Agenda - Executive Policy Committee - January 17, 2007

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - January 9, 2007

Item No. 4 First Call on the 2007 Capital Budget - Water Treatment Program File FC(2007)

STANDING COMMITTEE RECOMMENDATION:

On January 9, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendation and submits the following to Council:

1. That expenditure of $50,000,000.00 be authorized before the 2007 Capital Budget is adopted, as a first call against the 2007 Capital Budget in order to procure contracts necessary for the completion of the Water Treatment Program during the first quarter of 2007.

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 - January 17, 2007

Report - Standing Policy Committee on Infrastructure Renewal and Pubic Works - January 9, 2007

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On January 9, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendations and submitted the matter to the Executive Policy Committee and Council.

RE: FIRST CALL ON THE 2007 CAPITAL BUDGET - WATER TREATMENT PROGRAM

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

ORIGINAL REPORT SIGNED BY: The Director of the Water and Waste Department

REPORT DATE: December 19, 2006

RECOMMENDATION(S): That Council authorize an expenditure of $50,000,000.00 before the 2007 Capital Budget is adopted, as a first call against the 2007 Capital Budget in order to procure contracts necessary for the completion of the Water Treatment Program during the first quarter of 2007.

REPORT SUMMARY

KEY ISSUES:

- Council approval is required for a first call on an expenditure of capital funds prior to the adoption of the capital budget.
- Project commitments stood at $212 Million as of December 10, 2006 and are projected to reach $220 Million by the end of 2006.
- Various contracts with a total value of approximately $55 Million must be tendered during the first quarter of 2007 in order to maintain the project schedule and avoid potential additional costs resulting from construction delays.

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 – Comment(s):

Human Resources Implications

X	No
	Yes – Comment(s):

Financial Implications

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

REPORT

REASON FOR THE REPORT:

Council approval, through a first call against the 2007 Capital Budget is required in order to expend 2007 Capital funds prior to the adoption of the 2007 Capital Budget.

HISTORY:

Council has approved funding of $227.342 Million for the Water Treatment Program in previous budgets.

On May 9, 2006 the Standing Committee on Infrastructure Renewal and Public Works received Water Treatment Program Financial Status Report No. 7 as information. The report included a revised cost estimate for the Water Treatment Program of $300 million; approximately $70 million (30%) higher than the Council approved budget. This report was subsequently distributed to all members of Council as information.

On June 13, 2006 the Standing Committee on Fiscal Issues received "Water Treatment Program Financial Status Report No. 7" as information.

Funds in the amount of $ 72,800,000.00 have been included in the proposed 2007 Capital Budget for the Water Treatment Plant – Functional & Detailed Design & Construction. The funding sources are as follows: $8,500,000.00 from the Water Treatment Reserve, $2,800,000.00 from the Waterworks System Fund retained earnings and $55,000,000.00 to be funded from external debt.

DISCUSSION:

The Water Treatment Program includes all work necessary to design and construct a new water treatment plant for the City of Winnipeg, to be operational by the end of 2008.

A review of project cost projections for the Water Treatment Program undertaken in December 2006 indicates that the updated cost estimate of $300 Million produced earlier in 2006 remains adequate, subject to unforeseen construction events.

Council has approved funding of $227.342 Million for the Water Treatment Program in previous budgets. Council has also approved $2.8 Million for staff and maintenance related infrastructure, to be included in the 2007 Capital Estimates and funded from retained earnings.

Funds committed to the Water Treatment Program stood at $212 Million as of December 10, 2006, and funds expended were about $90 Million. Funds committed are projected to reach $220 Million by the end of 2006. Various contracts with a total value of approximately $55 Million must be tendered during the first quarter of 2007 in order to maintain the project schedule and avoid potential additional costs.

Accordingly, we are requesting that expenditures be authorized before the 2007 Capital Budget is adopted in the amount of $50,000,000 as a first call on the 2007 Capital Budget, to allow award of contracts necessary for the completion of the Water Treatment Program during the first quarter of 2007.

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: December 15, 2006

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

FIRST CALL ON THE 2007 CAPITAL BUDGET - WATER TREATMENT PROGRAM

	2006	2007	2008	2009	2010
Capital					
Capital Expenditures Required	$ -	$ 55,000,000	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	5,000,000	-	-	-
Additional Capital Budget Required	$ -	$ 50,000,000	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -		$ -	$ -	$ -
Debt - External	-	$ 50,000,000	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ 50,000,000	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 50,000,000				
Total Additional Debt Required	$ 50,000,000				
Current Expenditures/Revenues					
Direct Costs	$ -	$ 1,176,471	$ 5,500,000	$ 5,500,000	$ 5,500,000
Less: Incremental Revenue/Recovery	-	1,176,471	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ 5,500,000	$ 5,500,000	$ 5,500,000
Less: Existing Budget Amounts	-	-	500,000	500,000	500,000
Net Budget Adjustment Required	$ -	$ -	$ 5,000,000	$ 5,000,000	$ 5,000,000

Additional Comments: Funds in the amount of $72,800,000.00 have been included in the 2007 Capital Budget Submission of which $8,500,000.00 will be funded by the Water Treatment Reserve, $2,800,000.00 by Retained Earnings and $61,500,000.00 by External Debt. $55,000,000.00 is required in early 2007 of which $5,000,000.00 is included in the approved 2006 Capital Budget. The remaining $50,000,00.00 is required as first call against the 2007 Capital Budget (funded by external debt).

je
13-Dec-06

Laurie Fisher C.A.
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:

Department: Water and Waste Department
Division: Engineering Services Division
Prepared by: Tom Pearson, Joanie Smalley
File No.: W-571(D)