



**STAFF REPORT
ACTION REQUIRED**

Plan to Improve the Development and Implementation of a Coordinated Multi-Year Joint Transportation Services and Toronto Water Capital Program

| | |
|--------------------------|---|
| Date: | June 12, 2007 |
| To: | Public Works and Infrastructure Committee |
| From: | Richard Butts, Deputy City Manager Joseph Pennachetti, Deputy City Manager and Chief Financial Officer |
| Wards: | All Wards |
| Reference Number: | p:\2007\Cluster B\TRA\TIM pw07013tim |

SUMMARY

The purpose of this report is to adopt a policy for an improved coordinated effort to develop and implement a multi-year Transportation Services and Toronto Water capital works program. Moreover, not only will this proposed new planning process address a more efficient renewal strategy for rehabilitating the City’s aging infrastructure, it will also make significant advances towards minimizing construction disruption and the associated inconvenience to not only motorists but all users of the public right of way including pedestrians, cyclists and transit users.

All users of the public right of way will benefit from this coordinated cross-functional initiative that will make significant advances towards minimizing adverse and costly effects of disturbing recently completed works in addition to assisting with much needed improvement of construction completion rates. This new course of action, once fully implemented, will secure a fixed capital program that encapsulates a full five years worth of work well in advance of any construction activity as shown in the accompanying schematic Attachment 1 (Typical Planning Process of a Capital Works Program). In the interim, both Transportation Services and Toronto Water have put into place funding reallocation mechanisms to realign approved cash flows that best match to those program areas that are ready to proceed. In effect, City Council will therefore be approving a multi-year capital program that will allow Transportation Services and Toronto Water to be able to develop a coordinated capital program and permit Technical Services staff to proceed in an unimpeded manner with the scoping and design of capital works several years in advance of their scheduled implementation dates.

RECOMMENDATIONS

Deputy City Manager Richard Butts, along with Deputy City Manager and Chief Financial Officer Joseph Pennachetti recommend that:

1. The coordinated multi-year Transportation Services and Toronto Water capital programming process as depicted in Attachment 1 (Typical Planning Process of a Capital Works Program), be approved;
2. As part of the annual capital budget submission process, a joint Transportation Services / Toronto Water capital works projects “A-list” (representing projects within the target budget) and a separate “B-list” (representing projects which could be accelerated to the A-list, as required) be submitted and considered for approval for those works within two years of implementation and cannot be amended unless for reasons of health and safety, emergency or for legislative purposes;
3. Any such amendments to the approved A-list and B-list of projects within two years of implementation be reported on to the Public Works and Infrastructure Committee for approval;
4. The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

The Transportation Services and Toronto Water divisions in cooperation with Technical Services and Finance staff will make arrangements to defer cash flow funding arising from delayed projects. In this regard, equivalent cash flows can be accelerated and reallocated to a number of projects that are ready to proceed with no net change to approved net debt funding requirements for the relevant year under discussion. The divisions will submit revised five year capital plans that will account for the re-programming of timelines to implement various needed works commensurate with annual capital budget submissions. At no time is it intended that there be a net change to the overall approved net debt cash flows affecting the current construction year and each of the remaining years of the respective five-year capital plans. The capital planning framework presented in this report is based on the principles on which Council’s approved 5 year Capital Plan is based; namely readiness to proceed and fiscal affordability.

DECISION HISTORY

This report closely aligns itself with approvals already put forward by City Council. In early 2007, a set of guidelines was adopted by City Council that outlines a process emphasising upfront priority-setting, service reviews and a public consultation methodology. These initiatives are intended to guide the budget process focussing on a

multi-year financial outlook that aligns services with the Mayor's mandate and Council's policy agenda ensuring among other things, the efficient use of resources to deliver service results and outcomes. As a result, the Transportation Services and Toronto Water divisions will be submitting follow-up reports to upcoming Budget Committees recommending adoption of a series of cash flow deferrals and the corresponding acceleration of funding from other program areas within its divisions. Background material can be found at:

http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/2007-bu2-5_312.pdf

Implementation Points

A coordinated Transportation Services / Toronto Water plan will address scheduling and long range planning activities in a more efficient manner summarized as follows:

- **Year 1 = Construction**
This represents the current year. Awarding of tenders and expenditures of all cash flows are intended to transpire within a given construction season. If approved cash flows cannot be spent, the divisions will make arrangements to defer and accelerate equivalent projects. Third party funding is initially identified two years prior to this stage and third party accounts are provided at the time of award;
- **Year 2 = Design**
Ultimately, the division's goals are that design and tender packages are prepared two years in advance of works so that if a need to accelerate a given project arises, pre-designed works can be made readily available for issuance;
- **Year 3 = Consultation**
It is here that all consultations with the various stakeholders take place. The public, by way of Councillors, are advised of planned works and consulted for input. Project scope is confirmed and funding appropriations are established;
- **Years 4 and 5 = Planning and Initial Co-ordination**
Projects are identified from a 'needs' perspective four to five years in advance of construction. Large capital intensive projects are brought into the division's five year plan and circulated for comments. Environmental Assessments are carried-out and feasibility studies are also undertaken that ultimately contribute towards a realistic implementation date.

Once a project has made its way from long range planning to design, there is little to no opportunity to introduce last minute changes in project scope that have historically delayed projects and introduced budget funding implications. Furthermore, new project requests will not be able to be accommodated any earlier than three years from the request date, unless the project is required urgently to address health and safety concerns, emergency situations or legislative requirements. This new approach will necessitate

sign-off from all affected stakeholders some three years in advance; namely from City divisions, BIA's and external city agencies.

Consistent with approved City Council guidelines respecting its five year capital plan, projects are indeed based on priorities and readiness to implement. Likewise, this new coordinated Transportation Services/ Toronto Water coordinated plan will achieve significant milestones in performance delivery and reduced disruption to not only motorists, but also transit users, pedestrians and cyclists. The new process depicted in Attachment 1 is consistent with Council approved principles in the following ways:

- detailed projects are placed in each year of the five year plan based on readiness to proceed;
- projects in years one and two have been coordinated with due regard to feasibility and need while projects in years three to five reflect consideration for various planning and consultative works that are required to be undertaken;
- the five year coordinated plan is developed within an approved fiscal affordability framework;
- acceleration of capital projects in the plan will be offset through deferral of a project of equal value;
- annual budget submissions will include an A-list of works that support approved targets and a B-list that identifies high priority projects in future years that can be accelerated to the current year as part of A-list as projects are removed from it;
- the introduction of any new project will be reported on for approval by City Council with the identification of a project deferral of equal value.

ISSUE BACKGROUND

Prior to the coordinated cross-divisional effort depicted on Attachment 1, Transportation Services made arrangements largely through the Toronto Public Utilities Coordinating Committee to distribute listings of annual and multi-year plans for the rehabilitation of bridges, expressways, roadways, cycling networks, pedestrian orientated amenities, traffic infrastructure and growth related improvements. The undertaking involved:

1. a massive coordination effort with due consideration to multiple consultations with various stakeholders occupying lands within the public right of way including the various utilities (Bell, Rogers, Enbridge Gas, Toronto Hydro, etc), the Toronto Transit Commission, developers, BIAs and a multitude of civic agencies and divisions including City Planning, Parks plus various provincial agencies including GO Transit and the Ministry of Transportation; and

2. a review of the City's 5,500 km of roads for identification for various types of deficiencies. Needs are established as to how the infrastructure is to be repaired and needs are refined into annual and multi-year programs based on priorities, affected parties, funding availability and co-ordination with all affected stakeholders within the public right-of-way.

Toronto Water in turn, would review the proposed Transportation Capital Program and identify opportunities to renew the underground infrastructure in advance or jointly with road work, undertake field investigations of the condition of underground infrastructure, that can take as long as six months, and identify stand alone priority projects including the replacement of watermains with high break rates.

The Transportation Services and Toronto Water capital works programs are to a large extent implemented by the Technical Services Division. The current capital works program delivery process is based on an eighteen to twenty-four month cycle. The current process allows only a small window of opportunity for the Technical Services division, particularly for projects that are complex and with multi stakeholder clients, to undertake consultations with client stakeholders in order to finalize project scope, information gathering, field investigations, public consultations, engineering designs, regulatory agency approvals, tendering, utility coordination and ultimately, construction. Furthermore, recent projects typically involve multiple clients that require significantly increased coordination and the resolution of competing interests in order to define project scope. In view of the foregoing, the current process is cumbersome and open to delays as on-going changes to the program result in insufficient time to coordinate requirements for underground infrastructure renewal. This not only affects the public at large, but also adversely hinders the effective coordination between divisions that ultimately reduce the completion rates of two very large city infrastructure programs.

COMMENTS

Once the process depicted on Attachment 1 is approved and fully established, a framework will be available to allow City Council to approve a fixed program essentially for five years in advance of construction. This will limit in-year changes in scope that severely curtail the timely and cost effective implementation of otherwise imminent works. It will also give local councillors a much higher level of assurance as to when specific works will be initiated. Opportunities now exist that will allow for the advancement of various contemplated 2008 and 2009 programs, this year, uniformly across the city.

For both Transportation Services and Toronto Water, this means that a re-allocation of approved cash flows will be required annually to maximize the acceleration of those projects that are essentially ready to proceed. In this regard, both divisions have already undertaken provisions with Finance staff to re-allocate approved cash flow funding that will accommodate higher capital expenditures and will result in a better alignment of cash flows. The divisions will be submitting a revised five year capital plan that will account for the re-programming of timelines to implement various needed works as part of annual capital budget deliberations. At no time is it intended that there be a net change to the overall approved net debt cash flows for a current year and each of the remaining years of the five-year capital plan.

CONTACT

Gary Welsh, P.Eng
General Manager,
Transportation Services
Tel: 416-392-8431
Fax: 416-392-4455
Email: welsh@toronto.ca

Lou Di Gironimo, P.Eng.
General Manager,
Toronto Water
Tel: 416-392-8200
Fax: 416-392-4540
Email: ldigiro@toronto.ca

William G. Crowther, P.Eng
Executive Director,
Technical Services
Tel: 416-392-8256
Fax: 416-392-4494
Email: wcroth@toronto.ca

Josie Lavita
Director
Financial Planning
Tel: 416-397-4229
Fax: 416-397-4465
Email: jlavita@toronto.ca

Richard Butts
Deputy City Manager

Joseph Pennachetti
Deputy City Manager and Chief Financial Officer

JC/db

ATTACHMENT

Attachment 1 – Typical Planning Process of a 5-Year Capital Works Program