

DATE OF MEETING SEPTEMBER 21, 2022

AUTHORED BY PHIL STEWART, MANAGER, ENGINEERING PROJECTS

SUBJECT Budget Transfer Disclosure – Kenwill, Ninth, and Laguna

OVERVIEW

Purpose of Report:

To advise Council of budget transfers in excess of \$100,000 for the Kenwill Drive Watermain Upgrades, Ninth Street Utility and Road Upgrades, and Laguna Way Watermain and PRV Upgrade.

BACKGROUND

As is normal in a given year, some projects are under budget and some are over budget. The surplus from under budget projects is often used to fund shortfall in those projects over budget. While this is considered a best practice, the City's budget transfer policy states that for budget transfers over \$100,000 disclosure is provided to the Finance and Audit Committee. In 2022, construction costs have been much higher than was expected when budgets were prepared. Items such as equipment, fuel, trucking, and asphalt have seen significant increase, as well as increased inflation having an impact on most construction materials. The result has been that many of the City's capital projects are exceeding the allocated budget, which results in more projects requiring specific disclosure.

Three projects outlined below have been completed and required budget transfers. |

DISCUSSION

Kenwill Drive Watermain Upgrades

Three watermain breaks were recorded on Kenwill Drive within the last 5 years, triggering the need for the Kenwill Drive Watermain Upgrades. The project replaced 266 m of 300 mm asbestos cement (AC) pipe with new 300 mm PVC pipe between Hammond Bay Road and Butcher Road. The budget for the project was \$328,700 and the final costs to complete were \$428,700. This project was completed by the City's internal construction crew and a review of the project expenses indicated that the costs for items such as pipe, gravels, and asphalt were more than what was anticipated when the project budget was prepared.

Ninth Street Utility and Road Upgrades

The asphalt surface on Ninth Street between Bruce Avenue and Howard Avenue had reached the end of its life and required replacement. The steep, rocky ditch on the side of the road caused constant maintenance issues and the high storm flows continually eroded road structure. A short section of AC watermain also required replacement. The project

underground works consisted of 280 m of new storm sewer and the replacement of 130 m of watermains. The surface works included 400 m of concrete sidewalk and road resurfacing between Bruce Avenue and Howard Avenue. The budget for the project was \$970,000 and the final costs for the project are \$1,131,300. Several factors contributed to the project being over budget, including: significantly more rock removal than expected, higher prices for concrete and asphalt than were projected when the project budget was created, and in November of 2021, significant rainfall caused a washout of the construction site causing the project to incur restoration and cleanup costs.

Laguna Way Watermain and PRV Upgrade

The Laguna Way Watermain and PRV Upgrade project replaced 570 m of 400 mm steel watermain piping and three pressure reducing valve (PRV) stations on Laguna Way. The old steel water line experienced a break and given the depth and the steep slopes, the risk of significant damage from further breaks was high. The budget for the project was \$1,240,000 and the final costs to complete the project was \$1,476,500. Several factors contributed to the project being over budget including: prices for asphalt were higher than expected and the connection to the existing system was more complex than anticipated, resulting in additional costs.

CONCLUSION

The following table summarizes the project budget and budget transfers.

Project	Total Project Budget	Transferred Amount	Final Project Budget
Kenwill Drive Watermain Upgrades	\$328,700	\$100,000	\$428,700
Ninth Street Utility and Road Upgrades	\$970,000	\$161,300	\$1,131,300
Laguna Way Watermain and PRV Upgrade	\$1,240,000	\$236,500	\$1,476,500

The funds required to cover the costs listed above were available within the 2022 – 2026 Financial Plan and will be allocated from contingency funds, a project under budget, and projects which had budget to start the design process in 2022, however; the projects were reprioritized to future years during the 2023 – 2027 Draft Financial Plan preparation. Given the magnitude of the budget transfers, specific disclosure to Council is warranted.

SUMMARY POINTS

- Three projects required budget transfers above \$100,000.
- In 2022 construction costs have increased more than was expected.
- Items such as asphalt, concrete, and fuel are much more expensive than in recent years and are the driving factor for much of the cost increases.

Submitted by:

Phil Stewart
Manager, Engineering Projects

Concurrence by:

Poul Rosen
Director, Engineering

Bill Sims
General Manager, Engineering & Public
Works

Laura Mercer
Director, Finance