



STAFF REPORT ACTION REQUIRED

Toronto Water 2016 Capital Budget and 2017-2025 Capital Plan Budget Adjustments

Date:	June 7, 2016
To:	Budget Committee and Executive Committee
From:	General Manager, Toronto Water
Wards:	All
Reference Number:	P:\2016\Cluster B\TW\BC16011

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2016 Capital Budget and 2017-2025 Capital Plan by adjusting project costs and cash flows contained within the Budget and Plan, respectively, to align the 2016 Capital Budget with changes made to the 2015 Capital Budget at year end. Additional reallocations to project cashflows and project costs are requested where recent project estimates exceed the current approved cashflow. These reallocations will allow Toronto Water to continue to deliver projects within its capital plan. The adjustments will have a zero dollar impact on the 2016 Capital Budget and 2017-2025 Capital Plan and will align the 2016 Capital Budget to 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 within Toronto Water's approved 2016 Capital Budget and 2017-2025 Capital Plan in the amount of \$28.204 million, for acceleration and deferral of projects, as presented in Schedule A (Part A & B), with a zero Budget impact.

2. City Council authorize the reallocation of funds in Toronto Water's approved 2016 Capital Budget and 2017-2025 Capital Plan in the amount of \$15.8 million from projects that have been completed or delayed to those requiring additional funding in the same amount as presented in Schedule A (Part C), with a zero Budget impact.

Financial Impact

Toronto Water achieved a delivery rate of 83.6% of its 2015 approved Capital Budget of \$756 million. The delivery of a number of projects exceeded 2015 cash flow forecasts while some others fell behind schedule resulting in the need to amend the 2015 Approved Budget to reflect project accelerations and deferrals as outlined in Appendix A (Part A & B). The reallocations undertaken for 2015 year end reporting need to be extended to the 2016 Approved Capital Budget to align the 2016 approved cashflows with the changes to the capital project delivery schedule made in 2015. The increases to the approved 2016 and 2017 cashflows as shown in Appendix A- Part B are offset by decreases in Appendix A- Part A resulting in no additional costs.

In addition, with the completion of detailed designs for two wastewater treatment plant projects and escalating bid prices for watermain and sewer replacement projects, additional relocation is required as outlined in Appendix A- Part C to ensure projects can continue to be awarded through the summer months. The additional costs are offset by savings with the completion of 2015 watermain and sewer replacement projects with no additional costs.

There are no additional costs to the City as a result of the approval of this report. The recommended adjustments will align the 2016 Capital Budget and 2017-2025 Capital Plan with Toronto Water's capital project delivery schedule and program requirements.

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

DECISION HISTORY

City Council at its meeting of December 9 and 10, 2015 approved Toronto Water's 2016 Capital Budget and 2017-2025 Capital Plan, which included approval of a 2016 Capital Budget cash flow of \$800.283 million and 2015 carry-forward funding of \$48.798 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=9696>

The approved budget, through adjustment to the carry-forwards, was amended by Budget Committee on March 22, 2016 (BU 19.1 2016 Capital Budget Adjustments for Carry Forward Funding) resulting in an overall budget increase of \$1.771 million and can be

found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=11060>

Toronto Water's 2015 Approved Capital Budget was adjusted by Budget Committee on March 22, 2016 (BU19.2 Toronto Water 2015 Year End Capital Budget Adjustment and Accelerations/Deferrals) with a zero dollar impact on the 2015 Approved Capital Budget and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=11060>

ISSUE BACKGROUND

Council amended Toronto Water's Approved 2015 Capital Budget at year end to reflect the actual year end expenditures and progress completion of projects by adjusting project costs and cash flows with a zero Budget impact to the 2015 Capital Budget. As the majority of the projects are multi-year projects, the reversal of these budget adjustments needs to be made to Toronto Water's Approved 2016 Capital Budget to align with project delivery accelerations and deferrals.

The majority of capital projects being delivered for Toronto Water are multi-year complex infrastructure projects. Project accelerations as listed in Part A of Schedule A can result from favourable weather/site conditions, and strong consultant/contractor performance. Through the 2015 year end budget adjustments approved by Council, the approved 2015 cashflow and project cost was increased to align with accelerated project spending. As a result, the approved 2016 and 2017 cashflow and total project cost is recommended to be decreased by an equal amount.

Project under-spending as listed in Part B of Schedule A can arise from projects being completed under budget or from project delays. Delays can arise from: delays in completing designs due to complexities within the infrastructure, unforeseen ground/site conditions, delays resulting from inclement weather, delays resulting from technical coordination to maintain operations uninterrupted, consultant/contractor performance issues, and negotiation of final payments. Through the 2015 year end budget adjustments approved by Council, the approved 2015 cashflow and project cost for these projects was decreased to align with delayed project spending. As a result the approved 2016 and 2017 cashflow and total project cost is recommended to be increased by an equal amount.

As outlined in Part C of Schedule A, funds are available for reallocation to align with updated project cost estimates. The cost estimate for the Ferrous Upgrade project at the Ashbridges Bay Treatment Plant has been updated at the 100% design stage to reflect additional soil management provisions for the disposal of contaminated soil, to replace/relocate additional pipes within the work zone and to align design with the future UV disinfection facility. The cost estimate for the M&T Pumping Station Critical Repairs project has been updated at the 100% design state to reflect additional repair requirements identified through the design process and a refined project estimate at the

completion of the design. Funds are available from the Humber Treatment Plant Waste Gas Burner Project that is behind schedule in its design and is not expected to be tendered for construction in 2016 and from the Ashbridges Bay Treatment Plant Mechanical Rehabilitation project that was awarded under budget in 2016. Additional funding is required under the 2016 Watermain replacement account due to higher bid prices; funds are available from the 2015 Watermain replacement account due to the completion of projects. Within the sewer replacement program, funds are available for reallocation from the 2015 Replacement account to the 2016 Replacement account. All contracts under the 2015 account have been awarded and many are nearing completion. Additional funding is required under the 2016 Replacement account due to higher bid prices for sewer replacement projects.

COMMENTS

Approval is being sought to amend Toronto Water's Approved 2016 Capital Budget as outlined in the attached Schedule A to better align cash flows to forecasted 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 reduction of funding for projects in 2016 that were delivered ahead of schedule in 2015 and the provision of additional funding for projects that were behind schedule in 2015. It is proposed that this additional funding be drawn from projects that were delivered ahead of schedule in 2015. Additional amendments are the result of refined project costs based on completed design to be drawn from completed or delayed projects.

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SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A – Toronto Water 2016-2025 Capital Budget Accelerations, Deferrals and Reallocations

Schedule A – Part A
Toronto Water 2016-2025 Capital Budget
Reductions due to 2015 Accelerations

Program	Sub-Project	WBS#	2015 Approved Year End Reallocation	2016 Proposed Reallocation	2017 Proposed Reallocation
TRUNK WATERMANS	SPADINA-RIVER WM CONSTRUCTION (GERRARD WM)	CPW059-04	760,622		(760,622)
CLARK WATER TREATMENT PLANT	PROCESS EQUIPMENT UPGRADE CONSTRUCTION	CPW063-10	3,687,863		(3,687,863)
WATERMAIN REPLACEMENT	DIST WM REPLACEMENT - 2014	CPW542-14	539,772	(539,772)	
WATERMAIN REPLACEMENT	WATERMAIN UPGRADES - 2015	CPW542-18	661,169	(661,169)	
WATERMAIN REHABILITATION	WATERMAIN STRUCTURAL LINING	CPW543-04	3,494,871	(3,494,871)	
WATER SERVICE REPLACEMENT	2014 WATER SERVICE REPLACEMENT - SOGR	CPW544-12	242,323	(242,323)	
HIGHLAND CREEK TREATMENT PLANT	BIOSOLIDS TREATMENT UPGRADES	CWW036-03	4,451,963		(4,451,963)
ASHBRIDGES BAY TREATMENT PLANT	PRIMARY TREATMENT UPGRADE CONT #1	CWW040-07	2,573,036	(2,573,036)	
HIGHLAND CREEK TREATMENT PLANT	ODOUR CONTROL UPGRADES - PHASE 1 ENG	CWW045-01	478,149		(478,149)
HIGHLAND CREEK TREATMENT PLANT	ODOUR CONTROL UPGRADES PHASE 1 CONST	CWW045-02	5,328,355	(5,328,355)	
HIGHLAND CREEK TREATMENT PLANT	WAS THICKENING AND DEWATERING CONSTR	CWW047-01	718,602		(718,602)
HIGHLAND CREEK TREATMENT PLANT	BUILDING REHABILITATION	CWW048-01	2,174,285		(2,174,285)
BASEMENT FLOODING	BASEMENT FLOODING RELIEF - DESIGN	CWW421-06	288,733		(288,733)
BASEMENT FLOODING	BASEMENT FLOODING RELIEF - GROUP 2 - DES	CWW421-08	337,332	(337,332)	
LINEAR ENGINEERING	SEWER SYSTEM INSPECTION	CWW452-05	2,466,899		(2,466,899)
SUB-TOTAL			28,203,973.41	(13,176,858.44)	(15,027,114.97)

Schedule A – Part B
Toronto Water 2016-2025 Capital Budget
Increases due to 2015 Project Delays

Program	Sub-Project	WBS#	2015 Approved Year End Reallocation	2016 Proposed Reallocation	2017 Proposed Reallocation
TRUNK WATERMANS	CAST IRON TRUNK REPLC - PHASE 2	CPW058-13	(4,169,000)	4,169,000	
WATERMAIN REPLACEMENT	LAWRENCE ALLAN REVITALIZATION PLAN-INFRA	CPW701-01	(3,201,000)		3,201,000
TRUNK SEWERS	TRUNK SEWER REHABILITATION - 2014	CWW014-15	(4,197,025)		4,197,025
ASHBRIDGES BAY TREATMENT PLANT	DIGESTERS CLEANING REHAB 10 YEAR PLAN	CWW019-28	(1,401,418)		1,401,418
HIGHLAND CREEK TREATMENT PLANT	DIGESTER GAS SYSTEM UPGRADES	CWW036-11	(671,319)		671,319
HUMBER TREATMENT PLANT	GAS COMPRESSOR LUBE SYSTEM	CWW049-01	(4,701,956)	3,983,354	718,602
BASEMENT FLOODING	BASEMENT FLOODING EA STUDIES 35-42	CWW421-14	(845,844)	845,844	
WET WEATHER FLOW	EARL BALES SWM FACILITY - PHASE 2	CWW441-10	(3,982,000)	3,982,000	
WET WEATHER FLOW	WESTERN BEACHES RETROFIT	CWW457-01	(1,149,535)		1,149,535
PUMPING STATIONS	GROUP 5 SEWAGE PUMPING STATION UPGRADES	CWW465-08	(196,661)	196,661	
LINEAR ENGINEERING	CONSULTING FEES	CWW470-02	(3,688,217)		3,688,217
SUB-TOTAL			(28,203,973.41)	13,176,858.67	15,027,114.74

Schedule A – Part C
Toronto Water 2016-2025 Capital Budget
Reallocations

Program	Sub-Project	WBS#	2016-2025 Capital Plan	2016 Proposed Reallocation	2017 Proposed Reallocation	Revised 2016-2025 Capital Plan
ASHBRIDGES BAY TREATMENT PLANT	FERROUS UPGRADES	CWW019-24	18,623,000	2,800,000	0	21,423,000
ASHBRIDGES BAY TREATMENT PLANT	M&T PUMPING STATION CRITICAL REPAIRS	CWW040-10	5,399,000	1,500,000	1,500,000	8,399,000
WATERMAIN REPLACEMENT	WM UPGRADES – 2016 PROGRAM	CPW542-20	13,771,000	2,500,000	2,500,000	18,771,000
SEWER REPLACEMENT	SEWER REPLC - 2016 PROGRAM	CWW472-17	21,140,000	5,000,000		26,140,000
SUB-TOTAL			58,933,000	11,800,000	4,000,000	74,733,000
HUMBER TREATMENT PLANT	WASTE GAS BURNERS	CWW037-16	9,110,000	(1,500,000)	(1,500,000)	4,979,238
ASHBRIDGES BAY TREATMENT PLANT	MISC MECH REHAB	CWW041-01	15,000,000	(2,800,000)		12,200,000
WATERMAIN REPLACEMENT	WM REPLC – 2015 PROGRAM	CPW542-17	26,263,000	(2,500,000)	(2,500,000)	21,263,000
SEWER REPLACEMENT	SEWER REPLC - 2015 PROGRAM	CWW472-16	10,978,000	(5,000,000)		5,978,000
SUB-TOTAL			61,351,000	(11,800,000)	(4,000,000)	45,551,000