



**STAFF REPORT
ACTION REQUIRED**

**Toronto Water 2013 Year End Capital Budget
Adjustment and Accelerations/Deferrals**

Date:	March 12, 2014
To:	Budget Committee
From:	General Manager, Toronto Water
Wards:	All
Reference Number:	P:\2013\Cluster B\TW\bc

SUMMARY

This report requests City Council’s authority to amend Toronto Water’s Approved 2013 Capital Budget by adjusting project cash flows contained within the Budget and Plan, respectively, to reflect the actual year expenditures and progress completion. The adjustment of project cash flows will have a zero gross overall Capital Budget impact and will align 2013 expenditures and future cash flows with Toronto Water’s capital project delivery schedule and program requirements.

RECOMMENDATIONS

The General Manager of Toronto Water recommends that

1. City Council authorize the reallocation of funds in Toronto Water’s approved 2013 Water Capital Budget in the amount of \$27.972 million, as presented in Schedule A (Part A & Part B), with a zero net Budget impact.

Financial Impact

This effect of the recommendation in this report will be an amendment to the amounts budgeted in 2013 for certain capital projects. The total amount of budget increases will be offset by a corresponding amount of budget decreases. The adjustment of project cash flows will have a zero gross overall Capital Budget impact and will align 2013 expenditures and future cash flows with Toronto Water’s capital project delivery schedule and program requirements.

There are no additional costs to the City as a result of approval of this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council at its meeting of November 27, 28 and 29, 2012, approved Toronto Water's 2013 Capital Budget and 2014-2022 Capital Plan, which included approval of a 2013 Capital Budget cash flow of \$527.842million and 2012 carry-forward funding of \$131.390 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=5668>

Subsequent adjustments reflecting the final 2012 in- year carry forward funding were approved by Council on May 7, 2013 (EX31.17: 2012 In-Year Capital Budget Adjustments and Capital Carry-Forward Funding Adjustments to the 2013 Approved Capital Budget) resulting in a 2013 cash flow of \$671.545 million, including carry forward funding of \$145.669 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=6809>

Further adjustments were approved by Council on July 16, 2013 (EX33.21: Toronto Water 2013 Capital Budget Adjustments and Accelerations/Deferrals) with a zero gross budget impact and can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.21>

ISSUE BACKGROUND

Toronto Water requires the amendments of the 2013 Approved Budget to align the cash flows with 2013 actual expenditures to better reflect the capital project delivery and program requirements.

Major projects that spent significantly higher than the approved cash flow include the Water Meter Replacement Program (AMR) and New Service Connections. As of December 31, 2013, 298,195 new water meters have been installed under the program representing 63% of the installations of the total 474,000 water accounts. There are 178,518 water meters remaining to be installed and the project is expected to be substantially complete by the end of 2015, ahead of the original schedule. Higher spending in the New Service Connections Program is primarily related to higher volume of property development than planned. As well, significant progress was made on state of good projects to address infrastructure renewal such as watermain and sewer rehabilitation; and wastewater treatment process upgrades; and engineering designs to deliver the Basement Flooding Program.

Lower spending in linear projects was the result of an expanding sewer rehabilitation program which focuses on extending the life span of existing sewers. A comprehensive sewer inspection program has identified numerous locations across the city for renewal resulting in the need for extensive coordination and work sequencing with other utilities. Other linear program under-expenditure is the result of projects being completed and unused contingency costs being released.

Underspending in the Wastewater Treatment Plant program is the result of contracts nearing completion with unspent contingency and some delayed contract awards due to an extended design period for complex site conditions or delayed MOE approvals. Other contributing factors include the impact of prevailing ground/site conditions on design or construction as a result of geotechnical investigations. Persistent wet weather conditions in the spring also contributed to lower construction days.

Toronto Water has projects that are approaching final completion that were under budget as a result of either favourable pricing or unused contingency funding. These projects will remain active and part of the in-progress Capital Plan until all invoices are paid and outstanding contract issues resolved.

COMMENTS

Approval is being sought to amend Toronto Water's Approved 2013 Capital Budget as outlined in the attached Schedule A (Part A & B) to better align cash flows to the 2013 actual expenditures to reflect the project and program requirements, in accordance with Section 71-9 B to E of the Financial Control By-Law.

These amendments include the provision of additional funding for projects proceeding ahead of schedule and projects that incurred additional costs beyond what was planned.

CONTACT

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SIGNATURE

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ATTACHMENTS

Schedule A – Toronto Water 2013 Capital Budget Year End Budget Adjustments
Part A – Project Accelerations
Part B – Project Deferrals/Savings