
REPORT TITLE: 2021 Capital Financial Triannual Performance Report – August 31, 2021

FROM: Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the financing source for Queen Elizabeth Way (QEW) Credit River active transportation crossings (Capital Project 20-4134) in the amount of \$5,713,802 be changed from Capital Finance Stabilization - Water Reserve (R0241) to Capital Finance Stabilization - Roads Reserve (R0210);

And further, that Capital Project 20-5172 – PAMA HVAC be increased in the amount of \$1,840,307 funded by \$1,590,307 in infrastructure grants approved by the Federal and Provincial governments and \$250,000 from the Capital Finance Stabilization General Government Reserve (R0230), for a total project cost of \$2,556,307.

REPORT HIGHLIGHTS

- The 2021 Capital Program began with an opening balance of \$4.5 billion (1,583 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 \$4.2 billion (1,438 active capital projects) as at August 31, 2021.
 - Regionally Controlled Programs:
 - Capital work completed in the first eight months of 2021 totaled \$278.3 million, with \$103.9 million spent in Tax Supported Services and \$174.4 million spent in Utility Rate Supported Services.
 - 95 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 August 31, 2021.
 - Staff recommends that the financing source of \$5,713,802 for Queen Elizabeth Way (QEW) Credit River active transportation crossings be changed from Capital Finance Stabilization - Water Reserve (R0241) to Capital Finance Stabilization - Roads Reserve (R0210).
 - Staff recommends that the PAMA HVAC capital project be increased in the amount of \$1,840,307 funded by \$1,590,307 in infrastructure grants approved by the Federal and Provincial governments and \$250,000 from the Capital Finance Stabilization General Government Reserve, R0230.
 - An operating performance report for the second triannual of 2021 has been provided to Regional Council for the status update on the operating program.
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DISCUSSION

1. Background

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 second update on the financial results of Capital Operations based on the information as at August 31, 2021.

2021 Capital Budget

On February 11, 2021, Regional Council approved \$1 billion capital investment in Peel's infrastructure through the 2021 Budget. The approved 2021 Capital Budget includes \$63.9 million to the Region's externally financed agencies: Peel Regional Police, Ontario Provincial Police, and three Conservation Authorities.

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 (1,583 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 billion of new capital work approved in the 2021 capital budget, a decrease of \$1.1 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 August 31, 2021, the capital work had 1,438 active capital projects with a gross remaining budget of \$4.2 billion (\$4 billion and 1,296 capital projects for Regionally Controlled) after capital spending of \$0.3 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.

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a) 2021 Capital Spending

Capital spending for both Tax and Utility Rate Supported services (including Regionally Controlled and external agencies) in the eight months of 2021 amounted to \$304.8 million (\$278.3 million for Regionally Controlled), with \$130.4 million spent in Tax Supported Services and \$174.4 million spent in Utility Rate Supported Services.

The \$304.8 million capital spending during the first eight months of 2021 was invested in the Region's major services. Highlights are provided in Appendix I.

b) The Progress of Regionally Controlled Capital Program

The progress of Regionally Controlled capital projects, comprising 1,393 out of the total of 1,583 Region of Peel projects, was actively monitored and measured. Of the 2021 opening balance of Regionally Controlled capital work of \$4.3 billion, 95 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. Five per cent of capital projects (\$235.5 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 1,393 Regionally Controlled capital projects, 97 projects were completed during the first eight months of 2021 with \$15.8 million in net unspent funds returned to reserves. The Regionally Controlled Capital Program ended the second triannual period of 2021 with a closing balance of \$4 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.

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:

- The total gross budget of the top 25 largest projects is \$2.7 billion with a remaining budget of \$1.8 billion.
- By the end of the second triannual period, the cumulative spending of the top 25 capital projects amounted to \$907.7 million or 33 per cent of the gross approved budget.

As of August 31, 2021, 23 of the 25 capital projects are on track. The following two projects have been delayed and cancelled.

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Williams Parkway Sub-Transmission – Delayed.

- The road widening of Williams Parkway has been cancelled. The planned combined tender with the City of Brampton and 90 per cent open cut design is not feasible due to the traffic impact. Design to tunnel the West Brampton watermain is expected to be completed by mid-2022 and tender by late 2022.

Anaerobic Digestion Facility – Cancelled

- Request for Proposal to Design, Build, Operate and Maintain the Anaerobic Digestion Facility was cancelled by Regional Council on July 8, 2021 (Resolution Number 2021-902).

Ten of the 23 projects are in the construction stage and the remaining 13 projects are in initiation, planning, design, and procurement stages.

4. Financing Source Change Request

On November 12, 2020, Council approved the financing of \$5,713,802 towards the implementation and construction of the Queen Elizabeth Way (QEW) Credit River active transportation crossings between the Region of Peel and the City of Mississauga, to be set up under Capital Project #20-4134, and financed from Reserve R0241, i.e., Capital Finance Stabilization Water Reserve (Resolution #2020-917).

It was subsequently identified that the reserve number provided in the report was incorrect. Reserve #R0241 is the Capital Finance Stabilization Water Reserve and not the Capital Finance Stabilization Roads Reserve, which is a Tax Supported Capital Reserve.

Staff is seeking approval from Council to change the financing source for the Queen Elizabeth Way (QEW) Credit River active transportation crossings capital project from Capital Finance Stabilization Water Reserve (R0241) in the amount of \$5,713,802 to Capital Finance Stabilization Roads Reserve (R0210).

5. Increase Request

Two separate Infrastructure Canada grants created the opportunity to upgrade heating, ventilation, and air conditioning (HVAC) systems in PAMA buildings 7 and 9. The HVAC was not near its planned end of life however, the upgrades will enable PAMA to meet Class A institution status, which allows for a better care of collections and the ability to borrow a wider selection of exhibitions.

With the mould issue and COVID-19 now at the forefront, the upgrade of existing HVAC systems is also advisable for the health and safety of visitors, staff, and the collection. As well, staff will be leveraging this HVAC project to carry out \$170 thousand in other capital work which would be more difficult and expensive to execute at a later date as an isolated project. Staff initially anticipated that existing capital budgets of \$716 thousand combined with the two Infrastructure Canada grants totalling \$1.59 million would be sufficient to fund the \$2.306 million in HVAC work. After finalization of estimates to meet Class A institution status and to complete the non-HVAC work, the overall revised project estimate is \$2.556 million.

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Staff is seeking approval from Council to increase the existing budget for the PAMA HVAC capital project by \$1,840,307; this increase will be funded by \$1,590,307 in new Federal and Provincial grants and staff are proposing to finance the remaining \$250,000 from the Capital Finance Stabilization - General Government Reserve (R0230).

6. 2021 Operating Performance

A report titled “2021 Operating Financial Triannual Performance” was provided to Regional Council on October 28, 2021. This supports Regional Council in their decision making on the Region’s operating program.

CONCLUSION

Overall, capital operations are largely progressing as planned in 2021 and spending is on par with prior years’ levels. 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 – August)

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

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

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