

## **Toronto Water 2018 Capital Budget and 2019-2027 Capital Plan Adjustments**

**Date:** July 3, 2018

**To:** Executive Committee

**From:** Acting General Manager, Toronto Water

**Wards:** All

### **SUMMARY**

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This report requests City Council's authority to amend Toronto Water's Approved 2018 Capital Budget and 2019-2027 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 to support implementation of additional 2018 works. 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 2018 Capital Budget and 2019-2027 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 2018 Capital Budget and 2019-2027 Capital Plan by converting already approved future year cost estimates and increasing project costs and cashflow commitments for 4 approved projects in order to award contracts for those projects in early 2019.

### **RECOMMENDATIONS**

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**The Acting General Manager of Toronto Water recommends that:**

1. City Council authorize the reallocation of cashflows within Toronto Water's approved 2018 Capital Budget and 2019-2027 Capital Plan in the amount of \$1.635 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 2018 Capital Budget and 2019-2027 Capital Plan in the amount of \$1.200 million from projects that have been awarded under budget or projects that have

been completed at lower costs as presented in Schedule A (Part C) to the report, with a zero Budget impact.

3. City Council amend the 2018-2027 Capital Budget and Plan for Toronto Water by converting previously approved future estimates for projects outlined in Schedule A (Part D) to the report and increasing total project costs by \$139.243 million in 2019 and cash flow commitments by \$107.597 million, \$39.911 million, \$17.645 million and \$325.000 million in 2019, 2020 2021 and 2022 respectively, funded by Toronto Water Capital Financing reserve (\$139.243 million) and Development Charge reserve funding (\$26.235 million) as presented in Schedule A (Part D) to the report, all consistent with the 10 year plan as approved by Council.

## **FINANCIAL IMPACT**

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The approval of this report will authorize the acceleration and deferral of cashflows in Toronto Water's Approved 2018 Capital Budget and 2019-2027 Capital Plan in the total amount of \$1.635 million and the reallocation of 2018-2027 approved project costs and cash flows in the total amount of \$1.200 million as detailed in Schedule A (attached).

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 as outlined in Schedule A (Part A and B).

Additional funding for the Facility Renovation project is required to incorporate the establishment of a Toronto Water Customer Care Centre into the 2018 plan. The additional costs are offset by projects which have been awarded under budget or by projects which have been completed at a lower cost, as outlined in Schedule A (Part C).

In addition, the conversion of previously approved future year cost estimates to approved cashflow commitments in the 2019-2027 Capital Plan is required in order to support the delivery of planned 2019 Watermain, Sewer and Water Service Replacement projects scheduled to be awarded in early 2019.

There are no additional costs to the City as a result of the approval of this report. The recommended adjustments will align the 2018 Capital Budget and 2019-2027 Capital Plan with Toronto Water's capital project delivery schedule and program requirements.

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

## **DECISION HISTORY**

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City Council at its meeting of December 5, 6, 7 and 8, 2017 approved Toronto Water's 2018 Capital Budget and 2019-2027 Capital Plan, which included approval of a 2018

Capital Budget cash flow of \$964.089 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=11868>

The approved budget, through adjustment to the carry-forwards, was amended by City Council at its meeting of April 24, 25, 26 and 27, 2018 (EX 33.14 2018 Capital Budget Adjustments for Carry Forward Funding) resulting in an overall budget decrease of \$17.517 million and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=13017>

Toronto Water's 2018 Approved Capital Budget was adjusted by Budget Committee on May 28, 2018 (BU 44.6 Toronto Water 2018 Capital Budget and 2019-2027 Capital Plan Adjustments) with a zero dollar impact on 2018 Approved Capital Budget and 2019-2027 Capital Plan and can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=14053>

## COMMENTS

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Toronto Water is seeking to amend the 2018 Approved Budget and 2019-2027 Capital Plan to better align the cash flows with capital project delivery and program requirements, primarily to address accelerated project delivery in the wet weather flow program and at water and wastewater treatment plants and to support the creation of the Toronto Water Customer Care Centre.

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 reported in the 2017 Toronto Water Budget process, Toronto Water began investigating industry best standards for call centre services and utility customer care centre environment to help manage and improve customer service. Toronto Water has now completed the organizational structure review and implementation of the organizational realignment for centralizing customer related functions. The

establishment of a Customer Care Centre will allow Toronto Water to respond to customer needs in a more efficient and timely manner. The new Customer Care Centre will be located at 275 Merton Street to manage incoming and out-going customer care operations 24/7. A reallocation of funding in the amount of \$1.2 Million is required to increase the funding available for Facility Renovations in order to support the facility renovations required to accommodate the call centre and staff.

As outlined in Part C of Schedule A, the additional funding required to support the Toronto Water Customer Care Centre is to be offset from the following projects: the Scarborough Transmission Watermain project which was awarded under budget, and the Fine Bubble Aeration - Tank 2 and Rehab of Grounds and Buildings projects at the Ashbridges Bay Treatment Plant and the Forcemain Replacement project, which were each completed at lower costs.

As part of the 2019-2027 Plan, \$82.546 million, \$36.142 million, \$26.800 million and \$20.000 million in future year estimates was approved by City Council for 2019 Watermain Replacement, 2019 Watermain Upgrades, 2019 Sewer Replacement and 2019 Water Service Replacement respectively to support construction works scheduled to start in 2019. In order to ensure that projects can proceed in accordance with the established project schedules, several projects must proceed with contract awards in early 2019. Due to the schedule for the 2019 Capital Budget Process, the conversion of 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 planned construction contracts in early 2019.

## **CONTACT**

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## **SIGNATURE**

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Frank Quarisa  
Acting General Manager, Toronto Water

## **ATTACHMENTS**

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Schedule A – Part A - Toronto Water 2017-2018 Budget Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2017-2018 Budget Adjustments Reallocations due to Deferrals

Schedule A - Part C - Toronto Water 2017-2018 Budget Adjustments Reallocations

Schedule A - Part D - Toronto Water 2019-2021 Budget Amendments