Agenda - Executive Policy Committee - July 19, 2006

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - July 11, 2006

Item No. 2 Additional Capital Funding Authorization for the Watermain Renewal Capital Program
File WW-2.4

STANDING COMMITTEE RECOMMENDATION:

On July 11, 2006, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendation and submits the following to Council:

1. That approval be provided to increase the 2006 capital funding authorization for Watermain Renewals by the amount of $700,000.00 and that funding be provided from the Watermain Renewal Reserve.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee - July 19, 2006

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - July 11, 2006

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On July 11, 2006, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

RE: ADDITIONAL CAPITAL FUNDING AUTHORIZATION FOR THE WATERMAIN RENEWAL CAPITAL PROGRAM

FOR SUBMISSION TO: THE STANDING POLICY COMMITTEE ON INFRASTRUCTURE RENEWAL AND PUBLIC WORKS

ORIGINAL REPORT SIGNED BY: Barry D. MacBride, P. Eng., Director
Water and Waste Department

REPORT DATE: June 5, 2006

RECOMMENDATION(S):

- That approval be provided to increase the 2006 capital funding authorization for Watermain Renewals by the amount of $700,000.00 and that funding be provided from the Watermain Renewal Reserve.

REPORT SUMMARY

KEY ISSUES:

The watermain renewal program is experiencing increasing construction costs in 2006. Authorization of additional capital funding and use of surplus funds from the Watermain Renewal Reserve is required to complete the planned renewal work in the 2006 Watermain Renewal Program.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

X	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s):

Policy Implications

X	No
	Yes – Comment(s):

Regulatory Implications

X	None
	Eliminates or reduces regulatory impact
	Proposes regulatory impact

Comment(s):

Environmental Implications

X	None
	Yes

Human Resources Implications

X	No
	Yes – Comment(s):

Financial Implications

	Within approved current and/or capital budget
X	Current and/or capital budget adjustment required

Comment(s):
Funds are available in the Watermain Renewal Reserve for use in the Watermain Renewal Program.

REPORT

REASON FOR THE REPORT:

Authorization to amend approved 2006 capital program projects must be approved by Council.

HISTORY:

Funds in the amount of $6,800,000.00 are included in the 2006 Capital Budget for watermain renewals.

DISCUSSION:

Watermain Renewal Program

The renewal locations included in the watermain renewal program are determined based on a city-wide leak frequency analysis. Watermains experiencing the highest leak frequency are given priority.

Renewal locations are also included for streets where an older metallic watermain exists and there is a pavement renewal or major pavement reconstruction planned to be done.

Funds in the 2006 Water Renewal Program will not be sufficient to complete the planned renewal locations as watermain renewal construction costs are continuing to increase in 2006 due to the following factors.

- Escalating market conditions.
- A shortage of skilled workers.
- Increase in material and operating costs.
- Construction firms are reaching workload capacity.
- A period of high inflation exists within the construction industry.

Additional budget authorization and use of funds in the amount of $700,000.00 from the Watermain Renewal Reserve is required for the 2006 Watermain Renewal Program to allow completion of the planned renewal locations. There is no cathodic protection work included in the 2006 Watermain Renewal Program.

If the planned watermain renewal work is not completed there is a high risk the deteriorated watermains will continue to have breaks resulting in additional expense to repair the breaks , unplanned service disruptions, inconvenience to residents and businesses and damage to other infrastructure.

Financial Status

The financial status of the 2006 Watermain Renewal Program is as follows:

Authorized Capital		$ 6,800,000.00
Amount of previous awards and expenditures	$ 3,100,000.00	
Estimated amount of future awards and expenditures	$ 4,400,000.00	
Total estimated cost	$ 7,500,000.00	$ 7,500,000.00
Estimated shortfall		$ 700,000.00

The financial status of the Watermain Renewal Reserve as of March 31, 2006 is as follows:

Funding Available		
Reserve Balance		$ 1,710,237.00
Add: 2006 Frontage Levies		$ 6,916,012.23
Total Funding Available		$ 8,626,249.23
Funding Required for Approved Budgeted Projects		
Approved Budgeted projects 2000 – 2006	$ 36,400,000.00	
Less: Funds expended as of Dec. 31, 2005	$ (28,453,383.64)	
Remaining Funding Required	$ 7,946,616.36	$ 7,946,616.36
Net funding available before interest		$ 679,632.87
Add: Interest revenue (estimated)	$ 130,000.00	
Less: Management Investment Fees	$ (12,000.00)	
Subtotal	$ 118,000.00	$ 118,000.00
Net Funding Available as at March 31, 2006		$ 797,632.87
Required for this Project	$ 700,000.00	$ 700,000.00
Estimated Watermain Renewal Reserve Residual		$ 97,632.87

FINANCIAL IMPACT:

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

Financial Impact Statement

Date: June 2, 2006

Project Name: **First Year of Program** **2006**

ADDITIONAL CAPITAL FUNDING AUTHORIZATION FOR THE WATERMAIN RENEWAL CAPITAL PROGRAM

	2006	2007	2008	2009	2010
Capital					
Capital Expenditures Required	$ 700,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	700,000	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Funds recommended for transfer are available in the Watermain Renewal Reserve.

je

Moira L. Geer C.A.
Manager of Finance & Administration

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IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By: N/A

External Consultation With: N/A

THIS REPORT SUBMITTED BY:

Water and Waste Department
Engineering Division
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Processed by: Tamara Siemens/John Elias
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File No.: 020-01-11-00-00

c: N. Vollrath, Finance and Administration, Water and Waste Department