

Toronto Water 2020 Year End Capital Budget and 2021-2030 Capital Plan Adjustments

Date: April 1, 2021

To: Budget Committee

From: General Manager, Toronto Water

Wards: All

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2020 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 2020 Capital Budget.

This report requests City Council's authority to amend Toronto Water's Approved 2021 Capital Budget and 2022-2030 Capital Plan by adjusting project costs and cashflows contained within the Budget and Plan, respectively, to align the 2021 Capital Budget and 2022-2030 Capital Plan with the final 2020 capital expenditures and project progress. The adjustments will have a zero dollar impact on the 2021 Capital Budget and 2022-2030 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 cashflows in the amount of \$61.129 million in 2020 for acceleration and deferral of projects within Toronto Water's approved 2020 Capital Budget and 2021-2029 Capital Plan, with offsetting acceleration and deferral cashflow reallocation adjustments in the equal amount in 2021, 2022 and 2023 within Toronto Water's Approved 2021 Capital Budget and 2022-2030 Capital Plan to align with project delivery, as presented in Schedule A (Part A & B), with a zero Budget impact.
2. City Council authorize the reallocation of 2020 cashflows and project costs in Toronto Water's approved 2020 Capital Budget and 2021-2029 Capital Plan in the amount of \$4.135 million from projects that have been completed 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

In 2020, Toronto Water achieved a delivery rate of approximately 92% of its 2020 Approved Capital Budget of \$1,186.713 million.

The delivery of a number of projects proceeded ahead of the forecast, exceeding the 2020 cash flow forecasts while some others fell behind schedule or experienced reduced expenditures, resulting in the need to amend the 2020 Approved Budget to reflect project accelerations and deferrals as outlined in Schedule A (Part A & B).

The increases to the Approved 2021, 2022 and 2023 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.

Some projects experienced lower than anticipated invoicing or recoveries in 2020. As a result, funding from these projects is available for reallocation to address projects that incurred additional expenditures in 2020 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 2020 Capital Budget with final year end expenditures and align the Approved 2021 Capital Budget and 2022-2030 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 December 16, 17 and 18, 2020 approved Toronto Water's 2021 Capital Budget and 2022-2030 Capital Plan, which included approval of a 2021 Capital Budget cash flow of \$1,343.676 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=17179>

Toronto Water's 2020 Approved Capital Budget was adjusted by Budget Committee on October 8, 2020 (BU 17.1 Toronto Water 2020 Capital Budget and 2021-2029 Capital Plan Adjustments) with a zero dollar impact on 2020 Approved Capital Budget and 2021-2029 Capital Plan. The Budget Committee decision can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=17632>

Toronto Water's 2020 Approved Capital Budget was adjusted by City Council on May 28, 2020 (CC21.11 Toronto Water 2020 Capital Budget and 2021-2029 Capital Plan Adjustments) with a zero dollar impact on 2020 Approved Capital Budget and 2021-2029 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=18749>

Toronto Water's 2020 Approved Capital Budget was adjusted by City Council on May 28, 2020 (CC21.12 Toronto Water 2019 Year End Capital Budget and 2020-2029 Capital Plan Adjustments) with a zero dollar impact on 2020 Approved Capital Budget and 2021-2029 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=18749>

The approved budget, through adjustment to the carry-forwards, was amended by Executive Committee on July 21, 2020 (EX15.6 Adjustments to Capital Budget Carry Forward Funding and Future Year Commitments) resulting in an overall budget decrease of \$31.124 million. The Executive Committee decision can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=18770>

City Council at its meeting of December 17 and 18, 2019 approved Toronto Water's 2020 Capital Budget and 2021-2029 Capital Plan, which included approval of a 2020 Capital Budget cash flow of \$1,217.837 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=15359>

COMMENTS

Toronto Water requires the amendment of the 2020 Approved Budget to align the cash flows with 2020 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 2021 Capital Budget and 2022-2030 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 as listed in Part A of Schedule A can arise due to site conditions, favourable weather conditions, equipment deliveries ahead of schedule, coordination with other projects and/or facility operations, resolution of final payments or fee adjustments, and strong consultant/contractor performance. Where the 2020 Approved Capital Budget is recommended to be increased to align with accelerated project spending in 2020, the Approved 2021, 2022 and 2023 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. Under-spending can arise from: delays in completing designs due to complexities within the infrastructure, unforeseen or complex ground/site conditions, delays resulting from inclement weather, delays resulting from technical coordination to maintain operations or address operational requirements, consultant/contractor performance issues, extended project scoping phase, extended procurement or permit acquisition phase, delays in acquiring legal agreements and/or easements, higher bid

prices requiring the reallocation of funds for award and negotiation of final payments. Additionally, some projects experienced delays in 2020 due to the impacts of COVID-19. Where 2020 Approved Capital Budget is recommended to be decreased to align with delayed project spending, the Approved 2021, 2022 and 2023 cashflows are recommended to be increased by an equal amount.

As outlined in Part C of Schedule A, additional project costs were incurred in 2020 due to higher than forecasted invoicing for Road Restoration associated with Watermain Replacement works. Additionally, increased costs were incurred at the Ashbridges Bay Wastewater Treatment Plant to address site conditions and infrastructure needs and as part of the Western Beaches Retrofit project due to unforeseen site conditions and high lake level conditions. A reallocation of funding is recommended for the Sewer Replacement program to realign project costs with expected infrastructure costs.

Project costs and cashflows are available for reallocation where projects have been completed under budget, and due to a lower than forecasted demand for the Basement Flooding Protection Subsidy Program in 2020.

CONTACT

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SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A – Part A - Toronto Water 2020 and Approved 2021-2030 Budget
Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2020 and Approved 2021-2030 Budget
Adjustments Reallocations due to Deferrals

Schedule A - Part C - Toronto Water 2020 Budget Adjustments Reallocations