



## Toronto Water 2017 Capital Budget and 2018-2026 Capital Plan Budget Reallocations

**Date:** May 2, 2017

**To:** Budget Committee and Executive Committee

**From:** General Manager, Toronto Water

**Wards:** All

### SUMMARY

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This report requests City Council's authority to amend Toronto Water's Approved 2017 Capital Budget and 2018-2026 Capital Plan by adjusting project costs and cash flows contained within the Budget and Plan, respectively, to align the 2017 Capital Budget with changes made to the 2016 Capital Budget at year end. Additional reallocations to project cashflows and project costs are requested where recent project bids 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 2017 Capital Budget and 2018-2026 Capital Budget and Plan and will align the budget and plan with Toronto Water's capital project delivery schedule and program requirements.

### RECOMMENDATIONS

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**The General Manger of Toronto Water recommends that:**

1. City Council authorize the reallocation of funds within Toronto Water's approved 2017 Capital Budget and 2018-2026 Capital Plan in the amount of \$44.217 million, for acceleration and deferral of projects, as presented in Schedule A (Part A, B and C), with a zero Budget impact.
2. City Council authorize the reallocation of funds in Toronto Water's approved 2017 Capital Budget and 2018-2026 Capital Plan in the amount of \$5.052 million from projects that have been completed or awarded under budget or delayed to those requiring additional funding in the same amount as presented in Schedule A (Part D), with a zero Budget impact.

## FINANCIAL IMPACT

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Toronto Water achieved a delivery rate of 80% of its 2016 approved Capital Budget of \$851 million. The delivery of a number of projects exceeded 2016 cash flow forecasts while some others fell behind schedule resulting in the need to amend the 2016 Approved Budget to reflect those project accelerations and deferrals. The reallocation undertaken for 2016 year end reporting needs to be extended to the 2017 Approved Capital Budget and 2018-2026 Capital Plan to align the approved cashflows with the changes to the capital project delivery schedule made in 2016. The increases to the approved 2017 and 2018 cashflows as shown in Schedule A - Part B are offset by decreases in Schedule A - Part A resulting in no additional costs. Funding acceleration and deferral as shown in Schedule A - Part C is required to align the approved cashflow with progress of contractor negotiations and project design.

Additional budget relocation is required to align funding with bid prices that have exceeded budget estimates and for additional engineering services to complete one project. The funding for these reallocations will be drawn from projects that have been awarded under-budget, those that have been completed under budget or from project delays as outlined in Schedule A - Part D.

There are no additional costs to the City as a result of the approval of this report. The recommended adjustments will align the 2017 Capital Budget and 2018-2026 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

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City Council at its meeting of December 13, 14 and 15, 2016 approved Toronto Water's 2017 Capital Budget and 2018-2026 Capital Plan, which included approval of a 2017 Capital Budget cash flow of \$859.144 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=10878>

The approved budget, through adjustment to the carry-forwards, was amended by Budget Committee on March 27, 2017 (BU 31.1 2017 Capital Budget Adjustments for Carry Forward Funding) resulting in an overall budget decrease of \$15.609 million and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=12189>

Toronto Water's 2016 Approved Capital Budget was adjusted by Budget Committee on March 27, 2017 (BU 31.2 Toronto Water 2016 Year End Capital Budget and 2017-2025 Capital Plan Adjustments) with a zero dollar impact on the 2016 Approved Capital Budget and 2017-2025 Capital Plan and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=12189>

## **COMMENTS**

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Council amended Toronto Water's Approved 2016 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 2016 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 2017 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 2016 year end budget adjustments approved by Council, the approved 2016 cashflow and project cost was increased to align with accelerated project spending. As a result, the approved 2017 and 2018 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 2016 year end budget adjustments approved by Council, the approved 2016 cashflow and project cost for these projects was decreased to align with delayed project spending. As a result the approved 2017 and 2018 cashflow and total project cost is recommended to be increased by an equal amount.

An in-year budget adjustment for funding acceleration and deferral as listed in Part C of Schedule A is required based on the progress of negotiations with the contractor for the settlement of final costs for the construction of the transmission watermain on Avenue Road. This funding acceleration is offset through the delayed delivery of the Transmission Watermain project from Scarborough Pumping Station to St. Clair and Midland to address easement requirements for the project.

Toronto Water requires the amendment of the 2017 Approved Budget and 2018-2026 Capital Plan to align with contract bid prices and additional project costs as outlined in Part D of Schedule A.

The bid prices for 3 transmission system projects exceeded budget estimates. The Cast Iron Transmission Watermain Replacement project for mains # 11 (McPherson) & 19 (Cottingham/Russel Hill) has approved funding of \$8.150 million and requires additional funding of \$0.791 million. The additional cost covers higher prices due to deep transmission watermain chamber as well as additional provisional costs for utility relocation and addresses time constraints regarding the construction duration period.

The Joint Optimization Study - Revenue Meters project has approved funding of \$7.0 million and requires additional funding of \$1.341 million for award. The additional cost addresses the requirement for more extensive chamber upgrades as well as additional provisional costs for utility test pits and road restoration.

The Riveted Steel Condition Assessment project has approved funding of \$1.515 million and requires additional funding of \$0.636 million for award. The additional cost covers prices for scope added during the RFP preparation stage to allow for desktop analysis of failure modes and deterioration rates, and inclusion of other inspection technologies such as sonar. These components were included to develop knowledge of the condition and longevity of riveted steel watermains in the absence of standardized inspection methodology for transmission watermains.

The additional funding for the above three awards is proposed to be drawn from the Transmission System Automation project that is currently delayed due to an extended design period to research communication methods and panel configurations for remote control of pressure reducing valves to improve system performance. The construction project is now planned for award in 2018.

The bid price for the construction of the Cleaning and Rehabilitation of Digesters and Upgrade of Waste Gas Burners project at the Highland Creek Treatment Plant (HCTP) exceeded budget estimate of \$20.5 million by \$1.6 million. As well, additional funding is required for engineering services to complete the Biosolids Treatment Upgrades project at the Highland Creek Treatment Plant of \$0.684 million due to delays resulting from deteriorated condition and performance of existing biosolids thermal units. Funding for these additional costs is available from completed Mechanical and Electrical work at the HCTP and from the first phase of Liquid Train Repairs project that was awarded under budget late in 2016.

## **CONTACT**

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## **SIGNATURE**

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Lou Di Gironimo  
General Manager, Toronto Water

## **ATTACHMENTS**

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Schedule A – Part A - Toronto Water 2017-2018 Budget Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2017-2018 Budget Adjustments Reallocations due to Deferrals

Schedule A - Part C - Toronto Water 2017-2018 Budget Adjustments Reallocations due to Accelerations and Deferrals

Schedule A – Part D - Toronto Water 2017-2020 Budget Adjustments Reallocations