

**Date:** 2023-04-28

**Subject:** **Capital Project Financial Status Report – Q4 2022**

**Contact:** Maja Kuzmanov, Sr. Manager Accounting Services/Deputy  
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**Report Number:** Corporate Support Services-2023-399

**Recommendations:**

1. That the report titled **Capital Project Financial Status Report – Q4 2022**, to the Committee of Council Meeting of May 24, 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 Portfolio as at December 31, 2022.
- The City's Capital Portfolio at December 31, 2022 included 554 (2021: 490) active capital project IDs with a total approved budget of \$2.4 billion.
- \$1.3 billion of the approved budget has been spent as of December 31, 2022.
- The remaining capital budget stands at \$1.1 billion as at December 31, 2022 (2021: \$1.0 billion). Of this amount, \$253.1 million has been committed through purchase orders (contracted work underway) for specific projects, leaving \$885.8 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. During 2018-2022 term of

**Council, \$195.1 million in unspent capital was returned including \$11.8 million in 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.**

### **Background:**

The Capital Project Financial Status Report provides a financial update of the City's Capital Portfolio 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 Portfolio 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 helps generate discussion at the senior levels of departments with responsibility for project delivery and 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, 2022, the City had 554 active project IDs each comprised of one or more activities with a total approved budget of \$2.4 billion. The City has spent \$1.3 billion towards completion of these projects, with \$1.1 billion (2022: \$1.0 billion) budget available to be spent in the coming years. Of this amount, \$253.1 million has been committed through purchase orders (contracted work underway) for various capital projects. This leaves \$885.8 million remaining in open capital projects not yet committed or spent.

Key projects comprising \$440.1 million (38.6%) of the unspent/uncommitted balance include:

- Transit Maintenance & Storage Facility - \$184.8 million
- Centre for Education, Innovation and Collaboration - \$96.8 million
- Goreway Drive Widening - \$91.4 million
- Chris Gibson Recreation Centre - \$36.0 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
- 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, 2022, is \$1,138.8 million (\$885.7 million net of commitments). This amount is \$108.0 million higher (\$7.0 million lower net of commitments) than the amount reported as at December 31, 2021 of \$1,030.8 million (\$892.7 million net of commitments).

As demonstrated by the below table, 63% (\$720.2 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					Total
2018 and prior	2019	2020	2021	2022	
101.5	206.8	110.3	428.7	291.5	<b>1,138.8</b>

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 Portfolio.

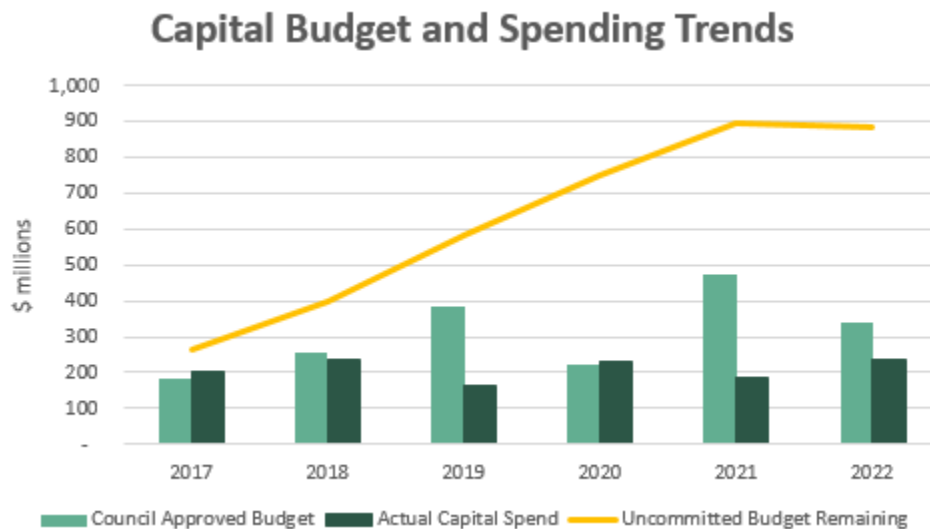
	<b>\$ Million</b>
Remaining Budget before Commitments as at December 31, 2021	1,030.8
Less: 2022 Capital Spending	(237.9)
Less: 2022 Net Return of Financing and adjustments	(11.7)
Sub Total	781.2
Add: Council approved 2022 Capital Budget	340.7
Add: 2022 Budget Amendments	16.9
<b>Remaining Budget before Commitments as at December 31, 2022</b>	<b>1,138.8</b>
Less: Purchase Orders (contracted works underway)	(253.1)
<b>Remaining Budget, Uncommitted as at December 31, 2022</b>	<b>885.7</b>

As demonstrated by the above table, a major driver of the increase in uncommitted budget remaining is the approval of the 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 Portfolio review, staff classified open projects into following categories:

<b>Standard Recurring</b>	<b>Strategic &amp; Council Priorities</b>	<b>Funding Advocacy Projects</b>	<b>Total</b>
235.2	623.9	279.7	<b>1,138.8</b>

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 5.4% of the number of all open projects and 71.6% (\$634.4 million) of the uncommitted budget of the Capital Portfolio. All of these projects are progressing in various stages of the project lifecycle.

The status of the 30 major projects is as follows:

- 12 projects have an uncommitted budget of 90% or more.
- 1 projects was approved prior to 2016.
- Delivery status of the 30 projects
  - 7 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
  - 1 project is 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 December 31, 2022 on all capital projects was \$237.9 million comprised of \$60.0 million related to the 2022 Capital Budget and \$186.9 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 Portfolio 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, 2022, \$11.8 million of funding has been returned to source or the budget commitment reduced and made available for future allocation to other priorities. Forty-one (41) projects were determined complete and therefore closed and \$5.8 million of the budget remaining associated with these projects was returned to source. An additional \$6.0 million was returned to source for projects that remain active.

The following table shows annual capital returns in each of the past 5 years of this Council (\$ million):

<b>Annual Return of Financing</b>				
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
19.5	60.6	19.5	83.7	11.8

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

<b>Reserve #4</b>	<b>Development Charges</b>	<b>CIF</b>	<b>GRS</b>	<b>Other</b>	<b>Total</b>
3.8	1.3	3.0	1.2	2.5	<b>11.8</b>

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

<b>Corporate Support and Legislative Services</b>	<b>Community Services</b>	<b>Transit</b>	<b>Public Works</b>	<b>Planning, Building and EDO</b>	<b>Total</b>
2.4	0.4	0.4	8.4	0.2	<b>11.8</b>

### **Corporate Implications:**

#### Financial Implications:

\$11.8 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 Portfolio and contributes to improved management oversight of the City's Capital Portfolio. As of December 31, 2022, the City had spent \$1.3 billion on the 554 open projects with a further \$885.7 million remaining yet to be committed or spent to deliver the projects.

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**Attachments:**

<b>Schedule A</b>	Capital Project Spending Summary
<b>Schedule B</b>	Capital Projects with Significant Budget Remaining
<b>Schedule C</b>	Open Projects Analysis
<b>Schedule D</b>	Budget Amendments, Reallocations and Projected Return of Funding