



## REPORT FOR ACTION

### Toronto Water 2018 Capital Budget and 2019-2027 Capital Plan Adjustments

**Date:** May 11, 2018  
**To:** Budget 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 2018 Capital Budget and 2019-2027 Capital Plan by adjusting project costs and cash flows contained within the Budget and Plan, respectively, to align the 2018 Capital Budget with changes made to the 2017 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 2018 Capital Budget and 2019-2027 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 Manager of Toronto Water recommends that:

1. City Council authorize the reallocation of funds within Toronto Water's Approved 2018 Capital Budget and 2019-2027 Capital Plan in the amount of \$28.148 million, for acceleration and deferral of projects, as presented in Schedule A (Part A, B and C) to the report, with a zero Budget impact.
2. City Council authorize the reallocation of funds in Toronto Water's Approved 2018 Capital Budget and 2019-2027 Capital Plan in the amount of \$1.808 million from projects that have been awarded under budget or delayed to those requiring additional funding in the same amount as presented in Schedule A (Part D) to the report, with a zero Budget impact.

## FINANCIAL IMPACT

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Toronto Water achieved a delivery rate of 79% of its 2017 approved Capital Budget of \$843.535 million. The delivery of a number of projects exceeded 2017 cash flow forecasts while some others fell behind schedule resulting in the need to amend the 2017 Approved Budget to reflect those project accelerations and deferrals. The reallocation undertaken for 2017 year end reporting needs to be extended to the 2018 Approved Capital Budget and 2019-2027 Capital Plan to align the approved cashflows with the changes to the capital project delivery schedule made in 2017. The increases to the Approved 2018 and 2019 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 the project progress, and is offset by delays to other projects.

Additional budget relocation is required to align funding with bid prices that have exceeded budget estimates. The funding for these reallocations will be drawn from projects that have been awarded 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 2018 Capital Budget and 2019-2027 Capital Plan with Toronto Water's capital project delivery schedule and program requirements.

The Interim 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 5, 6, 7 and 8, 2017 approved Toronto Water's 2018 Capital Budget and 2019-2027 Capital Plan, which included approval of a 2018 Capital Budget cash flow of \$964.089 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=11868>

The approved budget, through adjustment to the carry-forwards, was amended by City Council at its meeting of April 24, 25, 26 and 27, 2018 (EX 33.14 2018 Capital Budget Adjustments for Carry Forward Funding) resulting in an overall budget decrease of \$17.517 million and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=13017>

Toronto Water's 2017 Approved Capital Budget was adjusted by City Council at its meeting of April 24, 25, 26 and 27, 2018 (EX 33.16 Toronto Water 2017 Year End Capital Budget and 2018-2026 Capital Plan Adjustments) with a zero dollar impact on the 2017 Approved Capital Budget and 2018-2026 Capital Plan and can be found at: <http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=13017>

## COMMENTS

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Council amended Toronto Water's Approved 2017 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 2017 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 2018 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 2017 year end budget adjustments approved by Council, the approved 2017 cashflow and project cost was increased to align with accelerated project spending. As a result, the Approved 2018 and 2019 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 2017 year end budget adjustments approved by Council, the approved 2017 cashflow and project cost for these projects was decreased to align with delayed project spending. As a result the Approved 2018 and 2019 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 in order to support the accelerated delivery of the Polymer Upgrade project at Ashbridges Bay Treatment plant. The project is proceeding to the equipment pre-selection stage, and accelerated funding is required to support the equipment pre-selection and detailed design. This funding acceleration is offset through the delayed delivery of the Waste Activated Sludge Upgrades project at Ashbridges Bay Treatment project resulting from delays through the procurement process.

Toronto Water requires the amendment of the 2018 Approved Budget and 2019-2027 Capital Plan to align with contract bid prices and additional project costs as outlined in Part D of Schedule A. The bid prices for the Field Office Project at the Humber Treatment Plant, and Communication System at Highland Creek Treatment Plant

exceeded budget estimates. The additional funding required to support the award of these two assignments is proposed to be drawn from the Air Header Rehab project at Ashbridges Bay Treatment Plant, which was awarded under budget.

The bid prices for the Raw Water Intake project at the Island Filtration Plant exceeded the budget estimate of \$3.0 Million, by \$1.059 Million. Funding for these additional costs is available from the Travelling Screen Project at the Island Filtration Plant that is currently delayed pending completion of the cleaning of raw water intake lines in order to establish size of the replacement screens based on clean intake lines. The Travelling Screen design assignment is now planned for award in 2019.

## **CONTACT**

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## **SIGNATURE**

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Frank Quarisa  
Acting General Manager, Toronto Water

## **ATTACHMENTS**

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Schedule A – Part A - Toronto Water 2018-2019 Budget Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2018-2019 Budget Adjustments Reallocations due to Deferrals

Schedule A – Part C - Toronto Water 2018-2020 Budget Adjustment Reallocations due to Accelerations and Deferrals

Schedule A – Part D - Toronto Water 2018-2020 Budget Adjustments Reallocations