



STAFF REPORT ACTION REQUIRED

Toronto Water 2015 Year End Capital Budget Adjustment and Accelerations/Deferrals

Date:	March 2, 2016
To:	Budget Committee
From:	General Manager, Toronto Water
Wards:	All
Reference Number:	P:\2016\Cluster B\TW\BC16005

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2015 Capital Budget by adjusting project costs and cash flows contained within the Budget and Plan, respectively, to reflect the actual year expenditures and progress completion. The adjustments will have a zero dollar impact on the 2015 Capital Budget and will align 2015 expenditures with Toronto Water's capital project delivery schedule and program requirements.

RECOMMENDATIONS

The General Manager of Toronto Water recommends that:

1. City Council authorize the reallocation of funds within Toronto Water's approved 2015 Capital Budget in the amount of \$28.204 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 funds in Toronto Water's approved 2015 Capital Budget in the amount of \$27.692 million from projects that have been completed to those requiring additional funding in the same amount as presented in Schedule A (Part C), with a zero Budget impact.

Financial Impact

Toronto Water achieved a delivery rate of 83.6% of its 2015 approved Capital Budget of \$756 million. The delivery of a number of projects exceeded 2015 cash flow forecasts while some others fell behind schedule resulting in the need to amend the 2015 Approved Budget to reflect project accelerations and deferrals as outlined in Appendix A (Part A & B). As the majority of these projects are multi-year projects, a second reallocation report will be submitted with the Q1 Variance Report to align the 2016 and 2017 approved cash flows with the changes to the capital project delivery schedule made in 2015.

In addition, a number of projects have been completed, and committed funds have been released, while others have been awarded under budget or deferred in 2015. As a result, funding from these projects is available for reallocation to address projects that incurred additional expenditures in 2015 as outlined in Appendix 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 2015 expenditures 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

City Council at its meeting of March 10 and 11, 2015 approved Toronto Water's 2015 Capital Budget and 2016-2024 Capital Plan, which included approval of a 2015 Capital Budget cash flow of \$726,421 million and 2014 carry-forward funding of \$55,982 million. The Council Decision Document can be found at:
<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=9689>

Additional budget adjustments were approved by Budget Committee on June 9, 2015 (BU9.2 Toronto Water 2015 Capital Budget and 2016-2024 Capital Plan Reallocations and Accelerations/Deferrals) with a zero gross budget impact and can be found at:
<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=9946>

Further budget adjustments were approved by Budget Committee on August 31, 2015 (BU10.10 Toronto Water 2015 Capital Budget and 2016-2024 Capital Plan Budget Adjustments) with a zero gross budget impact and can be found at:
<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=8371>

ISSUE BACKGROUND

Toronto Water requires the amendment of the 2015 Approved Budget to align the cash flows with 2015 actual expenditures to better reflect capital project delivery and program requirements resulting from changes in project delivery schedules and in-year expenditures.

The majority of capital projects being delivered for Toronto Water are multi-year complex infrastructure projects. Project acceleration as listed in Part A of Schedule A can result from favourable weather/site conditions, and strong consultant/contractor performance.

Project under-spending as listed in Part B of Schedule A can arise from projects being delayed. 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 24/7, consultant/contractor performance issues, higher bid prices requiring the reallocation of funds for award and negotiation of final payments.

A few project funding reallocations are required to address additional project costs as detailed in Part C of Schedule A.

COMMENTS

Approval is being sought to amend Toronto Water's Approved 2015 Capital Budget as outlined in the attached Schedule A to better align cash flows to the 2015 year end expenditures to reflect the 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 that incurred additional costs beyond what was planned. 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.

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SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A – Toronto Water 2015 Capital Budget Adjustments, Deferrals/Accelerations

Schedule A – Part A Toronto Water 2015 Capital Budget Accelerations

Program	Sub-Project	WBS#	2015 Plan	Reallocation
TRUNK WATERMAINS	SPADINA-RIVER WM CONSTRUCTION (GERRARD WM)	CPW059-04	7,909,221.18	760,622
CLARK WATER TREATMENT PLANT	PROCESS EQUIPMENT UPGRADE CONSTRUCTION	CPW063-10	8,466,222.25	3,687,863
WATERMAIN REPLACEMENT	DIST WM REPLACEMENT - 2014	CPW542-14	15,140,389.00	539,772
WATERMAIN REPLACEMENT	WATERMAIN UPGRADES - 2015	CPW542-18	6,609,000.00	661,169
WATERMAIN REHABILITATION	WATERMAIN STRUCTURAL LINING	CPW543-04	33,580,258.48	3,494,871
WATER SERVICE REPLACEMENT	2014 WATER SERVICE REPLACEMENT - SOGR	CPW544-12	3,500,000.00	242,323
HIGHLAND CREEK TREATMENT PLANT	BIOSOLIDS TREATMENT UPGRADES	CWW036-03	6,574,916.34	4,451,963
ASHBRIDGES BAY TREATMENT PLANT	PRIMARY TREATMENT UPGRADE CONT #1	CWW040-07	25,293,220.26	2,573,036
HIGHLAND CREEK TREATMENT PLANT	ODOUR CONTROL UPGRADES - PHASE 1 ENGINEERING	CWW045-01	1,004,513.92	478,149
HIGHLAND CREEK TREATMENT PLANT	ODOUR CONTROL UPGRADES PHASE 1 CONSTRUCTION	CWW045-02	11,885,483.99	5,328,355
HIGHLAND CREEK TREATMENT PLANT	WAS THICKENING AND DEWATERING CONSTRUCTION	CWW047-01	516,649.70	718,602
HIGHLAND CREEK TREATMENT PLANT	BUILDING REHABILITATION	CWW048-01	1,112,271.91	2,174,285
BASEMENT FLOODING	BASEMENT FLOODING RELIEF - DESIGN	CWW421-06	1,051,109.45	288,733
BASEMENT FLOODING	BASEMENT FLOODING RELIEF - GROUP 2 - DESIGN	CWW421-08	5,596,536.48	337,332
LINEAR ENGINEERING	SEWER SYSTEM INSPECTION	CWW452-05	8,918,192.91	2,466,899
SUB-TOTAL				28,203,973

Schedule A – Part B
Toronto Water 2015 Capital Budget
Deferrals

Program	Sub-Project	WBS#	2015 Plan	Reallocation
TRUNK WATERMAINS	CAST IRON TRUNK REPLC - PHASE 2	CPW058-13	11,433,990.76	(4,169,000)
WATERMAIN REPLACEMENT	LAWRENCE ALLAN REVITALIZATION PLAN- INFRASTRUCTURE	CPW701-01	3,668,000.00	(3,201,000)
TRUNK SEWERS	TRUNK SEWER REHABILITATION - 2014	CWW014-15	6,277,272.00	(4,197,025)
ASHBRIDGES BAY TREATMENT PLANT	DIGESTERS CLEANING REHAB 10 YEAR PLAN	CWW019-28	1,723,934.00	(1,401,418)
HIGHLAND CREEK TREATMENT PLANT	DIGESTER GAS SYSTEM UPGRADES	CWW036-11	1,075,000.00	(671,319)
HUMBER TREATMENT PLANT	GAS COMPRESSOR LUBE SYSTEM	CWW049-01	9,374,551.23	(4,701,956)
BASEMENT FLOODING	BASEMENT FLOODING EA STUDIES 35-42	CWW421-14	2,550,000.00	(845,844)
WET WEATHER FLOW	EARL BALES SWM FACILITY - PHASE 2	CWW441-10	5,865,070.69	(3,982,000)
WET WEATHER FLOW	WESTERN BEACHES RETROFIT	CWW457-01	1,818,152.00	(1,149,535)
PUMPING STATIONS	GROUP 5 SEWAGE PUMPING STATION UPGRADES	CWW465-08	1,217,914.79	(196,661)
LINEAR ENGINEERING	CONSULTING FEES	CWW470-02	7,572,908.04	(3,688,217)
SUB-TOTAL				(28,203,973)

Schedule A – Part C Toronto Water 2015 Capital Budget Reallocations

Program	Sub-Project	WBS#	2015 Plan	Reallocation	Comments
NEW CONNECTIONS	NEW SERVICE CONNECTIONS - SITE SERVICING	CPW600-02	22,002,000.00	9,224,797	Higher demand for new service connections funded through fees.
SEWER REPLACEMENT	SEWER REPLACEMENT - METROLINX	CWW472-15	57,000.00	5,378,123	Cost for sewer expansion for basement flooding protection constructed by Metrolinx as part of the Eglinton Crosstown tunnel project. Project cost exceeded estimates due to contaminated and poor soil conditions.
WATER SERVICE REPLACEMENT	ALL DISTRICT WSR - LEAD REPLACEMENT	CPW544-03	12,178,000.00	3,688,480	Higher volume of repairs required, as well, bid prices exceeded estimates.
NEW CONNECTIONS	CUT REPAIRS REQ'D FOR NEW SERVICE CONNECTIONS	CPW600-03	4,080,000.00	3,176,412	Higher volume of invoicing for permanent restoration tied to construction of new connections.
WATER SERVICE REPLACEMENT	WSR CUT REPAIRS	CPW544-10	2,100,000.00	1,400,878	Higher volume of invoicing for permanent restoration tied to water service replacement.
WATERMAIN REHABILITATION	CUT REPAIRS	CPW543-03	2,765,000.00	1,232,438	Higher volume of invoicing for permanent restoration tied to watermain rehabilitation.
BASEMENT FLOODING	ROAD RESTORATION FOR BSMT FLDG	CWW421-10	1,260,598.41	1,000,898	Higher volume of invoicing for permanent restoration tied to basement flooding projects.
HIGHLAND CREEK TREATMENT PLANT	ELEC SYSTEM UPGRADES - CONSTR	CWW036-09	120,456.52	916,612	Project completed ahead of schedule.
SEWER REPLACEMENT	WATERFRONT SANITARY SERVICING INFRASTRUCTURE	CWW472-12	12,769,000.00	589,282	After delayed start, project schedule exceeded revised forecast.
WATER STORAGE & PUMPING STATIONS	SCARBOROUGH PS - PUMP REPLC	CPW060-05	84,991.15	382,456	Project completed ahead of schedule.
WATER SERVICE REPLACEMENT	2015 WATER SERVICE REPLACEMENT - SOGR	CPW544-13	4,500,000.00	361,567	Higher bid prices for water service replacement in conjunction with watermain and sewer replacement.
HUMBER TREATMENT PLANT	NEW GROUNDSKEEPING BUILDING	CWW037-07	671,187.97	339,691	Project completed ahead of schedule.
SUB-TOTAL				27,691,635	
WATERMAIN REPLACEMENT	WATERMAIN UPGRADES - 2014	CPW542-15	2,860,104.99	(23,511)	Project completed under budget, commitments released.
CLARK WATER TREATMENT PLANT	EVALUATION & COMMUNICATION SYSTEMS	CPW063-12	1,994,861.00	(627,862)	Equipment purchased under-budget.
WET WEATHER FLOW	SWM CONVEYANCE 2013	CWW447-09	707,606.00	(707,606)	Project completed under budget, commitments released.
WATER STORAGE & PUMPING STATIONS	SYSTEM SUSTAINABILITY	CPW069-01	1,177,938.17	(733,472)	Contract awarded under-budget.
SEWER REPLACEMENT	SEWER REPLACEMENT - 2013 PROGRAM	CWW472-10	852,382.00	(797,714)	Project completed under budget, commitments released.
TRUNK WATERMANS	W/M HORGAN PLANT TO ELLESMERE	CPW041-01	900,000.00	(900,000)	Project cancelled due to declining consumption.
WET WEATHER FLOW	SWM CONVEYANCE 2015	CWW447-11	1,034,000.00	(958,128)	Contract awarded under-budget.
WATERMAIN REPLACEMENT	WATERMAIN UPGRADES	CPW542-13	1,156,737.00	(1,009,192)	Project completed under budget, commitments released.
BUSINESS & TECHNOLOGY	NETWORK CABLE LIFECYCLE REPLACEMENT	CPW039-04	1,557,130.00	(1,096,988)	Project nearing completion, funds available for reallocation.

Program	Sub-Project	WBS#	2015 Plan	Reallocation	Comments
WATERMAIN REPLACEMENT	STAND-ALONE WATERMAIN REPLACEMENT	CPW542-07	1,486,319.00	(1,108,752)	Project completed under budget, commitments released.
WATERMAIN REHABILITATION	CATHODIC PROTECTION	CPW543-05	3,937,714.57	(1,280,233)	Contracts completed under budget, commitments released.
SEWER REPLACEMENT	ROAD RESTORATION	CWW470-01	1,935,085.22	(1,876,963)	Lower volume of invoicing for permanent restoration tied to prior sewer replacement projects.
HARRIS WATER TREATMENT PLANT	REHAB OF SETTLING BASIN ROOF & SLUICE GATE	CPW061-13	3,552,983.00	(1,959,735)	Contract awarded under-budget.
WET WEATHER FLOW	ASHBRIDGES BAY LANDFORMS	CWW447-13	2,003,000.00	(2,003,000)	Design of the landform is delayed resulting in delay to planned construction.
WATERMAIN REPLACEMENT	ROAD RESTORATION	CPW545-01	5,962,000.00	(2,366,163)	Lower volume of invoicing for permanent restoration tied to prior watermain replacement projects.
HORGAN WATER TREATMENT PLANT	SUPERNATANT AND FORCEMAIN INSTALLATION	CPW002-05	2,500,000.00	(2,499,885)	Project cancelled.
WET WEATHER FLOW	WWFMMP IMPLEMENTATION	CWW447-06	3,049,770.00	(2,701,073)	Designs completed under budget, commitments released. Humber landforms project is delayed.
SEWER REPLACEMENT	SEWER REPLACEMENT -2014	CWW472-13	11,960,886.50	(5,041,358)	Some projects completed under budget, commitments released. A few projects were deferred due to high bid prices.
SUB-TOTAL				(27,691,635)	