



STAFF REPORT ACTION REQUIRED

Toronto Water 2014 Capital Budget and 2015-2023 Capital Plan Reallocations and Accelerations/Deferrals

Date:	April 28, 2014
To:	Budget Committee
From:	General Manager, Toronto Water
Wards:	All
Reference Number:	P:\2014\Cluster B\TW\bc14008

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2014 Capital Budget and 2015-2023 Capital Plan by adjusting project cash flows contained within the Budget and Plan, respectively, to better meet program requirements. The adjustment of project cash flows will have a zero gross overall Capital Budget impact and will better align 2014 and future year cash flows with Toronto Water's capital project delivery schedule and program requirements.

RECOMMENDATIONS

The General Manager, Toronto Water, recommends that:

1. City Council authorize the reallocation of funds in Toronto Water's approved 2014 Water Capital Budget and 2015-2023 Capital Plan in the amount of \$13.75 million, from projects that have been completed to those requiring additional funding in the same amount, as presented in Schedule A, with a zero Budget impact.
2. City Council authorize the deferral and acceleration of funds in Toronto Water's approved 2014 Capital Budget and 2015-2023 Capital Plan in the amount of \$16.525 million as presented in Schedule A, with a zero Budget impact.

Financial Impact

The approval of this report will authorize the reallocation of 2014 – 2023 approved cash flows in the total amount of \$13.75 million as detailed in Schedule A (attached); and the deferral and acceleration of funds in Toronto Water's approved 2014 Capital Budget and 2015-2023 Capital Plan in the total amount of \$16.525 million, as presented in Schedule A. There are no additional costs to the City as a result of approval of this report.

Due on-site project coordination constraints and vendor performance issues, several capital projects have fallen behind schedule in 2014. In addition, a number of projects have been completed, and committed funds have been released. As a result, funding from these delayed or completed projects is available for reallocation to address projects that are proceeding ahead of schedule or have received higher than expected bid prices.

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

DECISION HISTORY

City Council at its meeting of December 16 and 17, 2013 approved Toronto Water's 2014 Capital Budget and 2015-2023 Capital Plan, which included approval of a 2014 Capital Budget cash flow of \$476.713 million and 2013 carry-forward funding of \$138.057 million. The Council Decision Document can be found at:
<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=6814>

Subsequent adjustments reflecting the final 2013 in- year carry forward funding were approved by Budget Committee on March 26, 2014 (BU53.5: 2013 Year-End Capital Adjustments, Carry-Forward Funding Adjustments to the 2014 Approved Capital Budget and Project Closures) resulting in an overall carry-forward reduction of \$1.387 million and can be found at:
<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=8368>

ISSUE BACKGROUND

Toronto Water requires the adjustments to the 2014 Approved Budget and 2015-2023 Capital Plan to better align the cash flows with capital project delivery and program requirements, as detailed in Schedule A.

The following budget adjustments are being requested:

a) Water supply projects

Additional funding is required: to install a platform at the Horgan Water Treatment plant valves and pumps to ensure worker safety when accessing this equipment and for the removal of obsolete pumps; for process upgrades at the Island Water

Treatment plant which has received higher than estimated bids and for the completion of the Crosstown tunnel project. Funds for these projects can be reallocated from the supernatant and forcemain pipe line project which is delayed to investigate an alternative approach to reduce the overall scope and cost of the project.

b) Watermain replacement projects

Additional funding is required to permit the tendering and contract award for watermain scheduled for replacement in 2014 as recent bids have been higher than estimated. Funds are available for reallocation from a prior year watermain replacement account where contracts have been awarded at favourable contract prices and/or are being completed under budget.

c) Basement flooding program

As a result of the July 8, 2013 storm, higher volumes of applications have been received and are being processed under the Basement Flooding Subsidy program. In order to continue to process applications under the program, funding from future years needs to be accelerated. A separate contract is required for sewer flow monitoring to facilitate future design of basement flooding projects. As well, the tendering of engineering services for Group 3 basement flooding projects is ahead of schedule requiring additional funding. Funding is available from the Group 1 basement flooding project account as all contracts have all been awarded under-budget and funding is available for reallocation within the program.

d) Sewer projects

The bids for the North Toronto CSO project were higher than estimated, while the scope of a few sewer replacement projects has been amended to use trenchless technologies to reduce overall cost and construction disruption to the public.

e) Overall project acceleration

The acceleration of projects across the program is the result of project completion or project tendering proceeding ahead of schedule as noted in Schedule A. Budget adjustments are required to allow projects to be awarded and to align the budget with forecasted expenditures.

f) Overall project delay

A number of projects across Toronto Water facilities are delayed due to on-site coordination constraints or in some cases vendor performance issues and delay in receiving permits. For the pump replacement projects at the Scarborough and Eglinton pump station, delivery is delayed as the pumps have been sourced by the vendor from overseas instead of North America.

COMMENTS

Approval is being sought to adjust Toronto Water's Approved 2014 Capital Budget and 2015-2023 Capital Plan as outlined in the attached Schedule A to better align cash flows with project and program requirements, in accordance with Section 71-9 B to E of the Financial Control By-Law.

These amendments include the provision of additional funding for projects proceeding ahead of schedule and projects with higher bid prices. It is proposed that this additional funding be drawn from projects that are under budget and projects which have fallen behind schedule due to on-site coordination constraints and vendor performance issues.

CONTACT

Ted Bowering,
Acting Director, Water Infrastructure Management
Toronto Water
Tel: 416-338-5473
E-mail: tbowerin@toronto.ca

SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A – Toronto Water 2014 Capital Budget Reallocations, Deferrals/Accelerations

Schedule A

Toronto Water 2013 Capital Budget Reallocations

Project/Sub-Project Name	Sub-proj. (WBS No.)	Budget Adjustments			Comment
		2014	2015	2016	
REALLOCATIONS					
Water Supply Projects					
PLANT EXPANSION - CONSTRUCTION	CPW002-3	1,000,000	0	0	Additional funding is required to install a platform at the raw water valves and pumps to ensure worker safety when accessing this equipment; and for the removal of obsolete pumps.
CROSTOWN TUNNEL REHAB	CPW058-10	250,000	0	0	
FACILITY & PROCESS UPGRADES	CPW064-01	300,000	0	0	Contract prices are higher than anticipated
CONSULTING FEES	CPW545-02	950,000			Engineering assignments are proceeding at an accelerated pace to improve overall delivery of linear projects.
SUPERNATANT AND FORCEMAIN INSTALLATION	CPW002-05	(2,500,000)	0	0	Project delayed for further investigation for alternative approach to reduce scope and cost.
Watermain Replacement Projects					
DIST WM REPLACEMENT - 2014	CPW542-14	1,850,000	2,000,000	0	2014 bid prices are higher than estimated.
WATERMAIN UPGRADES	CPW542-13	(1,850,000)	(2,000,000)	0	All contracts against this account have been awarded and will be completed by year end.
Basement Flooding Program					
BASEMENT FLOODING RELIEF	CWW421-05	2,000,000	2,000,000	0	Additional flow monitoring needs to be undertaken to understand the performance of the system
BASEMENT FLOODING DESIGN - GROUP 3	CWW421-13	1,400,000	0	0	Project issued to tender ahead of schedule to undertake Phase 3 engineering for the implementation of basement flooding control solutions.
NEW BASEMENT FLOODING RELIEF GROUP 1A	CWW421-09	(3,400,000)	(2,000,000)		All contracts have been awarded against this account, funding is available for reallocation from this account.
Sewer Projects					
NORTH TORONTO CSO CONSTR	CWW441-06	2,000,000	0	0	Reallocation required, project cost came in higher than anticipated.
SEWER REPLACEMENT - 2014	CWW472-13	(2,000,000)	0	0	Scope reassessed for a couple locations from replacement to rehabilitation to leverage the cost effectiveness of trenchless technologies resulting in overall cost savings.
TOTAL REALLOCATIONS		0	0	0	

Schedule A

Toronto Water 2013 Capital Budget

Deferrals/Accelerations

Project/Sub-Project Name	Sub-proj. (WBS No.)	Budget Adjustments			Comment
		2014	2015	2016	
Overall Project Acceleration					
AVENUE RD WM CONSTRUCTION - HI LEVEL TO	CPW040-02	505,000	(505,000)	0	Construction has been completed. Final payments for construction work and for permanent restoration are expected to be paid out in 2014.
CAST IRON TRUNK REPLC - PHASE 2	CPW058-13	500,000	(500,000)	0	Additional costs to be incurred in 2014 for trunk replacement required in conjunction with the TYSSE project undertaken by the TTC.
FILTER MEDIA REPLACEMENT	CPW061-01	120,000	(120,000)	0	Filters (8) need to be replaced this year in prep for the Settling Basins rehabilitation contract
STAND-ALONE WATERMAIN REPLACEMENT	CPW542-07	1,000,000	(1,000,000)	0	All contracts have been awarded and a couple are proceeding ahead of schedule.
CONSULTING FEES	CPW545-02	3,000,000	(1,000,000)	(2,000,000)	Engineering assignments are proceeding at an accelerated pace to improve overall delivery of linear projects.
MECHAND ELEC SYSTEM UPGRADES-CONSTR	CWW036-07	300,000	(300,000)	0	Project is nearing completion, final payments are being processed.
BASEMENT FLOODING RELIEF - BACKFLOW GRAN	CWW421-01	5,500,000	(5,500,000)	0	Volume of subsidy applications continues to increase in response to July 8, 2013 storm.
EARLBALES SWM FACILITY - PHASE 2	CWW441-10	1,000,000	0	(1,000,000)	Project will be ready to tender in June, ahead of schedule.
DIST SEWER NEW	CWW453-02	200,000	(200,000)	0	All planned projects have been awarded, work is proceeding ahead of schedule.
CONSULTING FEES	CWW470-02	1,000,000	0	(1,000,000)	Engineering assignments are proceeding at an accelerated pace to improve overall delivery of linear projects.
NEW BASEMENT FLOODING RELIEF GROUP 1A	CWW421-09	3,400,000	0	(3,400,000)	All contracts have been awarded against this account, funding available for reallocation within the basement flooding program.
TOTAL ACCELERATIONS		16,525,000	(9,125,000)	(7,400,000)	
Project/Sub-Project Name	Sub-proj. (WBS No.)	Budget Adjustments			Comment
		2014	2015	2016	
Overall Project Delay					
NETWORK CABLE LIFECYCLE REPLACEMENT	CPW039-04	(750,000)	0	750,000	Project delayed due to vendor performance issues
BUSINESS & TECH IMPROVEMENT - PHASE 2	CPW039-10	(875,000)	125,000	750,000	Project delivery is subject to coordination with other construction projects on-going at the facilities and results in delays where other contracts are mobilized.
PCS UPGRADES FOR WATER SUPPLY	CPW039-15	(750,000)	750,000	0	
SCARBOROUGHPS - PUMP REPLC	CPW060-05	(300,000)	300,000	0	Delayed - Pumps delivery from from manufacturer in Japan is delayed to Oct/Nov 2014. As a result most of the expenditure will be in 2015.
EGLINTON PS - PUMP REPLC	CPW060-06	(1,500,000)	1,500,000	0	
HVAC REHAB - CONSTRUCTION	CPW061-11	(600,000)	600,000	0	Project impacted due to on-site coordination constraints and heritage designation of facility.
REHAB OF SETTLING BASIN ROOF & SLUICE GA	CPW061-13	(2,500,000)	2,500,000	0	Project delayed due to issues with the contract award.
PROCESS EQUIPMENT UPGRADE ENGINEERING	CPW063-06	(500,000)	500,000	0	Project delayed to allow scope integration of PCS work from another project to prevent on site construction conflicts.
PROCESS EQUIPMENT UPGRADE CONSTRUCTION	CPW063-10	(3,000,000)	2,100,000	900,000	
TRUNK SEWER REHAB- 2012	CWW014-14	(2,000,000)	0	2,000,000	The construction of the West Don sewer has been delayed due to ownership issues with the Maple Collector Sewer. Delay is also the result of consultant performance issues.
WWTP PLC PLATFORM UPGRADE	CWW034-15	(1,000,000)	0	1,000,000	Upgrades to be undertaken across facility; coordination of on-site work is impacting delivery.
M & T PUMPING STATION CRITICAL REPAIRS	CWW040-10	(750,000)	750,000	0	Project being delayed due to on-site coordination constraints.
MISC MECH REHAB	CWW041-01	(1,000,000)	0	1,000,000	Delays in receiving MOE ECA as well as on-site coordination issues.
WASTE ACTIVATED SLUDGE UPGRADE	CWW043-04	(1,000,000)	0	1,000,000	Project delayed to review operating assumptions in order to incorporate process efficiencies in design/contract.
TOTAL DEFERRALS		(16,525,000)	9,125,000	7,400,000	
TOTAL BUDGET ADJUSTMENTS		0	0	0	