

TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON AUGUST 13, 2018
FROM:	KELLY SCHERR, P. ENG, MBA, FEC MANAGING DIRECTOR ENVIRONMENTAL & ENGINEERING SERVICES AND CITY ENGINEER
SUBJECT:	WASTEWATER OPERATIONS EQUIPMENT REPLACEMENT BUDGET AMENDMENT

RECOMMENDATION

That on the recommendation of the Managing Director of Environmental and Engineering Services and City Engineer, the following actions **BE TAKEN** with respect to budget adjustments for the Wastewater Operations 2018 equipment replacement account:

- a) Budget adjustment to increase 2018 funding for project ES508418 Replacement Equipment BE APPROVED in the total amount of \$750,000 to fund ongoing repairs and replacement of equipment;
- b) The financing for the projects BE APPROVED in accordance with the “Source of Financing Report” attached hereto as Appendix “A”.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Civic Works Committee – June 7, 2017 - Infrastructure Canada – Phase One Investments Clean Water & Wastewater Fund – Approved Projects

Civic Works Committee – October 4, 2016 – Infrastructure Canada Phase 1 Project Requests – Clean Water and Wastewater Fund

2016-2019 CORPORATE STRATEGIC PLAN ALIGNMENT

The following report supports the Strategic Plan through the strategic focus area of “Building a Sustainable City” by managing and improving water and wastewater infrastructure and services to provide robust infrastructure.

BACKGROUND

Purpose

The purpose of this report is to seek approval from Council to restore a portion of the 2018 equipment replacement account budget. A significant portion of this budget was reduced in 2017 and 2018 to fund the City’s share of the Clean Water and Wastewater Fund (CWWF) phase one projects.

DISCUSSION

Under CWWF Phase One, the City applied and received approval for 16 Wastewater projects in June 2017 totalling \$34.5M. Through the CWWF program, the City finances 25% of the work while the other 75% of the cost is claimable from the fund. Since a large portion of the accepted CWWF Phase One projects included replacement of existing equipment at City wastewater treatment plants and pumping stations, the 2018 equipment replacement account was deemed an appropriate source to fund the projects. The 2018 ES5084 Replacement Equipment account was originally budgeted at \$1,300,000 but was reduced through the contribution of \$990,000 to CWWF projects. This budget reduction left \$310,000 remaining to support wastewater treatment replacement equipment in 2018. In order to manage this shortfall, non-urgent work at the treatment plants was postponed and rescheduled to future years.

The ES5084 Replacement Equipment account is heavily relied upon by the Wastewater Operations Division to fund critical work at the City's 5 treatment plants. This funding supports the replacement or repair of process equipment, facility building systems, and the engineering costs to accomplish these tasks. A number of unanticipated repairs have been required in 2018 including two major equipment replacements. The revised budget estimate for 2018 considering spending to date and anticipated needs is \$1,060,000, an increase of \$750,000. This keeps the total account budget for 2018 below the originally budgeted amount of \$1,300,000.

Financial Implications

The additional funding to support this budget increase will be drawn from the Sewage Works Reserve Fund. Mid-year financial monitoring is currently underway and the current forecast projects a revenue surplus that is larger than the increase required to support the replacement equipment budget increase. The year end monitoring report will recommend that the revenue surplus be contributed to the Sewage Works Reserve Fund. Therefore, it is anticipated based on these projections that supporting this replacement equipment budget increase will not have an adverse impact on the health of the Sewage Works Reserve Fund.

CONCLUSION

The City of London was approved for wastewater project funding of \$34.5M under the CWWF Phase One program. In order to fully take advantage of the opportunities presented as a result of the CWWF program, the Wastewater Treatment Operation Division's ES5084-18 equipment replacement budget was reduced to obtain a portion of the City's share of the funding. It is now apparent that Wastewater Operations cannot meet its operational obligations with the significantly reduced budget. It is recommended that the equipment replacement account budget be increased to enable staff to meet operational needs for the remainder of 2018.

Acknowledgements

This report was prepared with assistance from Kirby Oudekerk, Wastewater Treatment Operations, and Debbie Gibson, Financial Business Administrator.

SUBMITTED BY:	REVIEWED & CONCURRED BY:
GEORDIE GAULD DIVISION MANAGER, WASTEWATER TREATMENT OPERATIONS	SCOTT MATHERS, P.ENG., MPA DIRECTOR, WATER AND WASTEWATER
RECOMMENDED BY:	
KELLY SCHERR, P.ENG., MBA, FEC MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES AND CITY ENGINEER	

SGM/

Cc: Jason Davies, FP&P