

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

Date: March 13, 2017
To: Budget 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 with year-end expenditures and project progress. The adjustments will have a zero dollar impact on the 2016 Capital Budget and 2017-2025 Capital Budget and Plan and will align the budget and plan with 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 \$43.718 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 in the amount of \$14.414 million from projects that have been completed or awarded 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

Toronto Water achieved a delivery rate of 80% of its 2016 approved Capital Budget of \$851 million. The delivery of a number of projects exceeded 2016 cash flow forecasts while some others fell behind schedule resulting in the need to amend the 2016 Approved Budget and 2017-2025 Capital Plan to reflect project accelerations and deferrals as outlined in Schedule A (Part A & B).

In addition, a number of projects have been completed, and committed funds have been released, while other have been awarded under budget in 2016. As a result, funding from these projects is available for reallocation to address projects that incurred additional expenditures in 2016 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 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

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>

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>

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>

Further budget adjustments were approved by Budget Committee on September 19, 2016 (BU 23.5 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=11063>

COMMENTS

Toronto Water requires the amendment of the 2016 Approved Budget and 2017-2025 Capital Plan to align the cash flows with 2016 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.

As outlined in Part C of Schedule A, additional project costs were incurred in 2016 due to higher than anticipated invoicing for permanent road restoration associated with watermain and water service upgrades, and an increased demand for New Service Connections. Additional funding is required under the Sewer Replacement account in order to address increased costs associated with unforeseen site conditions for the Queens Quay project. Funds are available for reallocation where projects have been completed under budget, and from the 2016 Water Service Replacement account where projects were awarded under budget.

CONTACT

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SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

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

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

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