

## **Background**

During the 2018 budget deliberations, the Finance and Administration Committee approved the Water Wastewater budget with an overall increase of 7.4%. Staff recommended five business cases for the Committee's consideration. The business cases had a net zero impact to the overall rate, with the proposed increase to operating budget offset by a corresponding decrease to the capital budget. Staff committed to provide the Committee a list of the Capital Projects cancelled or added once the budget was finalized and the corresponding business cases had been approved.

The purpose of this report is to provide the Finance and Administration Committee a summary of the 2018 capital projects that will be cancelled or added, resulting from the business case approvals.

## **Business Case Funding**

Staff is recommending that certain 2018 capital projects be cancelled or added to fund the approved business cases. The following is a summary of the business cases that will result in the cancellation/addition of capital projects:

### **1. W/WW User Fee Amendment**

Operating Budget Decrease (\$25,000)

In an effort to promote fairness and balance among water and wastewater customers, new user fees were recommended to be applied against specific services, and paid by those customers benefitting from those services. These new fees include, but are not limited to, a sewer blockage fee when the City clears a blockage caused by the customer, a rental fee for the H2O to go Water Buggy, as well as renewal fees for certain Source Control agreements.

### **2. Hydraulic Modeler/ Analyst**

Operating Budget Increase \$96,640

The planning and operational optimization for 1,800 kilometres of linear infrastructure requires in-depth analysis utilizing computer models. Currently, hydraulic modeling is performed by consultants as requested, but the models are not being calibrated. The contract with the consultant is coming to an end with the completion of the Water/ Wastewater (W/WW) Master Plan (MP) and staff recommended hiring an internal resource which would allow the City to take advantage of an opportunity for in-house accountability and responsibility of our core infrastructure.

### **3. Water/Wastewater Master Plan and Asset Management Plan Task Force**

Operating Budget Increase \$650,000

During 2017, Council had received/endorsed the first iteration of the W/WW MP and the W/WW Asset Management Plan (AMP). The 2018 Capital budget submission contained funds to address recommendations of the MP and AMP. The business case for the MP and AMP Task Force was developed to ensure dedicated resources for these very important initiatives.

### **4. Project Manager – Water and Wastewater Facilities**

Operating budget Increase \$123,809

The combined capital envelopes for W/WW have seen an approximate annual increase of \$12 million since 2008. Staff anticipates that this amount will continue to grow due in part to Council's commitment to address infrastructure needs, expected commitments from senior levels of government and recommendations from the W/WW MP and AMP. This proposal recommended the hiring of a full-time project manager to address increased workload in delivering the capital program effectively, efficiently and on a timely basis.

### **5. Improved Hydrant Painting Standard**

Operating Budget Increase \$540,000

This business case proposed using new and improved factory applied painting methods that would give the paint a longer life, improve the operability and aesthetics of the hydrant inventory, reduce potential risk associated with lead based paints and relate the maintenance cycle to the improved life span.

The net impact of the five business cases approved was an increase to the operating budget of \$1,383,449.

## Summary of Capital Projects Cancelled or Added

Table 1 lists the capital projects cancelled or added to fund the approved business cases.

**Table 1**

<b>Capital Project</b>	<b>(Cancelled)/Added</b>
2018 Master Plan Recommendations - Water	(\$600,000)
2018 Master Plan Recommendations - Wastewater	(\$434,224)
2018 Distribution System Optimization - Water	(\$250,000)
2018 Valve Inspection and Maintenance - Water	(\$124,225)
2018 System Wide Security Improvements	\$25,000
<b>Total</b>	<b>(\$1,383,449)</b>

The amount of staff resources needed to deliver the capital program has not kept pace with the increased capital allocations in recent years. The investment in the task force will enable the City to prioritize the AMP and MP recommendations, such as leakage reduction and inflow and infiltration. This plan allows staff to focus on developing these extremely important initiatives and prioritizing and undertaking the work programs to support them. The Project Manager will be instrumental in the planning and delivery of W/WW capital facilities projects. The hydraulic modeler/analyst will support the asset management program, capital project planning, development planning and operational optimization of water and wastewater systems.

Notwithstanding the aforementioned cancellations in 2018, it should be noted that annual funding for these projects/initiatives have been identified in the 2019 through 2022 capital outlook as presented. The establishment of the task force will take a few months during 2018 and then the planning and prioritization process will commence, with implementation of MP and AMP recommendations expected in 2019.

Water projects that will be cancelled related to the MP, AMP recommendations and Distribution System Optimization allocations include water efficiency plan, detailed district metering study, leak detection survey, water system pressure studies and implementation of pressure management measures. Wastewater projects cancelled are the implementation of flow monitoring and the downspout disconnection program.

Regarding valve inspections and maintenance, staff will continue to conduct inspections and valve turning with internal resources. The 2018 Capital Budget included an amount of \$200,000 which was intended to supplement the program to a best practice service level. The scope of the planned contracted work will be reduced by the amount cancelled. There will be \$75,000 remaining in the budget that will support an increased level of service above the current situation.

The cancellation of the 2018 projects listed above are strategic in nature and pose less risk than the cancellation of planned repairs and replacement of both linear and facility infrastructure. Particularly important is maintaining linear spending at budgeted levels as in most cases it is aligned with roads projects.

This reallocation from capital to operating will allow staff to assess future budget allocations for operating and capital dollars prior to 2019 budget deliberations. As well, the Financial Plan for Water and Wastewater Services is scheduled to be updated during 2018 and presented to Council for approval. It is anticipated that the 2019 operating and capital budget will reflect updated spending allocations recommended in the Plan.