

## Reallocation of Capital Budget (Water) and Capital Budget Policy Revision Request

Presented To:	Finance and Administration Committee
Meeting Date:	August 9, 2022
Type:	Managers' Reports
Prepared by:	Brad Johns Engineering Services
Recommended by:	General Manager of Growth and Infrastructure

### Report Summary

This report provides a recommendation to reallocate capital budget (Water) to four water projects that require additional funding and a recommendation to revise the Capital Budget Policy regarding language on transfer of funds between Council approved water and wastewater capital projects.

### Resolutions

#### Resolution 1:

THAT the City of Greater Sudbury approves the reallocation of existing funding of \$4,260,500 for various water capital projects as outlined in the report entitled "Reallocation of Capital Budget (Water) and Capital Budget Policy Revision Request" from the General Manager, Growth and Infrastructure presented at Finance and Administration Committee on August 9, 2022.

#### Resolution 2:

THAT the City of Greater Sudbury approves a revision to the Capital Budget Policy to allow the Chief Administrative Officer to transfer funds from existing capital projects with dedicated water and wastewater funding to fund other Council approved projects within the same asset class as outlined in the report entitled "Reallocation of Capital Budget (Water) and Capital Budget Policy Revision Request" from the General Manager, Growth and Infrastructure presented at Finance and Administration Committee on August 9, 2022.

### Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report addresses the following strategic objectives outlined in the CGS Strategic Plan 2019-2027:

- Asset Management and Service Excellence
- Economic Capacity and Investment Readiness

### Financial Implications

If the reallocations are approved, the surpluses for completed, canceled, and deferred projects, or projects projected to have a surplus, noted in this report will be transferred to the Water Holding Account Reserve. These additional funds will then be committed to increase the budgets for the four Water projects and allow for them to be tendered as soon as possible.

If the recommendation revising Capital Budget Policy to allow the CAO increased authority in transferring surplus funds between Council approved capital projects as explained within this report, the Capital Budget Policy will be revised accordingly, specifically Section 3.3.3 Capital Project Deficit – Use of Holding Account Funds.

## Background

Water and Wastewater Services operates in a highly regulated framework of federal and provincial regulations, standards, and municipal policies. Unlike the municipal tax levy, which is applied to all properties to support a variety of services provided broadly to the community, water and wastewater services are paid for by roughly 48,000 residential and non-residential customers. The Province of Ontario through Asset Management Planning for Municipalities O. Reg. 588/17, Financial Plans O. Reg. 453/07 (Safe Drinking Water Act), and Standard of Care section 19 (Safe Drinking Water Act) requires all municipalities collect the full cost of water and wastewater services directly from end users. The water and wastewater rates are funding that is restricted to water and wastewater use.

Each year through the budget process the water and wastewater user fees, the operational budget, and the capital budget are approved by Council. The City established capital contributions from the water and wastewater user fees. The capital funding for water and wastewater are separate and can only be spent on water or wastewater infrastructure respectively. This includes the creation of individual Holding Accounts for water and wastewater. Any changes to the approved capital budget are governed by the Capital Budget Policy (CC2019-02). This report requests transfers from the water portion of the capital budget.

## Reallocation of Existing Water Capital Funding

During the development of the capital budget cost estimates, the designs are often conceptual in nature and the cost estimates are updated as the design progresses. With the detailed design for each of the following previously approved projects now complete, the final estimates have increased from preliminary design estimates due to various factors, including increased market costs, revisions in scope of work required, unanticipated local conditions found during the detailed design, and increased construction costs.

The following four projects require additional funding, and a detailed description follows the table:

	PROJECT	DESCRIPTION	COUNCIL APPROVED BUDGET	REVISED ESTIMATE	ADDITIONAL FUNDS REQUIRED
1	Wanapitei Trunk Watermain Repair	To replace approximately 150 meters of previously failed trunk watermain that has a high likelihood of re-occurring failure.	\$1,075,000	\$2,093,000	\$1,018,000
2	Anderson Drive Reconstruction	Phase 2 (final contract) of the Lively Sewers Upgrade Program.	\$7,400,000 (Remaining Water Budget \$360,000)	\$1,525,000	\$1,165,000
3	Kingsway Booster Station Demolition	The demolition of the former Kingsway Booster Station, new watermain, realignment of existing watermain for the extension of Silver Hills Drive.	\$1,185,000	\$2,405,000	\$1,220,000
4	Wanapitei Raw Water Intake and Wanapitei Water Treatment Plant Valve replacements	Installation of specialized valves and replacement of aging pipe within the plant and at the intake pump house located in Wahnapitae.	\$1,540,000	\$2,397,500	\$857,500
Total Additional Funds Requested					\$4,260,500

1. Wanapitei Trunk Watermain Repair – This project is to replace approximately 150 m of the trunk watermain between Coniston and the Highway 17 bypass. This portion of the watermain has required an emergency repair and this section requires replacement as there is a high likelihood of a re-occurring failure. During the detailed design it was determined that a longer length of trunk watermain required replacement, that a valve chamber is required to provide additional flexibility to Operations, and that the alignment be modified to reduce risk to a private business and to provide better access for future maintenance. It was also determined that the property easements were not registered at the time of original construction, and this process has started with additional time and studies being required to obtain property approvals. The watermain is high pressure concrete pipe that needs to be ordered months in advance. By funding this project now, the material can be ordered so that construction can occur in the 2023 construction season or earlier.
  
2. Anderson Drive Reconstruction – This project is the final contract of the Phase 2 Lively Sewers Upgrade Program, which consisted of seven streets. Additional funding is required to allow the final contract to be tendered. The additional funding is required as higher than estimated construction costs for previous contracts reduced the available budget. The design is complete, and the project is ready to be tendered. By funding this project now, a portion of the work can be undertaken during the winter months as it is off road, and better pricing may be received.
  
3. Kingsway Booster Station Demolition – This project is required to be completed as part of the Silver Hills development. Council approved the Cost Sharing Agreement with the Developer on July 12, 2022. The total estimated project cost is \$3,860,000, with the City share being \$2,405,000 and the Developer share being \$1,455,000. Actual shares to be based on final construction cost and the Developer to provide their share of funding before the construction contract is awarded. As noted in the Wanapitei Trunk Watermain Repair description the watermain is high pressure concrete pipe that needs to be ordered months in advance. The work has been combined with the requirements of the Developer to meet the development schedule. By funding this project now, the material can be ordered so that construction can occur in the 2023 construction season, and that the contractor may be able to take advantage of winter work as it is off road, and better pricing may be received.
  
4. Wanapitei Raw Water Intake and Wanapitei Water Treatment Plant Valve Replacements – This project includes the installation of specialized valves and replacement of aging pipe within the plant and at the intake pump house located in Wahnapitae. The detailed design identified that additional scope is required of similar work. The project is ready to tender when funding is available. The equipment is specialized and has a long lead time for ordering. By funding this project now, the contract can be tendered, and the material ordered. It is preferred to undertake construction during the winter when there is lower demand on the water system.

Staff is requesting to transfer funds from the following accounts into the Water Holding Account Reserve to be reallocated to the four projects:

PROJECT	PROJECT STATUS	AMOUNT
MR 24 - Anderson to 2 <sup>nd</sup> - Watermain Priority Rehabilitation	Canceled – originally to be part of a Roads project. Detailed review of condition determined no need for replacement	\$450,000
Roy Ave - Leon to Rinfret - Watermain Priority Rehabilitation	Completed & Surplus Surplus - lower than expected tender prices	\$376,000
Dean Ave-Lorne to Landsend - Watermain Priority Rehabilitation	Completed & Surplus Surplus - lower than expected tender prices	\$192,000

Barry Downe Road - Westmount – Kingsway -Watermain Priority Rehabilitation	Not Complete - Projecting Surplus Surplus – revised scope and lower than expected tender prices using trenchless technologies (watermain lining)	\$1,285,605
Auger Avenue-Contract Costs	Canceled – originally to be part of a Roads project. Detailed review of condition determined no need for replacement	\$494,239
Laberge Lane-Watermain Priority Rehabilitation	Completed & Surplus – lower prices and less rock due to a realignment of the watermain during design	\$390,163
MR24 Trunk WM-Creighton - 12 <sup>th</sup> -Watermain Priority Rehabilitation	Completed & Surplus – lower than expected tender prices and reduced cost due to realigning the watermain to adjacent to the road and out of the wetland	\$214,993
Facility Health & Safety Upgrades	Canceled -will be integrated as part of the implementation of recent condition assessment recommendations as part of a larger future contract and cost efficiencies are anticipated.	50,000
Health & Safety Upgrades	Deferred & to be re-budgeted – will be integrated as part of the implementation of recent condition assessment recommendations as part of a larger future contract and cost efficiencies are anticipated.	\$454,225
Security Implementation	Completed & Surplus – Fencing at several locations is complete.	\$353,275
<b>Total surpluses to be transferred to the Water Holding Account Reserves</b>		<b>\$4,260,500</b>

With approval of the reallocations, these projects will be issued for tender as soon as possible. Construction start for the Wanapitei Trunk Watermain Repair and the Kingsway Booster Station Decommissioning will depend on the delivery schedule for the pipe and appurtenances. It is expected to take as much as three months before the pipe will be delivered after the supplier receives the order. The Anderson Drive Reconstruction Project will be tendered this Fall and started as early as possible in 2023. The Wanapitei Raw Water Intake and Wanapitei Water Treatment Plant Valve Replacement Project will be tendered and awarded as soon as possible. Construction start will depend on the delivery schedule of the valves.

## Recommended Revisions to Capital Budget Policy

The Council approved Capital Budget Policy is to provide fiscal control and accountability related to the preparation and monitoring of the capital investment plan which includes the Capital Budget and the Capital Outlook. The latest revision of the Capital Budget Policy was approved by Council in 2019.

As noted in the section above, there are occasions when the detailed construction estimate is higher than the conceptual estimate used for budgeting purposes, or when the tendered value exceeds the available funding. The Capital Budget Policy currently allows the CAO the flexibility to draw on the appropriate Holding Account to transfer up to 20% of the project budget up to a cumulative total of \$250,000 when the immediate approval for the sound investment of capital is required. If this amount is exceeded, then Council approval is required, either through a dedicated Council Report or through the annual budget process.

Due to the timing of report approvals and distribution, and only one Council meeting per month during the summer construction season, when Council approval is required, this results in delays of a month or two. Often this results in missing the construction season or phasing a project over two years.

The recommended revision to allow transfers between Council approved capital projects will relate to the water and wastewater service area as it has dedicated funding sources and related reserve funds.

It is requested that the CAO be provided the authority to transfer funding from a Council approved project to fund another Council approved project where:

- The immediate approval of capital investment is required;
- The funding is dedicated to the water and wastewater service area;
- The projects are from the same Asset Class (watermain to watermain, wastewater treatment plant to wastewater treatment plant);
- The funding will be provided from completed projects, canceled projects or projects with a projected surplus from the current or past budget years; and,
- The limit of 20% of the project budget up to a cumulative total of \$250,000 still applies to any transfers from the dedicated reserve.

All transfers will be reported to Council as part of the Capital Variance Report provided to Council. The recommended revisions will allow the timely investment of capital, the flexibility to adjust to changing market conditions, and the continued transparency of reporting on the investment of user fees.

## **Resources Cited**

2022 City of Greater Sudbury Budget

Accessed online: <https://www.greatersudbury.ca/city-hall/budget-and-finance/previous-budgets/2022-budget/>

Council Report, “Capital Budget Policy” – January 15, 2019

Accessed online: <https://pub-greatersudbury.escribemeetings.com/Meeting.aspx?Id=e6a25d91-0e7a-44bf-913a-0554bde0c167&Agenda=Agenda&lang=English>