstrated by the below table, 63% (\$775.1 million) of the total budget remaining before commitments is related to projects that were approved in 2021 and 2022. 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 (\$ million)					
2018 and prior	2019	2020	2021	2022	Total
114.0	218.5	117.6	454.9	320.2	1,225.2

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 2022 financial activities of the Capital Program.

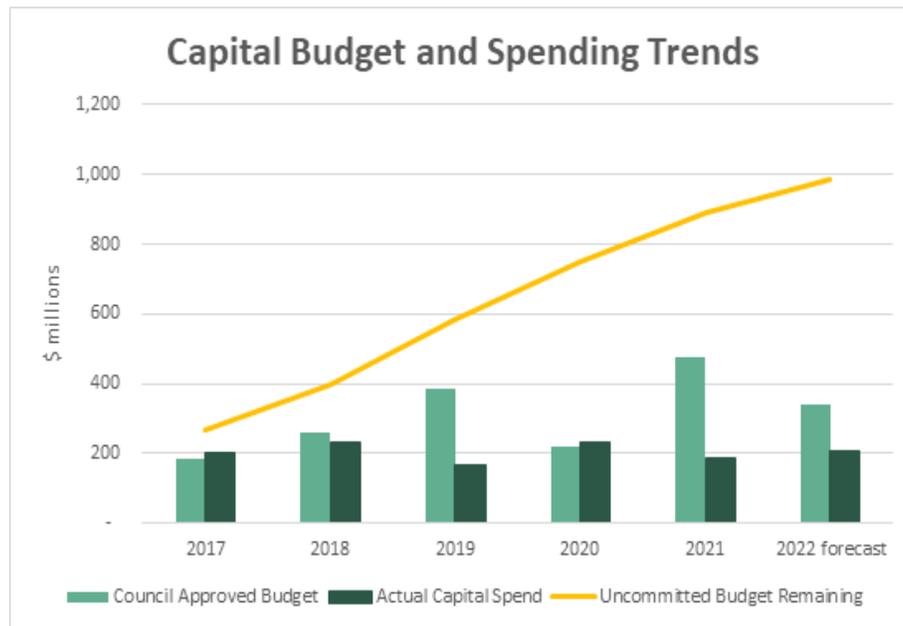
	\$ million
Remaining Budget before Commitments as at December 31, 2021	1,030.8
Less: 2022 Capital Spending	(147.7)
Less: 2021 Net Return of Financing and adjustments	(9.6)
Sub Total	873.5
Add: Council approved 2022 Capital Budget	340.7
Add: 2022 Budget Amendments	11.0
Remaining Budget before Commitments as at September 30, 2022	1,225.2
Less: Purchase Orders (contracted works underway)	(171.5)
Remaining Budget, Uncommitted as at September 30, 2022	1,053.7

As demonstrated by the above table, a major driver of the increase in uncommitted budget remaining is the approved 2022 capital budget (\$340.7 million) of which \$58.0 million is related to Goreway Road Widening and \$20.0 million to Embleton Community Centre.

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

Standard Recurring	Strategic & Council Priorities	Funding Advocacy Projects	Total (\$ million)
198.2	577.6	277.9	1,053.7

The following chart illustrates comparative trends between annual capital budget approvals, actual capacity to spend and the unspent/uncommitted balance. It shows a Q3 Year End (YE) forecast for 2022 of \$985.3 million:



Capital Projects with Significant Budget Remaining (Schedule B)

For the purpose of this analysis, staff has identified 30 major Council approved capital projects, representing 5.1% of the number of all open projects and 71.9% (\$757.3 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:

- 16 projects have an uncommitted budget of 90% or more.
- 1 projects was approved prior to 2016.
- Delivery status of the 30 projects
 - 6 of the projects are in construction stage
 - 6 are in various stages of planning and design
 - 6 projects are in the procurement stage
 - 10 projects are comprised of multiple activities in various stages of completion
 - 2 projects are on hold pending third party funding

Annual Capital Spend:

The City forecasted through the 2022 budget process that it would achieve \$211.0 million in capital spending (cash flow) during the 2022 fiscal year. This includes 2022 spending on projects approved in the 2022 budget and open projects approved in prior years. Actual spending as at September 30, 2022 on all capital projects was \$147.7 million comprised of \$13.2 million related to the 2022 Capital Budget and \$134.5 million related to projects approved prior to 2022.

Following are major contributors to capital spending in 2022:

- Transit bus purchases and refurbishment
- Property acquisition (Orangeville Railway lands)
- Facility construction, repair and replacement (Fire and Emergency Services Campus redevelopment, Fire Station 214, Fire Station 201, underground parking garage at Rose Theatre)

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 September 30, 2022, \$8.2 million of funding has been returned to source or the budget commitment reduced and made available for future allocation to other priorities. Nineteen (19) 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 \$4.1 million was returned to source for projects that remain active.

The following table shows annual capital returns in each of the past 5 years:

Annual Return of Financing (\$ million)				
2018	2019	2020	2021	YTD 2022
19.5	60.6	19.5	83.7	8.2

The following is summary of return of financing by source of funding:

Reserve #4	Development Charges	CIF	GRS	Other	Total (\$ million)
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1.8	1.1	3.0	1.1	1.2	8.2
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The following is summary of return of financing by department:

Corporate Support & Legislative Services	Community Services	Transit	Public Works	Planning, Building and EDO	Total (\$ million)
1.0	0.4	0.0	6.8	0.0	8.2

Future Improvements to Enhance Capital Compliance:

In December of 2022 Council endorsed a series of strategies and solutions to resolve the capital backlog and approach future capital projects:

- 1. Project Planning and Budget Strategies for Future Capital Requests:** project budgets will be requested at definitive points in the project lifecycle such as design and construction stages
- 2. Resource Planning and Forecasting:** staff will develop a resource plan to ensure that only projects with assigned project management and delivery resources are included in future capital budgets
- 3. Innovative Project Delivery Methods to Resolve Capital Backlog:** staff will continue to seek alternative delivery methods by canvassing other municipalities and engaging with consultants and contractors based on project type, complexity and delivery constraints
- 4. Procurement Approaches:** staff will explore a variety of procurement approaches to facilitate project delivery urgency
- 5. Project Management Standards for Future Projects:** In 2022, the Centre of Excellence & Capital Compliance Office, otherwise known as Enterprise Project Management Office (EPMO), developed project management standards and provided accompanying training. For the 2023 Capital Budget Submission, EPMO developed project prioritization criteria and a justification template to help senior leadership prioritize projects based on a range of factors. The EPMO is currently implementing a Corporate Project Stage Gate model. This model shows the different Stages a project completes throughout its lifecycle. This will provide Council with a better understanding of project progress, as well as how much capital backlog resides in a particular Stage.

Corporate Implications:

Financial Implications:

\$8.2 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.

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 September 30, 2022, the City had spent \$1.3 billion on the 594 open projects with a further \$1.1 billion 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