
REPORT TITLE: **2021 Capital Financial Triannual Performance Report – April 30, 2021**

FROM: Gary Kent, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the financing source for the Sustainable Transportation Strategy (Capital Project #21-4195) in the amount of \$192,402 be changed from Roads Reserve (R0210) to Federal Gas Tax Funds Reserve (R0025);

And further, that the financing source for the construction of Duke of York Sanitary Sewer (Capital Project #16-2243) in the amount of \$4,700,819 be changed from Oxford Properties Group to South Peel Wastewater Development Charge Reserve (R3515).

REPORT HIGHLIGHTS

- The 2021 Capital Program began with an opening balance of \$4.5 billion (1,568 projects) consisting of the approved 2021 Capital Budget and Capital Work in Progress from prior years; the total capital program has an ending balance of \$4.4 billion (1,498 projects) as at April 30, 2021.
 - Regionally Controlled Programs:
 - Capital work completed in the first four months of 2021 totaled \$114.8 million, with \$35.5 million spent in Tax Supported Services and \$79.3 million spent in Utility Rate Supported Services.
 - 97 per cent of the capital work progressed on schedule which is within the past five years' progress range for the same triannual period.
 - The top 25 largest capital projects, by remaining gross budget, make up 45 per cent of the remaining budget of active projects as at April 30, 2021.
 - Staff recommends that the financing source of \$192,402 for the Sustainable Transportation Strategy capital project be changed from Roads Reserve to Federal Gas Tax Funds Reserve.
 - Staff also recommends that the financing source of \$4,700,819 for the construction of Duke of York Sanitary Sewer capital project be changed from Oxford Properties Group to South Peel Wastewater Development Charge Reserve.
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DISCUSSION

1. Background

On February 11, 2021, Regional Council approved \$1.0 billion capital investment in Peel's infrastructure through the 2021 Budget. The approved 2021 Capital Budget includes \$63.9

2021 Capital Financial Triannual Performance Report – April 30, 2021

million to the Region's externally financed agencies: Peel Regional Police, Ontario Provincial Police, and three Conservation Authorities.

The Budget Policy requires that staff report the status of capital work at a minimum of twice annually to manage financial performance to ensure the long-term financial sustainability of Regional services. This report provides the first update on the financial results of Capital Operations based on the information as at April 30, 2021.

2. Overview of 2021 Capital Program

The capital work represents a key component of the Region's service delivery. The capital work is used to acquire, improve, or maintain land, buildings, roads, water and sewer mains, pumping stations, machinery and equipment, information technology and, to conduct studies relating to corporate assets.

The Region's capital plans are developed based on the Region's Growth Master Plans, Regional Official Plan, Corporate Asset Management Plan for state of good repair and other Regional Council directions, such as the Waste Reduction and Resource Recovery Strategy and the Housing Master Plan. The Region actively monitors the changes to these plans and adjusts the capital plan where it is required. A significant portion of the Region's capital work consists of large projects that take five to eight years to complete from start to finish.

The 2021 Capital work had an opening balance of \$4.5 billion (1,568 projects) which consists of projects which are Regionally Controlled (\$4.3 billion), and those managed by agencies (\$0.2 billion) such as Peel Regional Police (PRP), Ontario Provincial Police (OPP) and Conservation Authorities. This includes \$1.0 billion of new capital work approved in the 2021 capital budget, a decrease of \$1.6 million in capital budget changes during 2021 (approved through Council reports or by Council delegated authority), and the remaining capital work previously approved by Council in prior years of \$3.5 billion.

As at April 30, 2021, the capital work had 1,498 active capital projects with a gross remaining budget of \$4.4 billion (\$4.2 billion for Regionally Controlled) after capital spending of \$0.1 billion.

3. Capital Operations and Financing Impact

The Region actively monitors the performance of the capital operations by tracking the capital project progress through various stages of its project life cycle and analyzing work in progress. Staff review capital performance every triannual period and reports to Regional Council on the status of the capital work in progress including significant variances.

a) 2021 Capital Spending

Capital spending for both Tax and Utility Rate Supported services (including Regionally Controlled and external agencies) in the four months of 2021 amounted to \$127.8 million (\$114.8 million for Regionally Controlled), with \$48.6 million spent in Tax Supported Services and \$79.3 million spent in Utility Rate Supported Services.

The \$127.8 million capital spending during the first four months of 2021 was invested in the Region's major services. Highlights are provided in Appendix I.

2021 Capital Financial Triannual Performance Report – April 30, 2021

b) The Progress of Regionally Controlled Capital Program

The progress of Regionally Controlled capital projects, comprising 1,379 out of the total of 1,568 Region of Peel projects, was actively monitored and measured. Of the 2021 opening balance of Regionally Controlled capital work of \$4.3 billion, 97 per cent of the Regionally Controlled capital program progressed on schedule which is within the past five years' progress range for the same triannual period. Three per cent of capital projects (\$114.9 million) are either on hold or cancelled as a result of Regional Council or Management decisions, or haven't incurred spending as the projects are at the early stage, have been deferred or delayed due to management review or unforeseen circumstances.

Of the total 1,379 Regionally Controlled capital projects, 47 projects were completed during the first four months of 2021 with \$3.8 million in net unspent funds returned to reserves. The Regionally Controlled Capital Program ended the first triannual period of 2021 with a closing balance of \$4.2 billion. Summaries are provided in Appendix II.

c) Work in Progress - Top 25 Regionally Controlled Capital Projects

While all capital projects are actively managed, to efficiently manage the Regionally Controlled capital service and mitigate the risks effectively, staff also focus on the progress and report to Council on the 25 largest capital projects based on the remaining gross budget value. In magnitude, the top 25 active capital projects represent about two per cent of the total number of active capital projects but represent 45 per cent of the remaining budget of active regionally controlled capital projects.

As of April 30, 2021, 23 of the 25 capital projects are on track. Two projects are delayed.

- Peel Manor site redevelopment (Seniors Health and Wellness Village) - The project faced several delays in 2020 and early 2021, due to vendor performance and delays related to the COVID-19 pandemic. The general contractor has recently submitted a revised schedule forecasting an April 2022 substantial completion date. Abatement, demolition, and the balance of the site works is scheduled to commence in the third quarter of 2022 and total project completion is forecast by the second quarter of 2023.
- Williams Parkway Sub-Transmission - The City of Brampton has cancelled the road widening of Williams Parkway. The planned combined tender with the City of Brampton and 90 per cent open cut design is not feasible due to the traffic impact. The consultant has started a redesign to tunnel the West Brampton watermain. Design is expected to be completed by mid-2022 and tender by late 2022.

Nine of the 23 projects are in the construction stage and the remaining 14 projects are in initiation, planning, design, and procurement stages.

Appendix III provides the status of the top 25 capital projects with the highest gross remaining budget broken down into tax and utility rate services. Analysis of the top 25 projects shows:

2021 Capital Financial Triannual Performance Report – April 30, 2021

- The total gross budget of the top 25 largest projects is \$2.8 billion with a remaining budget of \$1.9 billion.
- By the end of the first triannual period, the cumulative spending of the top 25 capital projects amounted to \$885.8 million or 32 per cent of the gross approved budget.

4. Financing Source Change Request

a) Request to change financing source for the Sustainable Transportation Strategy Capital Project (#214195) of \$192,402 from Roads Reserve to Federal Gas Tax Funds Reserve.

Staff is requesting to change the financing source for the Sustainable Transportation Strategy capital project for the portion funded from Roads Reserve (R0210) in the amount of \$192,402 to Federal Gas Tax Funds Reserve (R0025).

The total project budget is \$1,327,000 and is funded from various sources including Development Charges Regional Road Reserve, Roads Reserve and Federal Gas Tax Funds Reserve. The requested change is due to staff input error during the 2021 Budget process, a portion of which was entered as Roads Reserve; however, it should have been Federal Gas Tax Funds Reserve.

Staff is seeking approval from Council to change the financing source from Roads Reserve to Federal Gas Tax Funds Reserve in the amount of \$192,402.

b) Request to change financing source for the construction of Duke of York Sanitary Sewer project (16-2243) of \$4,700,819 from Oxford Properties Group to South Peel Wastewater Development Charge Reserve.

Staff is requesting to change the financing source for the construction of Duke of York Sanitary Sewer project for the portion funded from Oxford Properties Group (86401) in the amount of \$4,700,819 to South Peel Wastewater Development Charge (DC) Reserve (R3515).

The total project gross budget is \$27,391,000 and is funded from various sources including Oxford Properties Group, South Peel Wastewater DC Reserve and South Peel Sewer DC Reserve.

The budget was originally set up based on the assumption of 19.8 per cent on the total project base contribution from Oxford Properties Group (i.e. owner's contribution) and this resulted in a calculated recovery of \$5,423,418. The adjustment includes two areas:

- i. To reflect the true relevant cost base to arrive at the owner's contribution, the cost share should only be applied on the length of the sewer between City Center Drive and Square One Drive, which is what the owner should be responsible for, instead of total sewer length originally budgeted.
- ii. To revise the percentage from 19.8 per cent to 11.06 per cent because of the sewer diameter change from 900 millimetre to 1200 millimetre. This technical change reduced the owner's share accordingly.

2021 Capital Financial Triannual Performance Report – April 30, 2021

The adjustment reduced the Oxford Properties Group's portion to \$722,599 and are in line with the final legal agreement with them. The total amount has already been invoiced under INV#243515 in December 2020.

Staff is seeking approval from Council to change the financing source from Oxford Properties Group to South Peel Wastewater DC Reserve in the amount of \$4,700,819.

CONCLUSION

Overall, capital operations largely progressed as planned in 2021 and development charge funded projects continue to be reviewed for opportunities to slow down or pause/defer expenditures in alignment with the lower development charge revenue forecast. The 2021 triannual capital work was implemented within the constraints of the reserves, reserve funds and debt plan, which allows the Region to maintain its financial flexibility.

APPENDICES

Appendix I - 2021 Capital Spending (January – April)

Appendix II - Capital Program 2021 Work in Progress (WIP) - Regionally Controlled Program

Appendix III - Status of Top 25 Capital Projects with Gross Remaining Budget – Regionally Controlled Program

For further information regarding this report, please contact Norman Lum, Director, Business and Financial Planning, 905-791-7800 ext. 3567, Norman.Lum@peelregion.ca.

Reviewed and/or approved in workflow by:

Department Commissioner, Division Director, Financial Support Unit and Legal Services.