

For Information

DATE: October 20, 2009

REPORT TITLE: **PUBLIC WORKS CAPITAL WORKS UPDATE**

FROM: Dan Labrecque, Commissioner, Public Works

OBJECTIVE

To provide an update on the status of the existing Capital Plan for Public Works and highlight specific areas of focus for 2009 and beyond.

REPORT HIGHLIGHTS

- The Capital Plan for Public Works includes projects that assist in providing the necessary water, wastewater, waste management and transportation requirements of Peel's current and future residents and businesses.
- Stimulus funding is a priority for the Region's capital plans for 2009 to 2011 given the time limits associated with provincial and federal funding contributions.
- Process improvements continue to enhance public accountability.

DISCUSSION**1. Background**

Traditionally, the annual capital budget process provides Regional Council and the public with a forward looking assessment of the department's recommended investments required to maintain our overall state of good repair and to meet the needs of development. In 2009, the ten-year forecast reflected a total investment of \$3.8 billion, of which \$754 million fell into the 2009 budget.

While the budget process provides clear direction on our work plan, the realities of the construction process has resulted in some confusion as to the actual scope of the department's capital operations. Specifically, our analysis reflects that the majority of our annual capital program is focused on projects approved in prior years.

The balance of this report will provide Regional Council with an overview of our existing capital works in process.

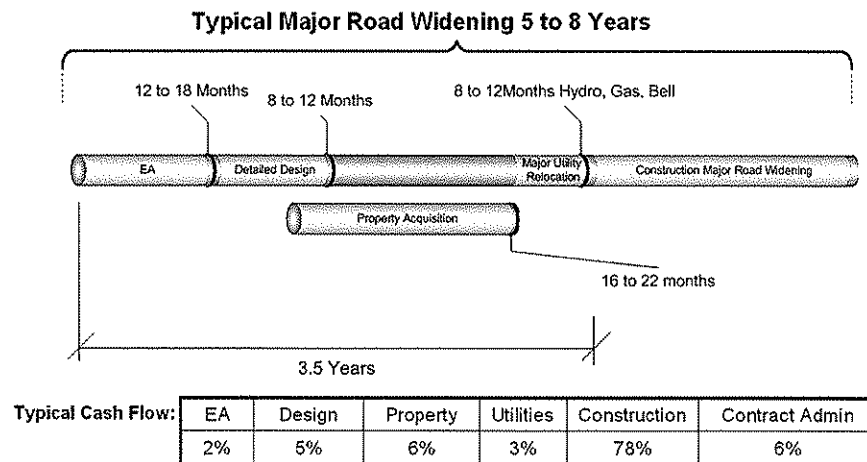
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2. Capital Project Life Cycle

Due to the nature of our infrastructure the 'life cycle' of a project can cover many years. Figure 1, below, provides an overview of a typical road construction project.

While specific to road works, it is illustrative of the activities that we are engaged in throughout our entire program.

**Capital Budget - Transportation
Major Steps in Road Construction**



Specific project timelines are dependant on the individual project characteristics related to:

- Land / easement acquisition
- Environmental considerations / approvals
- Utility relocations
- Complexity (i.e. tunnelling, grade separations)
- Synergy with area municipal capital programs

3. Existing Capital Works Program

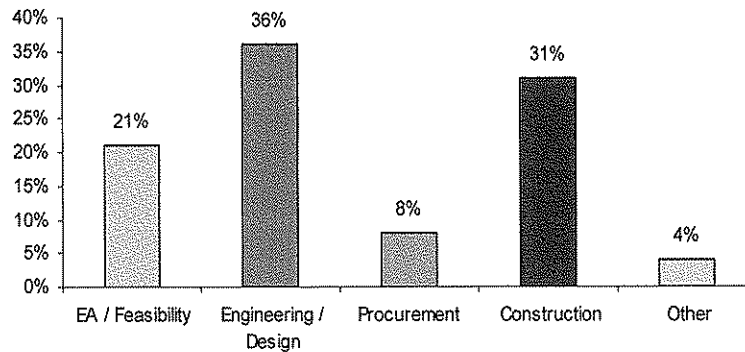
As of August 31, 2009, the department's existing capital works program had the following characteristics:

Gross project value	\$3.9 billion
Spent to date	<u>1.9 billion</u>
Remaining approved works	\$2.0 billion
Total projects	1012
Less projects pending close out	(160)
Less projects under maintenance	<u>(113)</u>
Active projects	739

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739 active projects can be categorized as follows:



Included in these figures are the 24 stimulus projects which were approved earlier this year. The majority of the stimulus projects are in the design / procurement phases and are anticipated to progress to the construction phase before the end of the year. All are anticipated to meet the March 31, 2011 targeted completion date.

4. Budget Process Review

As a result of general Council feedback and a number of recommendations coming from the internal audit review, the department's management team undertook a review of the capital budget process with the objective of improving our practices and providing good input into the broader corporate review of our business planning process.

Our primary focus was in identifying opportunities to match our fiscal requirements to the anticipated life cycle of projects, and to reduce the number of inactive projects being carried.

5. Interim Results

As a result of our preliminary review of our capital processes we were able to achieve a number of positive results as set out below:

- 160 projects in process to be closed out, on top of 82 that have already been actioned, returning \$47 million to reserves
- A further \$13.1M was returned to reserves as a result of identifying active projects which were forecasting surplus positions

As well, the preliminary 2010 capital plan will be impacted in the following manner:

- Primary focus will be on completing works already approved and in process
- Stimulus projects will continue to be high priority
- Projects whose start dates are questionable will be deferred to later years.

These actions and others have resulted in a significant reduction in the 2010 capital plan as compared to that which was forecasted in the 2009-2018 capital plan. While reduced, the overall plan does not reflect a reduction in service, but instead reflects a more likely actionable plan.

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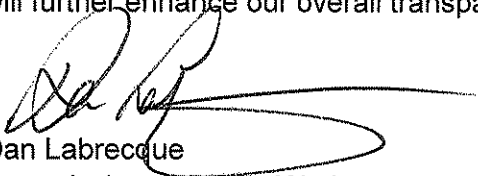
6. Next Steps

Our review indentified a number of areas for continued work through the remainder of 2009 and into 2010:

- **Land acquisition projects** – have established a multi-disciplined team with both Employee and Business Services and Corporate Services to review and improve on the land acquisition stage of our capital program.
- **Utility Relocations** – will continue to explore process changes to reconcile our program needs with the utilities capacity to meet our needs in a timely basis.
- **Performance Indicators** – a series of management indicators are being developed to support earlier identifications and intervention on projects that have fallen behind on anticipated timelines.
- **Use of Budget Envelopes** – in past years, capital plans had been developed with quite a bit of detail. Subsequent changes in need and priority have resulted in significant administrative processes to reflect these changes. The concept of ‘enveloping’ is being piloted, where many similar project are consolidated into one master project that is incorporated in the budget plan. For example, the stimulus project includes two projects for watermain replacement, one each for the cities of Brampton and Mississauga. This will provide flexibility in the delivery of the program.
- **New Technology Support** – working with Corporate Services staff, the department will be reviewing potential updates to our capital planning technology supports. Our current technology infrastructure is quite dated and inflexible.

CONCLUSION

The department’s capital works program is both significant and critical to maintain the quality of life for the citizens and businesses of Peel Region. Continued focus on process improvements will further enhance our overall transparency and accountability to both Council and the public.



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Approved for Submission:



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