



## REPORT FOR ACTION

# Toronto Water 2019 Year End Capital Budget and 2020-2029 Capital Plan Adjustments

**Date:** May 21, 2020

**To:** City Council

**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 2019 Capital Budget by adjusting project costs and cash flows to align with year-end expenditures and project progress. The adjustments will have a zero dollar impact on the 2019 Capital Budget.

This report requests City Council's authority to amend Toronto Water's Approved 2020 Capital Budget and 2021-2029 Capital Plan by adjusting project costs and cashflows contained within the Budget and Plan, respectively, to align the 2020 Capital Budget and 2021-2029 Capital Plan with the final 2019 capital expenditures and project progress. The adjustments will have a zero dollar impact on the 2020 Capital Budget and 2021-2029 Capital 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 2019 cashflows within Toronto Water's approved 2019 Capital Budget and 2020-2028 Capital Plan in the amount of \$81.506 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 2020 and 2021 cashflows within Toronto Water's approved 2020 Capital Budget and 2021-2029 Capital Plan in the amount of \$81.506 million, for acceleration and deferral of projects, as presented in Schedule A (Part A & B), with a zero Budget impact.
3. City Council authorize the reallocation of 2019 cashflows and project costs in Toronto Water's approved 2019 Capital Budget and 2020-2029 Capital Plan in the amount of \$2.202 million from projects that have been completed under budget to those requiring additional funding in the same amount as presented in Schedule A (Part C), with a zero Budget impact.

## **FINANCIAL IMPACT**

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In 2019, Toronto Water had projected a year end delivery rate of 93%. Toronto Water achieved higher than projected 2019 spending, with a final delivery rate of approximately 97% of its 2019 Approved Capital Budget of \$951.525 million. As a result, Toronto Water will lower the carry forward estimates that were included in its 2020 Capital Budget and 2021-2029 Capital Plan at the time of Council's approval, from \$41.544 million to \$10.420 million.

At the same time, Toronto Water anticipates a favourable variance in its 2019 Operating Budget of approximately \$44.730 million. Consistent with a standard practice, the year-end surplus will be transferred to Toronto Water's Capital Reserves to finance future capital investments and manage positive reserve balances as projected in the 2020 - 2029 Water and Wastewater Rate Model.

The delivery of a number of projects proceeded ahead of the forecast, exceeding the 2019 cash flow forecasts while some others fell behind schedule or experienced reduced expenditures, resulting in the need to amend the 2019 Approved Budget to reflect project accelerations and deferrals as outlined in Schedule A (Part A & B).

The increases to the Approved 2020 and 2021 cashflows for projects that have been delayed as shown in Schedule A - Part B are offset by decreases for projects that have proceeded ahead of the forecast as shown in Schedule A - Part A, resulting in no additional costs.

Some projects experienced lower than anticipated invoicing or recoveries in 2019. As a result, funding from these projects is available for reallocation to address projects that incurred additional expenditures in 2019 as outlined in Schedule A (Part C).

There are no additional costs to the City as a result of the approval of this report. The recommended adjustments will align the 2019 Capital Budget with final year end expenditures and align the Approved 2020 Capital Budget and 2021-2029 Capital Plan with Toronto Water's capital project delivery schedule and program requirements.

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

## **DECISION HISTORY**

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City Council at its meeting of December 17 and 18, 2019 approved Toronto Water's 2020 Capital Budget and 2021-2029 Capital Plan, which included approval of a 2020 Capital Budget cash flow of \$1,217.837 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=15359>

Toronto Water's 2019 Approved Capital Budget was adjusted by Executive Committee on September 18, 2019 (EX 8.10 Toronto Water 2019 Capital Budget and 2020-2028 Capital Plan Adjustments) with a zero dollar impact on 2019 Approved Capital Budget

and 2020-2028 Capital Plan and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=15471>

Toronto Water's 2019 Approved Capital Budget was adjusted by Executive Committee on July 4, 2019 (EX 7.26 Toronto Water 2019 Capital Budget and 2020-2028 Capital Plan Adjustments) with a zero dollar impact on 2019 Approved Capital Budget and 2020-2028 Capital Plan and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=15470>

Toronto Water's 2019 Approved Capital Budget was adjusted by Executive Committee on May 1, 2019 (EX5.5 Toronto Water 2018 Year End Capital Budget and 2019-2028 Capital Plan Adjustments) with a zero dollar impact on 2019 Approved Capital Budget and 2020-2028 Capital Plan and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=15447>

The approved budget, through adjustment to the carry-forwards, was amended by Budget Committee on April 15, 2019 (BU5.1 2019 Capital Budget Adjustments for Carry Forward Funding) resulting in an overall budget decrease of \$8.981 million and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=15868>

City Council at its meeting of March 7, 2019 approved Toronto Water's 2019 Capital Budget and 2020-2029 Capital Plan, which included approval of a 2019 Capital Budget cash flow of \$960.506 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilMinutesReport&meetingId=15350>

## **COMMENTS**

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Toronto Water requires the amendment of the 2019 Approved Budget to align the cash flows with 2019 actual expenditures to better reflect capital project delivery and program requirements resulting from changes in project delivery schedules and in-year expenditures. As the majority of the projects are multi-year projects, a corresponding adjustment is required to Toronto Water's Approved 2020 Capital Budget and 2021-2029 Capital Plan to align with project delivery accelerations and deferrals.

The majority of capital projects being delivered for Toronto Water are multi-year complex infrastructure projects. Accelerated spending as listed in Part A of Schedule A can arise due to site conditions, favourable weather conditions, equipment deliveries ahead of schedule, and strong consultant/contractor performance. Where the 2019 Approved Capital Budget is recommended to be increased to align with accelerated project spending in 2019, the Approved 2020 and 2021 cashflows are recommended to be decreased by an equal amount.

Project under-spending as listed in Part B of Schedule A can arise from projects being delayed. Under-spending can arise from: delays in completing designs due to complexities within the infrastructure, unforeseen or complex ground/site conditions, delays resulting from inclement weather, delays resulting from technical coordination to maintain operations or address operational requirements, consultant/contractor performance issues, extended procurement or permit acquisition phase, delays in acquiring legal agreements and/or easements, higher bid prices requiring the reallocation of funds for award and negotiation of final payments. Where 2019 Approved Capital Budget is recommended to be decreased to align with delayed project spending, the Approved 2020 and 2021 cashflows are recommended to be increased by an equal amount.

As outlined in Part C of Schedule A, additional project costs were incurred in 2019 due to an increased demand for the Basement Flooding Subsidy program. Project costs and cashflows are available for reallocation where projects have been completed under budget.

## **CONTACT**

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Eleanor McAteer, Director, Water Infrastructure Management, Toronto Water,  
Telephone: (416)397-4631, E-mail: [Eleanor.McAteer@toronto.ca](mailto:Eleanor.McAteer@toronto.ca)

Katherine Crowther, Manager, Capital Programming & Facility Asset Planning, Water Infrastructure Management, Toronto Water, Telephone: (416) 392-7695, E-mail: [Katherine.Crowther@toronto.ca](mailto:Katherine.Crowther@toronto.ca)

## **SIGNATURE**

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Lou Di Gironimo  
General Manager, Toronto Water

## **ATTACHMENTS**

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Schedule A – Part A - Toronto Water 2019 and 2020 Budget Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2019 and 20120 Budget Adjustments Reallocations due to Deferrals

Schedule A - Part C - Toronto Water 2019 Budget Adjustments Reallocations