



Toronto Water 2016 Capital Budget and 2017-2025 Capital Plan Budget Adjustments

Date: August 31, 2016
To: Budget Committee and Executive Committee
From: General Manager, Toronto Water
Wards: All

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2016 Capital Budget and 2017-2025 Capital Plan by adjusting project costs and 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 recent bid prices or project estimates 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 2016 Capital Budget and 2017-2025 Capital Plan and will align the 2016 Capital Budget to Toronto Water's capital project delivery schedule and program requirements.

RECOMMENDATIONS

The General Manger of Toronto Water recommends that:

1. City Council authorize the reallocation of funds within Toronto Water's approved 2016 Capital Budget and 2017-2025 Capital Plan in the amount of \$9.665 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 2016 Capital Budget and 2017-2025 Capital Plan in the amount of \$18.362 million from projects that have been completed or delayed to those requiring additional funding in the same amount as presented in Schedule A (Part C), with a zero Budget impact.

FINANCIAL IMPACT

The approval of this report will authorize the reallocation of 2016-2025 approved cash flows in the total amount of \$18.362 million as detailed in Schedule A (attached) and the deferral and acceleration of funds in Toronto Water's approved 2016 Capital Budget and 2017-2025 Capital Plan in the total amount of \$9.665 million, as presented in Schedule A.

A number of multi-year projects are being delivered ahead of schedule. The accelerated spending of these projects is off-set by delays within other projects where design or construction is delayed due to site conditions.

In addition, with the bid price for the Ferrous Upgrades project at Ashbridges Bay Treatment Plant exceeding the approved budget, with escalating bid prices for Watermain Replacement and Sewer Replacement projects, and additional costs for the Transmission Operations Optimizer and Humber Treatment Plant Odour Control projects, additional relocation is required as outlined in Appendix A (Part C) to ensure projects can continue to be awarded through the fall months and on-going projects can be completed. The additional costs are offset by projects which have been completed with funds available for reallocation or where projects were awarded under budget.

There are no additional costs to the City as a result of the approval of this report. The recommended adjustments will align the 2016 Capital Budget and 2017-2025 Capital Plan 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

Toronto Water's 2016 Approved Capital Budget was adjusted by Budget Committee on June 22, 2016 (BU 22.8 Toronto Water 2016 Capital Budget and 2017-2025 Capital Plan Budget Adjustments) with a zero dollar impact on the 2016 Approved Capital Budget and 2017-2025 Capital Plan and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=11062>

Toronto Water's 2015 Approved Capital Budget was adjusted by Budget Committee on March 22, 2016 (BU19.2 Toronto Water 2015 Year End Capital Budget Adjustment and Accelerations/Deferrals) with a zero dollar impact on the 2015 Approved Capital Budget and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=11060>

The approved budget, through adjustment to the carry-forwards, was amended by Budget Committee on March 22, 2016 (BU 19.1 2016 Capital Budget Adjustments for

Carry Forward Funding) resulting in an overall budget increase of \$1.771 million and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=11060>

City Council at its meeting of December 9 and 10, 2015 approved Toronto Water's 2016 Capital Budget and 2017-2025 Capital Plan, which included approval of a 2016 Capital Budget cash flow of \$800.283 million and 2015 carry-forward funding of \$48.798 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=9696>

COMMENTS

Toronto Water is seeking to amend the 2016 Approved Budget and 2017-2025 Capital Plan to better align the cash flows with capital project delivery and program requirements, primarily to address accelerated project delivery and escalating bid prices for watermain and sewer replacement projects and the Ashbridges Bay Treatment Plant Ferrous Upgrades project.

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 site conditions.

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.

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, unforeseen ground/site conditions, delays resulting from inclement weather, delays resulting from technical coordination to maintain operations 24/7, consultant/contractor performance issues, and negotiation of final payments.

The funding adjustment for projects being delivered ahead of schedule is to be offset by projects that are behind schedule. Descriptions are provided in Parts A and B of Schedule A.

As outlined in Part C of Schedule A, additional funding is required under the 2016 Watermain Replacement and 2016 Sewer Replacement account due to higher bid prices. In July 2016, City Council approved the reallocation of \$5.0 million from the 2015 Sewer Replacement Program into the 2016 Sewer Replacement program, as a result of higher bid prices in 2016. Additional funding is required under the 2016 Sewer Replacement account in order to proceed with the award of remaining projects.

Additional funding is required under the Humber Treatment Plant Odour Control Engineering project due delays to the construction schedule which have resulted in increased costs for consultant administration of the construction contract.

The Transmission Operations Optimizer project recently commissioned automatic control of the Toronto transmission system, and a reduction in power requirements has already been achieved. However due to changes in system pressure and equipment affecting the control of the transmission system in York region, additional hydraulic model upgrades and programming work is required. Updates to the overall water usage model equations for both systems is required as well. Additional funding is required to proceed with the amendment to the purchase order to complete the project.

The bid price for the Ferrous Upgrades project at Ashbridges Bay Treatment Plant project has exceeded the approved budget and requires additional funding of \$7.1 million. In July 2016, City Council approved the reallocation of \$2.8 million into the Ferrous Upgrades account based on updated 100% detailed design cost estimates. An additional reallocation of \$7.1 million is being recommended in order to proceed with the award of this project.

As outlined in Part C of Schedule A, funds are available as follows:

- From completed projects where project commitments have been released: the Coxwell Emergency Trunk Repair Project, the 2014 Water Service Replacement – SOGR project, the Stormwater Management Conveyance 2014 account, the Trunk Sewer Rehabilitation – 2012 account, and the Island Winterization account
- From accounts where contracts have been awarded under budget and funds are available for reallocation including the 2015 Watermain Replacement account, and the Water Service Replacement with Watermain Rehabilitation account
- From the delayed Waste Gas Burner project at the Humber Treatment Plant

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SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A –Part A - Toronto Water 2016-2025 Budget Adjustments Reallocations due to Accelerations

Schedule A –Part B - Toronto Water 2016-2025 Budget Adjustments Reallocations due to Deferrals

Schedule A –Part C - Toronto Water 2016-2025 Budget Adjustments Reallocations

Schedule A – Part A
Toronto Water 2016-2025 Capital Budget
Accelerated Projects

Program	Sub-Project	WBS#	2016 Proposed Reallocation	2017 Proposed Reallocation	Comments
ISLAND FILTRATION PLANT	CHEMICAL & RESIDUALS MANAGMENT CONST	CPW043-08	6,000,000	(6,000,000)	Project delivery is ahead of schedule due to efficiencies and innovation by contractor
CLARK FILTRATION PLANT	PROCESS EQUIPMENT UPGRADE CONSTRUCTION	CPW063-10	2,200,000	(2,200,000)	Project delivery is ahead of schedule.
ASHBRIDGES BAY TREATMENT PLANT	INSTRUMENT AIR REHAB	CWW029-07	1,465,000	(1,465,000)	Delivery of major equipment is advanced.
SUB-TOTAL			9,665,000	(9,665,000)	

Schedule A – Part B
Toronto Water 2016-2025 Capital Budget
Delayed Projects

Program	Sub-Project	WBS#	2016 Proposed Reallocation	2017 Proposed Reallocation	Comments
TRUNK SEWERS	TRUNK SEWER REHABILITATION - 2014	CWW014-15	(4,440,000)	4,440,000	Delays through the design process due to complex site conditions
TRUNK WATERMAINS	CAST IRON TRUNK REPLC - PHASE 3 - CONS	CPW058-17	(2,000,000)	2,000,000	Delayed delivery in order to coordinate with other works
HIGHLAND CREEK TREATMENT PLANT	LIQUID TRAIN REPAIRS - PHASE 1	CWW036-18	(1,800,000)	1,800,000	Construction delayed due to extended design phase.
PUMPING STATIONS	GROUP 5 SEWAGE PUMPING STATION UPGRADES	CWW465-08	(1,425,000)	1,425,000	Construction delayed due to extended design process.
SUB-TOTAL			(9,665,000)	9,665,000	

Schedule A – Part C
Toronto Water 2016-2025 Capital Budget
Reallocations

Program	Sub-Project	WBS#	2016-2025 Capital Plan	2016 Proposed Reallocation	2017 Proposed Reallocation	2018 Proposed Reallocation	Revised 2016-2025 Capital Plan
ASHBRIDGES BAY WASTEWATER TREATMENT PLANT	FERROUS UPGRADES	CWW019-24	21,423,000	0	6,820,000	280,000	28,523,000
SEWER REPLACEMENT	SEWER REPLC - 2016 PROGRAM	CWW472-17	26,140,000	7,000,000	0	0	33,140,000
WATERMAIN REPLACEMENT	DIST W/M REPLACEMENT - 2016	CPW542-19	62,056,000	3,000,000	0	0	65,056,000
HUMBER TREATMENT PLANT	ODOUR CONTROL PHASE 4 – NORTH PRIMARY CLARIFIER-	CWW030-07	1,839,000	150,000	647,000	0	2,636,000
WATER TREATMENT - STORAGE & PUMPING	TRANSMISSION OPERATIONS OPTIMIZER	CPW068-01	338,000	65,000	200,000	200,000	803,000
SUB-TOTAL			111,796,000	10,215,000	7,667,000	480,000	130,158,000
TRUNK SEWERS	COXWELL EMERGENCY TRUNK REPAIR	CWW850-02	203,000	(119,000)	0	0	84,000
ISLAND WATER FILTRATION PLANT	ISLAND FILTER PLANT -WINTERIZATION	CPW018-4	404,000	(404,000)	0	0	0
WET WEATHER FLOW	SWM CONVEYANCE 2014	CWW447-10	670,000	(600,000)	0	0	70,000
WATER SERVICE REPLACEMENT	2014 WATER SERVICE REPLACEMENT - SOGR	CPW544-12	1,253,000	(330,000)	(275,000)	0	647,000
TRUNK SEWERS	TRUNK SEWER REHABILITATION - 2012	CWW014-14	7,847,000	(1,806,000)	(457,000)	0	5,584,000
WATERMAIN REPLACEMENT	DIST W/M REPLACEMENT - 2015	CPW542-17	21,263,000	(420,000)	(2,009,000)	(80,000)	18,754,000
WATER SERVICE REPLACEMENT	WATER SERVICE REPAIR - WM REHAB PROGRAM	CPW544-15	18,000,000	(2,036,000)	(3,725,000)	0	12,239,000
HUMBER TREATMENT PLANT	REPLACEMENT OF WASTE GAS BURNERS	CWW037-16	6,110,000	(4,500,000)	(1,200,000)	(400,000)	10,000
SUB-TOTAL			55,750,000	(10,215,000)	(7,667,000)	(480,000)	37,388,000