
DATE: December 1, 2010

REPORT TITLE: **2011 CAPITAL BUDGET PRE-APPROVALS**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the 2011 Capital Projects as listed in the report of the Chief Financial Officer and Commissioner of Corporate Services, dated December 1, 2010, titled, "2011 Capital Budget Pre-approvals", be approved and authorized to proceed in accordance with the Financial Control By-law;

And further, that the Chief Financial Officer and Commissioner of Corporate Services be given authority to increase pre 2011 projects for impacts related to the implementation of Harmonized Sales Tax (HST) as may be required.

REPORT HIGHLIGHTS

- An overview of the 2011 Current and Capital Budget will be presented to Council on January 27, 2011.
- Within the 2011 Capital Budget there are 11 capital projects that require pre-approval in order to proceed in early 2011.
- The approval of the 11 project requests in the amount of \$181.7 million is requested prior to the approval of the 2011 budget in whole.
- Authority to increase existing capital projects to account for HST implications be granted to the CFO for pre 2011 capital projects.

DISCUSSION

1. 2011 Budget

An overview of the 2011 Current and Capital Budget will be presented to Regional Council on January 27, 2011 for consideration. A subsequent meeting for the budget will be held on February 10, 2011. Council has the opportunity to approve the budget on February 10, 2011 or any subsequent Regional Council meeting.

Within the 2011 budget there are a number of capital project requests that require early approval in the political process in order to meet tendering requirements and budget timelines. Included in these requests are new 2011 projects as well as increases to existing capital projects as they move through construction phases. The details of the projects and the rationale for the required early approval are highlighted below.

December 1, 2010

2011 CAPITAL BUDGET PRE-APPROVALS

2. Pre-approval Requests

The details of the early approval requests are as follows:

Client Computer Technology 11-7545 - \$1,800,000

The life cycle of the Region's existing computer inventory has been extended one year longer than originally planned which has allowed for a review of client computing technology requirements. This review has ensured that the replacement program will result in the optimal use of the Region's investment in computer resources. To ensure that the replacement program is now completed in a timely manner before expensive hardware failures potentially occur, which could result in degradation in productivity and service delivery, it is necessary to begin work on the replacement program immediately.

Wastewater Servicing Master Plan Update 10-2520 - \$500,000

This will enable the program to award the contract early in the new year. The Request for Proposals (RFP) is complete and going out soon. Originally, the project was going through Direct Negotiation but is now going out for tender. Some time has been lost as a result of this, and the timeline for the presentation of the Master Plan update to Council is June 2012, which requires the project to commence as soon as possible.

Clarkson Wastewater Treatment Plant Expansion 08-2915 - \$15,000,000

The tender for this contract closes in January 2011 and the program needs to award it in February 2011; therefore funds are required early as a result. The contract is for the expansion of the Clarkson Wastewater Treatment Plant (WWTP) from 200 ML/D to 350 ML/D. It entails constructing 3 primary tanks, 3 aeration tanks and 3 final tanks with all associated equipment. Work needs to be started as soon as possible in order to stay on schedule.

Etobicoke Creek Trunk Sewer Twinning 08-2230 - \$1,000,000

Based on the pre-tender estimate, the program is close to using up all available funds in the existing budget. The project was tendered in November 2010 and it is possible that the tender low bid will exceed the tender estimate. As a result, additional funds will need to be available in order to award the contract. The project needs to proceed as soon as possible as the existing energy dissipation chamber and sewer are in poor condition and require replacement. This is the main east trunk sanitary sewer thus major work cannot be deferred.

Lakeview Water Treatment Plant Expansion 07-1936 - \$160,000,000

The project involves facility expansion for long term growth needs in Peel and servicing requirements for York. To meet projected 2014 water demands, the main treatment building contract must be started early in 2011 and should be in service for mid 2014. The design is complete and the construction contract was tendered in November 2010, closing early in 2011. The facility will be in operation within 39 months of the start of work. Pre-approval is required for the entire amount to award the construction tender and contract administration services.

Lakeview Major Capital Improvement – Filtration 11-1920 - \$500,000

This project will complete the replacement program at the Lakeview plant. By pre-approving a portion of the project funds, preliminary and detailed design can be undertaken early in 2011, and be ready to start construction by Fall 2011, as soon as the high demand period is over. The project would be completed by Spring 2012. This work is disruptive to

December 1, 2010

2011 CAPITAL BUDGET PRE-APPROVALS

the treatment process and must be completed outside of the high demand period in the summer.

Lorne Park Major Capital Improvement – Sedimentation 11-1930 – \$100,000

The conventional treatment process at the Lorne Park Water Treatment Plant uses plate settler technology to remove solids prior to filtration. Over the past year, signs of failure have been observed in the plates and the structure supporting them. Staff identified risk of failure and recommends they be replaced with a more robust settling and sludge collection system. Funds for preliminary and detailed design are requested as replacement work must be done in the fall and winter when demands are low. It is critical that new equipment be selected and design completed for fall 2011. At that point construction can commence for completion mid 2012.

Water Efficiency Program 08-1585 – \$1,000,000

The project involves the continued implementation of water efficiency measures as specified by the Water Efficiency Plan. The project is currently overspent due to the influx in toilet rebates issued in 2009 and 2010. The number of rebates issued is decreasing but still remains high. Substantial increases were a result of government driven incentive programs such as the Home Energy Audits and Home Renovation Tax Credit as well as some successful in-store rebate events. The project is expected to be overspent by \$300,000-\$500,000; therefore, pre-approval for the \$1,000,000 of the \$4,000,000 2011 budget is requested

Derry Road and McLaughlin Road Intersection Improvements 10-4265 - \$292,000

The project is for south bound dual left turn lanes to accommodate increasing traffic volumes at Regional Road 5 (Derry Road) and McLaughlin Road intersection. This project, approved in 2010 budget allocated approximately \$200,000 for design and contract administration in 2010 and around \$2 million for construction in 2012. It was not expected that any money will be needed in 2011 but since all the consultant's proposals came in significantly over the budget an extra \$292,000 is required in order to award this project. The approval for the award of contract (Document 2010-246P) for the detailed design, contract administration and construction supervision will be presented to Council at the December 16th Regional Council meeting.

Red Light Camera 11-4415 - \$1,300,000

This project operates Peel's red light camera system consisting of 25 signalized intersections. Operational costs include vendor payments, license plate registration charges, ticket processing and administration. The purchase orders (PO's) have expired; the new PO needs to be set up early in January to proceed.

Traffic Data Collection and Analysis 11-4435 - \$200,000

The project entails collection and analysis of traffic data related to growth, including annual turning movement counts, Automatic Traffic Recorders (ATR's), speed/classification counts and speed/delay counts. The new PO needs to be set up in January as the existing PO has expired.

3. Next Steps

Once approved, the 2011 new projects will be established and the existing projects will be increased as identified. The remainder of the 2011 capital projects will proceed through the 2011 Business Planning Process for consideration by Council in February 2011.

December 1, 2010

2011 CAPITAL BUDGET PRE-APPROVALS

4. HST Implications on Existing Capital

After reviewing the impact of the recent implementation of HST, staff have determined that the effect of this additional tax on existing capital works may cause some pre 2011 projects to go over budget. Where possible, HST impact will be managed within budgeted contingency allowances.

In order to prevent interruptions in capital works, staff are requesting that the Chief Financial Officer (CFO) be given authority to increase existing capital projects to account for HST until the pre 2011 projects are completed.

FINANCIAL IMPLICATIONS

The 2011 budget includes \$881.6 million request for capital projects. Eleven projects require pre-approval in the amount of \$181.7 million (20.6 per cent of the 2011 capital projects) funded by \$67.9 million in Development Charges, \$108.6 million of external sources and \$5.2 million of internal reserves.

CONCLUSION

The request to pre-approve the budgets for the 11 capital projects ensures that agreement obligations and purchasing deadlines are met.



Norma Trim
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Elayne Thompson at extension 4536 or via email at elayne.thompson@peelregion.ca

c. Legislative Services