

Toronto Water 2021 Year End Capital Budget and 2022-2031 Capital Plan Adjustments

Date: March 30, 2022

To: Budget Committee

From: General Manager, Toronto Water

Wards: All

SUMMARY

This report requests City Council's authority to amend Toronto Water's Approved 2021 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 2021 Capital Budget.

This report requests City Council's authority to amend Toronto Water's Approved 2022 Capital Budget and 2023-2031 Capital Plan by adjusting project costs and cashflows contained within the Budget and Plan, respectively, to align the 2022 Capital Budget and 2023-2031 Capital Plan with the final 2021 capital expenditures and project progress. The adjustments will have a zero dollar impact on the 2022 Capital Budget and 2023-2031 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 \$51.708 million in 2021 for acceleration and deferral of projects within Toronto Water's approved 2021 Capital Budget and 2022-2030 Capital Plan, with offsetting acceleration and deferral cashflow reallocation adjustments in the equal amount in 2022, 2023 and 2024 within Toronto Water's Approved 2022 Capital Budget and 2023-2031 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 2021 cashflows and project costs in Toronto Water's approved 2021 Capital Budget and 2022-2030 Capital Plan in the amount of \$2.772 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 2021, Toronto Water achieved a delivery rate of approximately 87.5% of its 2021 Approved Capital Budget of \$1,330.638 million.

The delivery of a number of projects proceeded ahead of the forecast, exceeding the 2021 cash flow forecasts while some others fell behind schedule or experienced reduced expenditures, resulting in the need to amend the 2021 Approved Budget to reflect project accelerations and deferrals as outlined in Schedule A (Part A & B).

The increases to the Approved 2022, 2023 and 2024 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 2021. As a result, funding from these projects is available for reallocation to address projects that incurred additional expenditures in 2021 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 2021 Capital Budget with final year end expenditures and align the Approved 2022 Capital Budget and 2023-2031 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 15, 16 and 17, 2021 approved Toronto Water's 2022 Capital Budget and 2023-2031 Capital Plan, which included approval of a 2022 Capital Budget cash flow of \$1,408.664 million. The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX28.6>

Toronto Water's 2021 Approved Capital Budget and 2022-2030 Capital Plan was adjusted by City Council on October 1 and 4, 2021 (EX26.9 Toronto Water 2021 Capital Budget and 2022-2030 Capital Plan Adjustments) with a zero dollar impact on 2021 Approved Capital Budget and 2022-2030 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX26.9>

Toronto Water's 2021 Approved Capital Budget and 2022-2030 Capital Plan Capital Plan was adjusted by City Council on July 14, 2021 (IE23.12 Award of Contract Number 19ECS-MI-01AB for the Waste Activated Sludge Thickening Facility and South Substation Upgrades Project at the Ashbridges Bay Treatment Plant, and Amendment to Purchase Orders for Detailed Design Services and for Contract Administration

Services) with a zero dollar impact on 2021 Approved Capital Budget and 2022-2030 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE23.12>

Toronto Water's 2021 Approved Capital Budget and 2022-2030 Capital Plan was adjusted by City Council on July 14, 2021 (IE23.9 Award of Contract Number 21ECS-LU-01TT to EBC Bessac Canada (FSPSTT) Joint Venture for the Construction of the Fairbank Silverthorn Storm Trunk Tunnel and Micro-Tunneled Storm Collectors for Basement Flooding Protection Program Study Area 3) with a zero dollar impact on 2021 Approved Capital Budget and 2022-2030 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE23.9>

Toronto Water's 2021 Approved Capital Budget and 2022-2030 Capital Plan was adjusted by City Council on July 14, 2021 (IE23.8 Proposed Resolution of Contractor Claims for Waterproofing and Building Envelope Rehabilitation at the St. Clair Reservoir, Contract 15ECS-MI-01WA) with a zero dollar impact on 2021 Approved Capital Budget and 2022-2030 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE23.8>

Toronto Water's 2021 Approved Capital Budget and 2022-2030 Capital Plan was adjusted by City Council on May 5, 2021 (EX23.12 Toronto Water 2020 Year End Capital Budget and 2021-2030 Capital Plan Adjustments) with a zero dollar impact on 2021 Approved Capital Budget and 2022-2030 Capital Plan. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX23.12>

Toronto Water's 2021 Approved Capital Budget, through adjustment to the carry-forwards, was amended by City Council on May 5, 2021 (EX23.11 Adjustments to Capital Budget Carry Forward Funding and Future Year Commitments) resulting in an overall budget decrease of \$13.038 million. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX23.11>

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/viewAgendaItemHistory.do?item=2020.EX19.9>

COMMENTS

Toronto Water requires the amendment of the 2021 Approved Budget to align the cash flows with 2021 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 2022 Capital Budget and 2023-2031 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 2021 Approved Capital Budget is recommended to be increased to align with accelerated project spending in 2021, the Approved 2022, 2023 and 2024 cashflows are recommended to be decreased by an equal amount.

Project under-spending, as listed in Part B of Schedule A, can arise from: delays in completing designs due to complexities within the infrastructure, unforeseen or complex ground/site conditions, consultant/contractor performance issues, extended project scoping phase, extended procurement or permit acquisition phase, higher bid prices requiring the reallocation of funds for award, delays in negotiation of final payments, and delays due to the impacts of COVID-19. Where 2021 Approved Capital Budget is recommended to be decreased to align with delayed project spending, the Approved 2022, 2023 and 2024 cashflows are recommended to be increased by an equal amount.

As outlined in Part C of Schedule A, additional project costs were incurred in 2021 due to higher than forecasted invoicing for Road Restoration associated with completed Watermain Replacement and Basement Flooding Protection works. Additionally, there was a higher than forecasted demand for the Basement Flooding Protection Subsidy program in 2021.

Project costs and cashflows are available for reallocation due to a lower than forecasted demand for Cut Repairs (for the Watermain Rehabilitation Program) and New Connections in 2022.

CONTACT

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SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water

ATTACHMENTS

Schedule A – Part A - Toronto Water 2021 and Approved 2022-2031 Budget Adjustments Reallocations due to Accelerations

Schedule A – Part B - Toronto Water 2021 and Approved 2022-2031 Budget Adjustments Reallocations due to Deferrals

Schedule A - Part C - Toronto Water 2021 Budget Adjustments Reallocations

**Toronto Water 2021 and 2022-2031 Budget Adjustments
Schedule A**

Part A - Toronto Water 2021 and Approved 2022-2031 Budget Adjustment Reallocations due to Accelerations

| Program Area | Account Number | SAP Description | Total Project Cost * | 2021 Proposed Reallocation | 2022 Proposed Reallocation | 2023 Proposed Reallocation | 2024 Proposed Reallocation |
|---|----------------|---|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| WATERMAIN REPLACEMENT PROGRAM | CPW542-23 | DIST W/M REPLACEMENT - 2018 | 81,258,918 | 1,382,923 | 0 | (1,382,923) | 0 |
| WATERMAIN REPLACEMENT PROGRAM | CPW542-26 | WATERMAIN UPGRADES - 2019-2021 | 81,046,978 | 1,097,172 | (1,097,172) | 0 | 0 |
| WATERMAIN REHABILITATION PROGRAM | CPW543-04 | WATERMAIN STRUCTURAL LINING | 676,529,165 | 9,845,325 | (7,799,000) | (2,046,325) | 0 |
| WATER SERVICE REPLACEMENT | CPW544-15 | WATER SERVICE REPAIR - WM REHAB PROGRAM | 78,864,332 | 1,583,922 | (1,583,922) | 0 | 0 |
| HIGHLAND CREEK WASTEWATER TREATMENT PLANT | CWW036-15 | LIQUID TRAIN - ENGINEERING | 58,726,433 | 1,450,312 | (390,001) | (1,060,311) | 0 |
| HIGHLAND CREEK WASTEWATER TREATMENT PLANT | CWW036-18 | LIQUID TRAIN REPAIRS - PHASE 1 | 101,570,212 | 2,436,238 | 0 | (2,436,238) | 0 |
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW039-02 | DISINFECTION SYSTEM CONSTRUCTION | 229,855,103 | 9,673,215 | (3,001,999) | (4,721,147) | (1,950,069) |
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW039-06 | OUTFALL CONSTRUCTION | 292,835,488 | 15,162,572 | 0 | (7,162,572) | (8,000,000) |
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW040-07 | P BLDG HEADWORKS UPGRADE | 146,771,295 | 1,032,521 | (1,032,521) | 0 | 0 |
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW042-04 | BIOFILTERS UPGRADE & REPLACEMENT | 25,698,525 | 1,020,389 | (1,020,389) | 0 | 0 |

| Program Area | Account Number | SAP Description | Total Project Cost * | 2021 Proposed Reallocation | 2022 Proposed Reallocation | 2023 Proposed Reallocation | 2024 Proposed Reallocation |
|--------------------------------------|----------------|---|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| HUMBER WASTEWATER TREATMENT PLANT | CWW052-03 | SECONDARY TREATMENT UPGRADES - SOUTH - CONSTRUCTION | 157,332,387 | 303,735 | 0 | (303,735) | 0 |
| BASEMENT FLOODING PROTECTION PROGRAM | CWW421-22 | BF TUNNEL - CONSTRUCTION | 325,571,980 | 746,756 | (746,756) | 0 | 0 |
| LINEAR ENGINEERING | CWW452-05 | SEWER SYSTEM INSPECTION | 140,295,765 | 2,470,282 | 0 | (2,470,282) | 0 |
| NEW SEWERS PROGRAM | CWW453-05 | SHEPPARD SANITARY SEWER AT EAST DON STS | 18,420,033 | 1,129,033 | 0 | 0 | (1,129,033) |
| WWF - DR&CW | CWW480-03 | Don & Waterfront Trunk/CSO Construction - PHASE 1 | 437,200,451 | 735,918 | (735,918) | 0 | 0 |
| WWF - DR&CW | CWW480-05 | DCW - MTI REGULATION/RTC | 4,605,342 | 292,977 | (292,977) | 0 | 0 |
| HARRIS WATER TREATMENT PLANT | CPW061-11 | HVAC REHAB CONSTRUCTION | 15,742,283 | 641,400 | 0 | (641,400) | 0 |
| PUMPING STATION & FORCEMAIN PROGRAM | CWW472-18 | FORCEMAIN REPLACEMENT - 2016 | 18,255,117 | 326,622 | 0 | (326,622) | 0 |
| HARRIS WATER TREATMENT PLANT | CPW061-20 | CONTROL ROOM RELOCATION | 2,117,329 | 94,931 | (45,000) | 0 | (49,931) |
| LINEAR ENGINEERING | CPW537-08 | WATER LOSS REDUCTION STRATEGY | 3,822,472 | 199,988 | 0 | (199,988) | 0 |
| SEWER REPLACEMENT | CWW472-21 | CSP RENEWAL | 1,468,699 | 81,844 | (27,844) | (54,000) | 0 |
| Subtotal | | | - | 51,708,075 | (17,773,499) | (22,805,543) | (11,129,033) |

*No change in approved project costs.

Schedule A
Part B - Toronto Water 2021 and Approved 2022-2031 Budget Adjustment Reallocations due to Deferrals

| Program Area | Account Number | SAP Description | Total Project Cost * | 2021 Proposed Reallocation | 2022 Proposed Reallocation | 2023 Proposed Reallocation | 2024 Proposed Reallocation |
|--|----------------|--|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| ISLAND WATER TREATMENT PLANT | CPW064-17 | AMMONIA AND FLUORIDE SYSTEM UPGRADES | 12,866,614 | (1,041,000) | 465,000 | 576,000 | 0 |
| WATER TREATMENT - STORAGE & PUMPING STATIONS | CPW069-01 | WATER SUSTAINABILITY PROGRAM (STANDBY POWER - ELLESMERE) | 28,020,556 | (860,000) | 600,000 | 260,000 | 0 |
| WATER TREATMENT PLANTS - PLANTWIDE | CPW070-05 | ZEBRA MUSSEL CONTROL - CONSTRUCTION | 46,670,527 | (1,192,473) | 1,192,473 | 0 | 0 |
| TRUNK SEWER PROGRAM | CWW014-16 | TRUNK SEWER REHABILITATION - 2016 | 33,167,738 | (356,510) | 0 | 356,510 | 0 |
| TRUNK SEWER PROGRAM | CWW014-17 | TRUNK SEWER REHABILITATION - 2018 | 141,707,475 | (6,430,000) | 1,000,000 | 5,430,000 | 0 |
| TRUNK SEWER PROGRAM | CWW014-18 | TRUNK SEWER REHABILITATION - 2019 | 123,490,759 | (1,210,000) | 650,000 | 560,000 | 0 |
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW019-28 | DIGESTERS CLEANING REHAB - TANKS 14, 16, 13 | 18,944,320 | (720,000) | 620,000 | 100,000 | 0 |
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW019-44 | SECONDARY CLARIFIER CROSS COLLECTOR UPGRADE TANK 2&4 | 2,930,563 | 0 | 0 | 0 | 0 |
| HIGHLAND CREEK WASTEWATER TREATMENT PLANT | CWW036-05 | TRANSFORMERS AND SWITCHGEAR | 11,250,572 | 0 | 0 | 0 | 0 |
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW040-08 | INTEGRATED PUMPING STATION (IPS) - CONSTRUCTION | 839,109,476 | (21,832,004) | 11,000,000 | 3,410,399 | 7,421,605 |

| Program Area | Account Number | SAP Description | Total Project Cost * | 2021 Proposed Reallocation | 2022 Proposed Reallocation | 2023 Proposed Reallocation | 2024 Proposed Reallocation |
|---|----------------|---|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| ASHBRIDGES BAY WASTEWATER TREATMENT PLANT | CWW043-06 | WASTE ACTIVATED SLUDGE UPGRADE - CONSTRUCTION | 150,990,722 | 0 | 0 | 0 | 0 |
| BASEMENT FLOODING PROTECTION PROGRAM | CWW421-11 | BASEMENT FLOODING RELIEF - TUNNEL PROJECT | 17,461,768 | (1,927,137) | 500,000 | 1,427,137 | 0 |
| BASEMENT FLOODING PROTECTION PROGRAM | CWW421-12 | BASEMENT FLOODING RELIEF - GROUP 2 | 96,550,951 | (1,399,950) | 500,000 | 899,950 | 0 |
| BASEMENT FLOODING PROTECTION PROGRAM | CWW421-15 | BASEMENT FLOODING DESIGN - GROUP 4 (ENGINEERING) | 321,188,042 | (6,449,001) | 1,000,000 | 3,611,573 | 1,837,428 |
| BASEMENT FLOODING PROTECTION PROGRAM | CWW421-17 | BASEMENT FLOODING RELIEF - GROUP 4 (CONSTRUCTION) | 573,991,320 | (3,465,000) | 246,026 | 3,218,974 | 0 |
| WET WEATHER FLOW - STREAM PROGRAM | CWW466-11 | WATERCOURSE - CONSTRUCTION | 39,635,750 | 0 | 0 | 0 | 0 |
| LINEAR ENGINEERING | CWW470-02 | CONSULTING FEES | 115,850,353 | (3,370,000) | 0 | 1,500,000 | 1,870,000 |
| SEWER REPLACEMENT | CWW472-22 | SEWER REPLC - 2019 -2021 PROGRAM | 34,767,375 | 0 | 0 | 0 | 0 |
| PUMPING STATION & FORCEMAIN PROGRAM | CWW476-05 | SPS UPGRADES - GROUP 6 | 28,562,481 | (1,455,000) | 0 | 1,455,000 | 0 |
| Subtotal | | | | (51,708,075) | 17,773,499 | 22,805,543 | 11,129,033 |

*No change in approved project costs.

Schedule A
Part C - Toronto Water 2021 Budget Adjustment Reallocations

| Program Area | Account Number | SAP Description | Total Project Cost | 2021 Proposed Reallocation | Revised Project Cost | Comments |
|--------------------------------------|----------------|--|--------------------|----------------------------|----------------------|--|
| WATERMAIN REPLACEMENT PROGRAM | CPW545-01 | ROAD RESTORATION | 67,712,664 | 1,915,056 | 69,627,720 | Higher than forecasted invoicing for permanent repairs in 2021 |
| BASEMENT FLOODING PROTECTION PROGRAM | CWW421-01 | BASEMENT FLOODING PROTECTION SUBSIDY PROGRAM | 81,406,405 | 386,585 | 81,792,990 | Higher than forecasted application for Subsidy Program in 2021 |
| BASEMENT FLOODING PROTECTION PROGRAM | CWW421-10 | ROAD RESTORATION FOR BSMT FLDG PRJS | 13,856,282 | 469,876 | 14,326,158 | Higher than forecasted invoicing for permanent repairs in 2021 |
| Subtotal | | | | 2,771,517 | | |
| WATERMAIN REHABILITATION PROGRAM | CPW543-03 | CUT REPAIR | 49,399,720 | (1,100,000) | 48,299,720 | Lower than forecasted invoicing for permanent repairs in 2021 |
| NEW CONNECTIONS | CPW600-02 | NEW SERVICE CONNECTIONS - SITE SERVICING | 395,474,949 | (1,671,517) | 393,803,432 | Lower than forecasted applications for Site Servicing. |
| Subtotal | | | | (2,771,517) | | |