
For Information

REPORT TITLE: **2022 Capital Financial Triannual Performance Report – April 30, 2022**

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

OBJECTIVE

To provide a status update on the 2022 Capital Financial Triannual Performance Report as at April 30, 2022.

REPORT HIGHLIGHTS

- The 2022 Capital Program began with an opening balance of \$5.1 billion (1,566 projects) consisting of the approved 2022 Capital Budget and Capital Work in Progress from prior years; the total capital program has an ending balance of \$5.0 billion (1,601 active capital projects) as at April 30, 2022.
 - Regionally Controlled Programs:
 - Capital work completed in the first four months of 2022 totaled \$79.1 million, with \$24.5 million spent in Tax Supported Services and \$54.6 million spent in Utility Rate Supported Services.
 - 91 per cent of the capital work progressed on schedule, slightly lower than the past five years' average for the same triannual period (i.e. 95 per cent).
 - The top 25 largest capital projects, by remaining gross budget, make up 44 per cent of the remaining budget of active projects as at April 30, 2022.
 - An operating performance report for the first triannual of 2022 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 first update for 2022 on the financial results of Capital Operations based on the information as at April 30, 2022.

2022 Capital Budget

On December 2, 2021, Regional Council approved \$1.1 billion capital investment in Peel's infrastructure through the 2022 Budget. The approved 2022 Capital Budget includes \$63.7 million to the Region's Regionally Financed External Organizations: Peel Regional Police, Ontario Provincial Police, and three Conservation Authorities.

2. Overview of 2022 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 2022 Capital work had an opening balance of \$5.1 billion (1,566 projects) which consists of projects which are Regionally Controlled (\$4.9 billion), and those managed by agencies (\$0.2 billion) such as Peel Regional Police (PRP), Ontario Provincial Police (OPP) and Conservation Authorities. This includes \$1.1 billion of new capital work approved in the 2022 capital budget, an increase of \$1.2 million in capital budget changes during 2022 (approved through Council reports or by Council delegated authority), and the remaining capital work previously approved by Council in prior years of \$4.0 billion.

As at April 30, 2022, the capital work had 1,601 active capital projects with a gross remaining budget of \$5.0 billion (\$4.8 billion and 1,427 capital projects for Regionally Controlled) after capital spending of \$0.1 billion. The increase in the number of projects from 1,566 to 1,601 is largely due to the creation of smaller capital projects from larger envelope projects.

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) 2022 Capital Spending

Capital spending for both Tax and Utility Rate Supported services (including Regionally Controlled and external organizations) in the four months of 2022 amounted to \$93.1 million (\$79.1 million for Regionally Controlled), with \$38.5 million spent in Tax Supported Services and \$54.6 million spent in Utility Rate Supported Services.

The \$93.1 million capital spending during the first four months of 2022 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 1,427 out of the total of 1,601 Region of Peel projects, was actively monitored and measured. Of the 2022 opening balance of Regionally Controlled capital work of \$4.9 billion, 91 per cent of the

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capital work progressed on schedule, slightly lower than the past five years' average for the same triannual period (i.e. 95 per cent). Nine per cent of capital projects (\$457.7 million) are either on hold, delayed 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 1,427 Regionally Controlled capital projects, 15 projects were completed during the first four months of 2022 with \$1.5 million in net unspent funds returned to reserves. The Regionally Controlled Capital Program ended the first triannual period of 2022 with a closing balance of \$4.8 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 two per cent of the total number of active capital projects but represent 44 per cent of the remaining budget of active regionally controlled capital projects.

Appendix III provides the status of the top 25 capital projects by service 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 \$3.0 billion with a remaining budget of \$2.1 billion.
- By the end of the first triannual period, the cumulative spending of the top 25 capital projects amounted to \$908.3 million or 30 per cent of the gross approved budget.

As of April 30, 2022, 20 of the 25 capital projects are on track. For the remaining 5 capital projects, three projects have been delayed, one project is behind schedule and one project was cancelled.

Williams Parkway Sub-Transmission – Delayed.

- City of Brampton (CoB) has cancelled the road widening of Williams Parkway. The planned combined tender with the CoB and 90 per cent open cut design is now not feasible due to the traffic impacts. The consultant has started a redesign to tunnel the West Brampton watermain. Design is expected to be complete by mid 2022, tender Fall 2022.

East Avenue, Housing Master Plan – Delayed

- The project secured the Official Plan and Rezoning Amendment. The Official Plan Amendment came into force on July 29, 2021. The Request for Prequalification has been issued to generate a requalified list of design builders to construct the East Avenue affordable housing project. A Request for Proposal will follow, inviting the prequalified list to bid on the proposed project. A design-builder is expected to be on board in the 4th quarter of 2022.

Mississauga Road - Bovaird Drive – Delayed

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- Project is tender ready with the exception of authorization from TransCanada (TC) Energy who operate a pipeline across the roadway. Roadway construction was originally anticipated to start mid 2022 lasting a duration of three years but is now expected to commence late 2022 to early 2023.

Peel Manor Site Redevelopment – Behind Schedule

- The general contractor has not been performing to the requirements of the revised baseline since October 2021 and progress continues to be impacted by lack of labor resources and supply chain issues. Substantial performance is currently forecasted to be achieved by late 3rd quarter of 2022. Abatement and demolition of the existing building, and the balance of the site works is scheduled to commence 1st quarter of 2023 and total project completion is expect by 4th quarter of 2023.

Anaerobic Digestion Facility – Cancelled

- Procurement of Anaerobic Digestion was cancelled by Regional Council on July 8, 2021 (Resolution Number 2021-902). Remaining proponents for design and bid fee paid in 3rd triannual 2021. Staff are assessing next steps to achieve diversion targets.

Of the 20 projects that are on track, 11 are in the construction stage and the remaining nine projects are in initiation, planning, design, and procurement stages.

As detailed in the top 25 projects, 22 of 25 capital projects are on budget. One project is not on budget while two of the remaining three project budgets are being reassessed.

Mayfield Road – Hurontario Street – Not on Budget

- The widening of Mayfield Road from two to six lanes from Chinguacousy to Hurontario and McLaughlin and noise wall replacement along the North and South sides of Mayfield, from Roy Lawson to Hurontario. Additional funds due to material cost increases are required for construction and will be requested as part of the 2023 Budget.

Housing Master Plan – Budget Being Reassessed

- Funding envelope for the Housing Master Plan for four projects: 1) Mayfield 2) Brampton Family Shelter 3) Peel Manor A & B 4) Riley Court. Due to the change in building structure, budget numbers will be assessed and revised as planning and design work proceeds.

Chelsea Gardens – Budget Being Reassessed

- The proposed 200 unit project is to be constructed on Peel's Housing Corporation's 4 and 10 Knightsbridge Road property, known as Chelsea Gardens. This project falls within the Region's Housing Master Plan funding envelope. Budget numbers will be revised through a Class D estimate later in

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2022 pending high level design work to be completed and outcomes of the municipal planning approvals process.

d) Inflation

For Q1 2022, the Non-Residential Construction Price Index was 17.3 per cent. Heightened inflation is projected to last into 2024 which will put additional pressure on the capital program. As presented in the June 23, 2022, reports from the Commissioner of Corporate Services and Chief Financial Officer titled “Overview and Impact of Heightened Inflation on Regional Services” and the “Impacts of Inflation on Regional Contracts” staff are actively monitoring inflation and developing strategies from both budgeting and procurement perspectives to manage the impact from inflation.

e) External Agencies

Regional staff are working with the Peel Regional Police (PRP) on pressure currently being experienced on its capital program. The PRP have identified that there may be a need to advance capital projects approved in its 2022 to 2031 Capital Plan to an earlier timeline. Staff are currently still in discussions.

2022 Operating Performance

A report titled “2022 Operating Financial Triannual Performance” was provided to Regional Council on July 7, 2022. This supports Regional Council in their decision making on the Region’s operating program.

CONCLUSION

Overall, capital operations are largely progressing as planned in 2022 and spending is on par with prior years’ levels. The 2022 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.

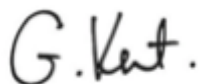
APPENDICES

Appendix I – 2022 Capital Spending (January – April)

Appendix II – Capital Program 2022 Work in Progress (WIP) - Regionally Controlled Program

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

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