

**REPORT FOR ACTION****Toronto Water 2018 Year End Capital Budget and 2019-2028 Capital Plan Adjustments**

Date: April 1, 2019

To: Budget Committee

From: General Manager, Toronto Water

Wards: All

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2018 Capital Budget by adjusting project costs and cash flows to align with year-end expenditures and project progress. The adjustments will have a zero dollar impact on the 2018 Capital Budget.

This report requests City Council's authority to amend Toronto Water's Approved 2019 Capital Budget and 2020-2028 Capital Plan by adjusting project costs and cash flows contained within the Budget and Plan, respectively, to align the 2019 Capital Budget with the final 2018 capital expenditures and project progress. The adjustments will have a zero dollar impact on the 2019 Capital Budget and 2020-2028 Capital Plan and will align the budget and plan 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 2018 cashflows within Toronto Water's approved 2018 Capital Budget and 2019-2027 Capital Plan in the amount of \$77.299 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 2019, 2020 and 2021 cashflows within Toronto Water's approved 2019 Capital Budget and 2020-2028 Capital Plan in the amount of \$77.299 million, for acceleration and deferral of projects, as presented in Schedule A (Part A & B), with a zero Budget impact.
3. City Council authorize the reallocation of 2018 cashflows and project costs in Toronto Water's approved 2018 Capital Budget and 2019-2027 Capital Plan in the amount of

\$5.827 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 75.6% of its 2018 Approved Capital Budget of \$946.572 million. The delivery of a number of projects exceeded 2018 cash flow forecasts while some others fell behind schedule resulting in the need to amend the 2018 Approved Budget to reflect project accelerations and deferrals as outlined in Schedule A (Part A & B).

The increases to the Approved 2019, 2020 and 2021 cashflows for projects that have been delayed as shown in Schedule A - Part B are offset by decreases for projects that have proceeded ahead of the forecast as shown in Schedule A - Part A, resulting in no additional costs.

In addition, a number of projects have been completed, and committed funds have been released, while other have been completed under budget in 2018. As a result, funding from these projects is available for reallocation to address projects that incurred additional expenditures in 2018 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 2018 Capital Budget with final year end expenditures and align the Approved 2019 Capital Budget and 2020-2028 Capital Plan with Toronto Water's capital project delivery schedule and program requirements.

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

DECISION HISTORY

City Council at its meeting of March 7, 2019 approved Toronto Water's 2019 Capital Budget and 2020-2029 Capital Plan, which included approval of a 2019 Capital Budget cash flow of \$960.506 million. The Council Decision Document can be found at: <http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilMinutesReport&meetingId=15350>

Toronto Water's 2018 Approved Capital Budget was adjusted by Executive Committee on July 17, 2018 (EX 36.25 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=13020>

Toronto Water's 2018 Approved Capital Budget was adjusted by Budget Committee on May 18, 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>

The approved budget, through adjustment to the carry-forwards, was amended by Executive Committee on April 17, 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>

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>

COMMENTS

Toronto Water requires the amendment of the 2018 Approved Budget to align the cash flows with 2018 actual expenditures to better reflect capital project delivery and program requirements resulting from changes in project delivery schedules and in-year expenditures. As the majority of the projects are multi-year projects, a corresponding adjustment is required to Toronto Water's Approved 2019 Capital Budget and 2020-2028 Capital Plan to align with project delivery accelerations and deferrals.

The majority of capital projects being delivered for Toronto Water are multi-year complex infrastructure projects. Accelerated spending for projects that have proceeded ahead of the 2018 forecast, as listed in Part A of Schedule A, can result from site conditions, favourable weather conditions, and strong consultant/contractor performance. Where the 2018 Approved Capital Budget is recommended to be increased to align with accelerated project spending in 2018, the Approved 2019, 2020 and 2021 cashflows are recommended to be decreased by an equal amount.

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, consultant/contractor performance issues, higher bid prices requiring the reallocation of funds for award and negotiation of final payments. Where 2018 Approved Capital Budget is recommended to be decreased to align with delayed project spending, the

Approved 2019, 2020 and 2021 cashflows are recommended to be increased by an equal amount.

As outlined in Part C of Schedule A, additional project costs were incurred in 2018 due to an increased demand for the Basement Flooding Subsidy program and higher than anticipated requirement for CCTV inspection and chamber adjustments under the Trunk Watermain Rehabilitation program.

Additional costs were incurred under the Stream Restoration Program to align the project scope with site conditions. Additional costs were incurred under the Odour Phase IV – North Primary Clarifier project at the Humber Treatment Plant resulting from construction delays. Additional costs were incurred under the Sewer Replacement – 2016 Program due to address additional infrastructure needs.

Project costs and cashflows are available for reallocation where projects have been completed under budget.

CONTACT

Katherine Crowther, Manager, Capital Programming & Facility Asset Planning, Water Infrastructure Management, Toronto Water, Telephone: (416) 392-7695, E-mail: Katherine.Crowther@toronto.ca

Richard Noehammer, Director, Customer & Technical Support, Toronto Water, Telephone: (416)397-7296, E-mail: Richard.Noehammer@toronto.ca

SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A – Part A - Toronto Water 2018 and 2019 Budget Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2018 and 2019 Budget Adjustments Reallocations due to Deferrals

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