

Toronto Water 2022 Capital Budget and 2023-2031 Capital Plan Adjustments

Date: June 9, 2022

To: Executive Committee

From: General Manager Toronto Water

Wards: All

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2022 Capital Budget and 2023-2031 Capital Plan by adjusting project cash flows contained within the Budget and Plan, respectively, to align forecasted project accelerations and deferrals. Additional reallocations to project cashflows and project costs are requested where project costs exceed the current approved cashflows and project costs. 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 2022 Capital Budget and 2023-2031 Capital Plan and will align the budget and plan with Toronto Water's capital project delivery schedule and program requirements.

In addition, City Council's authority is requested to amend Toronto Water's Approved 2022 Capital Budget and 2023-2031 Capital Plan by converting already approved future year cost estimates and increasing project costs and cashflow commitments in order to support the engineering services required for the delivery of planned 2024-2026 Watermain, Sewer and Water Service Replacement projects, scheduled to be awarded ahead of schedule in late 2022.

RECOMMENDATIONS

The General Manager of Toronto Water recommends that:

1. City Council authorize the reallocation of cashflows within Toronto Water's approved 2022 Capital Budget and 2023-2031 Capital Plan in the amount of \$23.798 million, for acceleration and deferral of projects, as presented in Schedule A (Part A and B) to the report, with a zero Budget impact.
2. City Council authorize the reallocation of project costs and cashflows in Toronto Water's Approved 2022 Capital Budget and 2023-2031 Capital Plan in the amount of \$28.915 million from projects that have been awarded under budget or completed to

those requiring additional funding in the same amount as presented in Schedule A (Part C), with a zero Budget impact.

3. City Council amend the 2022-2031 Capital Budget and Plan for Toronto Water by converting previously approved future estimates for the 10 Year Engineering Project and increasing total project costs by \$69.750 million in 2022 and cash flow commitments by \$7.750 million, \$18.000 million, \$18.000 million, \$18.000 million, \$2.500 million and \$1.500 million in 2023, 2024, 2025, 2026, 2027 and 2028 respectively, funded by Toronto Water Capital Financing Reserve Funds for Water and Wastewater (\$69.750 million) as presented in Schedule A, Part D.

FINANCIAL IMPACT

The approval of this report will authorize the acceleration and deferral of cashflows in Toronto Water's Approved 2022 Capital Budget and 2023-2031 Capital Plan in the total amount of \$23.798 million (\$16.798 million in 2022 plus \$7 million in 2023 accelerated for the Yards & Facilities Program Area). The report also recommends the reallocation of 2022-2031 approved project costs and cash flows in the total amount of \$28.915 million, as well as the conversion of the previously approved future year cost estimates of \$69.750 million to approved cashflow commitments in the 2022-2031 Capital Budget and Plan as detailed in Schedule A (attached).

A number of multi-year projects are projected to proceed ahead of the forecast. The accelerated spending of these projects is off-set by delays within other projects as outlined in Schedule A (Part A and B).

As outlined in Part C of Schedule A, additional funding is required to support the Stormwater Management Conveyance 2017, Group 5 Sewage Pumping Station Upgrades, Waterfront Sanitary Master Servicing Plan Implementation, Downsview Transmission Watermain and Downsview Pumping Station projects. The additional costs for these projects are to be offset from funds available from projects which have been completed under budget, where lower than forecasted Water Service Replacements were encountered, or where tenders have recently been cancelled.

In addition, the conversion of previously approved future year cost estimates to approved cashflow commitments in the 2022-2031 Capital Budget and Plan is required in order to support the engineering services required for the delivery of planned 2024-2026 Watermain, Sewer and Water Service Replacement projects, scheduled to be awarded ahead of schedule in late 2022, as presented in Part D of Schedule A.

There are no additional costs to the City as a result of the approval of this report. The recommended adjustments will align the 2022 Capital Budget and 2023-2031 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

Toronto Water's 2022 Approved Capital Budget and 2023-2031 Capital Plan was adjusted by City Council on May 11, 2022 (EX32.8 Toronto Water 2021 Year End Capital Budget and 2022-2031 Capital Plan Adjustments) with a zero dollar impact on 2022 Approved Capital Budget and 2023-2031 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EX32.8>

Toronto Water's 2022 Approved Capital Budget, through adjustment to the carry-forwards, was amended by City Council on May 11, 2022 (EX32.9 Adjustments to Capital Budget, Carry Forward Funding and Future Year Commitments) resulting in an overall budget increase in 2022 of \$10.188 million. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EX32.9>

City Council at its meeting of December 15, 16 and 17, 2021 approved Toronto Water's 2022 Capital Budget and 2023-2031 Capital Plan, which included approval of a 2022 Capital Budget cash flow of \$1,408.664 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX28.6>

COMMENTS

Toronto Water is seeking to amend the 2022 Approved Budget and 2023-2031 Capital Plan to better align the cash flows with capital project delivery and program requirements, primarily to address accelerated delivery for a number of Toronto Water projects, and to address higher costs for projects in the Stormwater Management Conveyance 2017 and Waterfront Sanitary Master Servicing Plan Implementation projects.

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 and/or site conditions, equipment deliveries ahead of schedule, resolution of claims and final project costs, extended working hours, revised project phasing to address operational requirements, accelerated project delivery to coordinate with other planned works and strong consultant/contractor performance.

Project under-spending, as listed in Part B of Schedule A, can arise from project delays. Project delays can arise from: delays in completing designs due to complexities within the infrastructure or site conditions, unforeseen ground/site conditions, delays resulting from inclement weather, delays resulting from technical coordination to maintain operations or address operational requirements or to coordinate with other projects, resource constraints, consultant/contractor performance issues, and extended procurement phases

The funding adjustment for projects being delivered ahead of schedule is to be offset by projects that are behind schedule.

As outlined in Part C of Schedule A, additional funding is required to align the funding with the most recent cost estimates for the Stormwater Management Conveyance 2017 and to address recent bid prices and updated cost estimates for the Waterfront Sanitary Master Servicing Plan Implementation project. Additionally, funding is required to support the Downsview Transmission Watermain and Pumping Station project, where the contract is expected to be awarded over budget and to support a required Purchase Order Amendment to support on-going contract administration services for the Group 5 Pumping Station Upgrades project. The additional costs are offset by projects which have been completed under budget or where lower than forecasted Water Service Replacement was required as outlined in Schedule A (Part C). Additional funds are available for reallocation from the Zebra Mussel Control Project, where one tender was cancelled in 2022 due to high bid prices. The Zebra Mussel Control Project will be reviewed and re-prioritized as part of the development of Toronto Water's 2023 Capital Budget Submission.

As part of the 2022-2031 Plan, \$525.068 million in future year estimates were approved by City Council for 10 Year Engineering costs required to support the delivery of Watermain and Sewer Replacements and upgrades planned from 2024-2031. In order to ensure that planned 2024 construction projects can proceed in accordance with the established project schedules, the engineering works to support these programs are required to start earlier than forecasted, in late 2022. The conversion of a portion of the future year estimates to approved project costs and cash flow commitments as outlined in Part D of Schedule A is required in order to support the award of the planned engineering assignments requiring award in late 2022. The estimated cost of the assignments forecast for award in late 2022 is \$69.750 million as outlined in Part D of Schedule A. The cash flow commitments will be allocated into two existing accounts to track the engineering costs related to Watermain and Sewer Replacement activities.

CONTACT

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SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A – Part A - Toronto Water 2022-2024 Budget Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2022-2024 Budget Adjustments Reallocations due to Deferrals

Schedule A - Part C - Toronto Water 2022-2024 Budget Adjustments Reallocations

Schedule A - Part D - Toronto Water 2023-2028 Budget Amendments