

**Analyst Briefing Notes**  
**Works Committee Review**  
**(November 8, 2005)**

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**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2005 Approved Capital Budget of \$8.055 million was 35% spent as at September 30, 2005. Actual expenditures by year-end are anticipated to be \$5.631 million, or 70% of the Approved Budget, resulting in projected 2005 cash flow funding of \$2.424 million being carried into 2006. This projected under expenditure is primarily attributed to difficulties in obtaining appropriate staff to carry out project work, delays in Corporate Document Management Project, and the revision of work plans due to Toronto Water and Transportation shifting priorities.
- The Revised 2006-2015 Capital Program totals \$26.219 million of which \$17.363 million is projected for the Program's 5-Year Capital Plan, with 2006 cash flow of \$5.002 million, \$3.361 million in 2007, \$3.000 million in 2008, \$3.000 million in 2009 and \$3.000 million in 2010.
- The 2006 Proposed Capital Budget including previously approved commitments requires new 2006 cash flow of \$3.274 million gross with debt funding of \$3.000 million. This cash flow combined with carry forward funding of \$1.728 million for 2005 projects brings the total 2006 Proposed Capital Budget to \$5.002 million gross, of which \$4.103 million is funded by debt.
- 61% of the 2006 proposed new cash flow is allocated to State-of-Good-Repair projects at \$1.984 million primarily for the 12 shared yard facilities (\$1.093 million); 35% to Service Improvement projects at \$1.135 million primarily for Strategic IT projects; and the balance of 4% to one Health & Safety project at \$0.155 million. There is no new cash flow allocated to Legislated or Growth-Related projects.
- The Revised 5-Year Capital Plan has been smoothed to reflect a projected cash flow of \$5.002 million in 2006, \$3.361 million in 2007, \$3.000 million in 2008, \$3.000 million in 2009 and \$3.000 million in 2010. The Revised 5-Year Capital Plan is primarily driven by the requirement for the Asset Preservation Project, Computer System Integration Project, and Mainframe Application Replacement Project.
- State of Good Repair audits have been completed for the 12 shared yard facilities. Cumulative SOGR Backlog is estimated to be \$4.650 million at the end of 2005 and \$3.741 million at the end of 2010 based on the projected annual average cost to address the SOGR backlog of \$0.182 million for 2006-2010.
- Toronto Water has agreed to provide \$0.201 million in its 2006 Proposed Capital Budget to support the Asset Preservation 2006 and Environmental Liabilities projects from Water Rate Reserve Fund. An additional funding of \$0.165 million from Toronto Water is available to support the Computer System Integration project. This funding is not reflected in the 2006 Proposed Capital Budget for Cross Divisional Projects. An adjustment will be made before the Budget Advisory Committee review of the 2006 Proposed Capital Budget.

### Recommendations

It is recommended that:

1. the 2006-2015 Cross Divisional Projects capital program request with a total 10-year project cost of \$23.296 million be received;
2. the 2006 Proposed Capital Budget for Cross Divisional Projects with a total project cost of \$3.124 million and a 2006 cash flow of \$5.002 million and future year commitments of \$2.608 million be approved. The 2006 Proposed Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 11 new sub-projects with a 2006 total project cost of \$3.124 million that requires cash flow of \$2.228 million in 2006 and a future year commitment of \$0.896 million in 2007;
    - ii) 6 previously approved sub-projects with a 2006 cash flow of \$0.351 million and a future year commitment of \$1.502 million in 2007;
    - iii) 2 sub-projects from previously approved projects with carry forward funding from 2004 and prior years requiring 2006 cash flow of \$0.695 million and future year commitment of \$0.210 million in 2007, which forms part of the affordability targets that requires Council to reaffirm its commitment; and
  - b) 2006 approved cash flow for 6 previously approved sub-projects with carry forward funding from 2005 into 2006 totalling \$1.728 million;
3. new debt service cost of \$0.090 million in 2006 and incremental costs of \$0.397 million in 2007 and \$0.247 million in 2008 resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2006 and future year operating budgets;
4. operating impacts of \$0.025 million for 2006 and \$0.290 million for 2007 emanating from the approval of the 2006 Proposed Capital Budget be considered within the overall scope of the related Programs' 2006 and future years' operating budget submissions;
5. the revised cash flow projections of \$3.361 million in 2007, \$3.000 million in 2008, \$3.000 million in 2009 and \$3.000 million in 2010 for Cross Divisional Projects be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits;
6. once the IT Implementation Project is completed, the Deputy City Manager report to Budget Advisory Committee with a revised 2007-2010 Capital Plan for IT projects, which is required to be strategically aligned at the Program and Corporate level, and conforming to the debt guideline;

7. the Deputy City Manager report back to the Director of Financial Planning prior to the 2007 budget process on the result of asset reviews and the plan of transferring the ownership of the Asset Preservation capital budget with the intention of providing increased accountability and management.

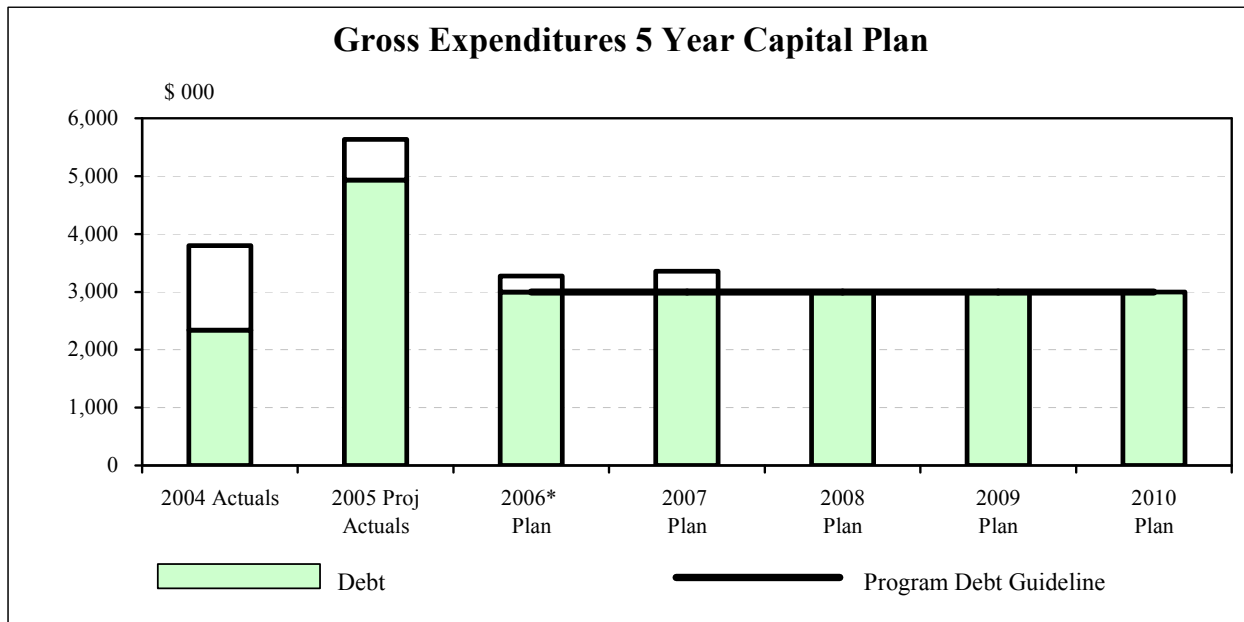
**2005 Capital Variance Review**

2005 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2005 Approved	Actuals as of Sept. 30 Y-T-D (3rd Qtr Variance)		Projected Actuals to Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
8,055	2,802	35	5,631	70	2,424

**Comments / Issues:**

- Cross Divisional Projects is projecting a year end spending rate of 70% or \$5.631 million for 2005 approved projects as of September 30, 2005. This spending rate represents an improvement over the 38.5% achieved in 2004.
- The total projected unspent balance of \$2.424 million at the end of 2005 will be carried forward from 2005 into 2006 of which \$0.695 million of the unspent balance is related to 2004 approved projects.
- Over 60% of the projected year end unspent balance is attributable to four projects with a combined unspent balance of \$1.524 million gross and \$1.363 million net and includes: WES IT Disaster Recovery, Document Management System, Toronto Infrastructure Data Standards and Plan/Drawing Database.
  - \$0.540 million of 2005 funding being carried forward to 2006 for the WES IT Disaster Recovery project is due to delays in hiring staff to proceed on projects;
  - \$0.345 million being carried forward for the Document Management System project is due to delays in the selection of City Document Management standard by Information and Technology in 2005;
  - \$0.322 million being carried forward for the Toronto Infrastructure Data Standards project resulted from Toronto Water shifting priorities to complete conversion work for the data component of the project and defer integration with applications supporting future maintenance of the TIADS database;
  - \$0.317 million being carried forward for the Plan / Drawing Database project is due to delay in approval of 2005 budget.
- Analysis of actuals to date and commitments in SAP, and the Program’s historical spending capacity indicate that additional carry forward funding will likely be required. Further review is required by the Program given actuals, commitments to date and the carryforward funding being requested. Adjustments to carryforward funding will be reported through to the Budget Advisory Committee during its review of the 2006 Proposed Capital Budget.

5-Year Capital Plan (2006-2010)



	<b>5 Year Plan</b>							
	2004	2005	2006	2007	2008	2009	2010	2006-2010
<b>Gross Expenditures:</b>								
Budget (Excluding 1-Yr. Carry/Fwd)	6,670	4,160	3,274	3,361	3,000	3,000	3,000	15,635
1-Yr Carry/Fwd Gross (Reference only)	3,202	3,895	1,728					
<b>Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd</b>	<b>9,872</b>	<b>8,055</b>	<b>5,002</b>					
Actuals	3,799	5,631						
<b>Financing:</b>								
Debt	8,270	6,793	3,000	3,000	3,000	3,000	3,000	15,000
Debt Actuals (including 1-Yr Carry/Fwd)	2,338	4,935						
<b>Program Debt Target</b>			<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>15,000</b>
Other Financing Sources:								
Reserves/Reserve Funds								0
Development Charges								0
Federal								0
Provincial								0
Other Revenue			274	361				635
<b>By Category:</b>								
Health & Safety			155	0	0	0	0	155
Legislative			0	0	0	0	0	0
SOGR			1,984	2,079	1,708	1,741	2,234	9,746
Service Improvement			1,135	1,282	1,292	1,259	766	5,734
Growth Related			0	0	0	0	0	0
Yearly SOGR Backlog Estimate (not addressed by current year projects)			223	(32)	(300)	(300)	(500)	
Accumulated Backlog Estimate (end of year)			4,873	4,841	4,541	4,241	<b>3,741</b>	

\*Note: 2006 Proposed Debt Excludes 1-year carry forward.

- The Revised 5-Year Capital Plan places a primary emphasis on ensuring assets are maintained in a state of good repair while, at the same time, recognizing the need to satisfy some demand for service improvement in order to meet business needs and legislative requirements that cannot be addressed by current IT functionality.
- 58% of the total projected 5-year cash flow is allocated to State of Good Repair projects at \$10.068 million; 41% is allocated to Service Improvement projects at \$7.140 million; 1% to Health and Safety at 0.155 million; 0% to Legislated or Growth Related projects.
- The Revised 5-Year Capital Plan reflects a debt funding requirement of \$3.000 million per year, which is affordable and meets the 5-Year debt guideline of \$3.000 million per year.
- The Revised 5-Year Capital Plan includes an average annual State of Good Repair budget of \$1.625 million for the 12 shared yard facilities. These estimates have been based on SOGR audits completed on all 12 shared yard facilities in the City.
- The multi-year Asset Preservation projects address the urgent maintenance needs of facilities and end of service life mechanical/electrical equipment replacement at various yard locations throughout the City. The Asset Preservation projects in the Revised 5-Year Capital Plan addresses the previous SOGR backlog by an average of \$0.182 million a year from 2006 to 2010, which contributes to decrease the cumulative backlog to \$3.741 million by the end of 2010 from \$4.650 million at the beginning of 2006.
- The Service Improvement projects reflect an average funding requirement of \$1.147 million per year for the next 5 years and consist primarily of cross-divisional strategic IT projects. The strategic IT projects have been prioritized by the IT Steering Committee based on the assessment of IT development needs and include: Computer System Integration project (\$3.409 million), Mainframe Application Replacement project (\$0.971 million), and Development Application Tracking System project (\$0.298 million).
- The Development Application Tracking System project, with a cash flow of \$0.298 million in 2006, enables project managers to track projects through a web interface. It has the potential to become a city-wide application supporting the 3-1-1 initiative. The Computer System Integration project, with a total cash flow of \$3.409 million in 5 years, complies with City Council's objectives in regards to Audit (single time sheet) and eCity (technology standards) initiatives.
- This Program name has been changed from "Asset Preservation and Strategic IT Projects" to "Cross Divisional Projects".
- The revised cash flow projections of \$3.000 million in 2007; \$3.000 million in 2008; \$3.000 million in 2009 and \$3.000 million in 2010 for Cross Divisional Projects will be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.
- A portion of the cash flow requirement for Computer System Integration, Main Frame Application Replacement, Major Project Planning and Prioritization, Asset Preservation 2007, Asset Preservation 2008 and Asset Preservation 2009 projects has been deferred to 2011 in order to meet debt affordability guideline.

2006 Capital Budget Submission Summary  
(\$000)

2006 Capital Projects		Total Project Cost		2004 Carry Forward		2006 Previous Commitment		2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward		Total 2006 (Incl 2005 C/Fwd)	
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Carryforwards:</b>															
Toronto Infrastructure Data Standards	3	3,939	3,939									322	322	322	322
Development App. Project Tracking Portal Phase 2	4	1,237	828									308	162	308	162
W.E.S. I.T. Disaster Recovery Plan	3	750	750									498	498	498	498
Plan / Drawing Database	4	1,043	470									317	156	317	156
WES ITIL Implementation	4	290	290									255	255	255	255
Document Management System	4	785	785									345	345	345	345
<b>Sub-Total</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,045</b>	<b>1,738</b>	<b>2,045</b>	<b>1,738</b>
<b>Previously Approved:</b>															
Energy Efficiency Office - Better Transportation	3	433	0			73	0			73	0			73	0
Toronto Infrastructure Data Standards	3	3,939	3,939			754	754			754	754			754	754
W.E.S. I.T. Disaster Recovery Plan	3	750	310			210	210			210	210			210	210
Plan / Drawing Database	4	1,043	314			348	157			348	157			348	157
Harmonize Survey, Design and Drafting Functions	4	393	393			193	193			193	193			193	193
<b>Sub Total</b>				<b>0</b>	<b>0</b>	<b>1,578</b>	<b>1,314</b>	<b>0</b>	<b>0</b>	<b>1,578</b>	<b>1,314</b>	<b>0</b>	<b>0</b>	<b>1,578</b>	<b>1,314</b>
<b>New and Change in Scope Projects</b>															
Asset Preservation 2006	3	4,592	4,345					2,301	2,179	2,301	2,179			2,301	2,179
Computer System Integration	4	1,160	1,160					1,160	1,160	1,160	1,160			1,160	1,160
Mainframe Application Replacement	4	1,292	1,292					1,292	1,292	1,292	1,292			1,292	1,292
Development Application Tracking System	4	298	298					298	298	298	298			298	298
Major Project Planning and Prioritization	4	915	915					195	195	195	195			195	195
Automated Vehicle Location Pilot Project	4	75	75					60	60	60	60			60	60
TMMS Web-Enabling (Investigations)	4	220	220					220	220	220	220			220	220
Web-Based PO Number Generator	4	100	100					100	100	100	100			100	100
<b>Sub Total</b>		<b>8,652</b>	<b>8,405</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,626</b>	<b>5,504</b>	<b>5,626</b>	<b>5,504</b>	<b>0</b>	<b>0</b>	<b>5,626</b>	<b>5,504</b>
<b>Total Submission 2006</b>		<b>8,652</b>	<b>8,405</b>	<b>0</b>	<b>0</b>	<b>1,578</b>	<b>1,314</b>	<b>5,626</b>	<b>5,504</b>	<b>7,204</b>	<b>6,818</b>	<b>2,045</b>	<b>1,738</b>	<b>9,249</b>	<b>8,556</b>

\*Category Index: (1) Health & Safety; (2) Legislated/ City Policy, (3) SOGR, (4) Service Improvement/Enhancement, (5) Growth Related

2006 Proposed Capital Budget Changes (\$000)

		2006 Requested Cash Flow		Proposed Changes			2006 Proposed Cash Flow	
Project/Sub Project Name	Cat.	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Comments / Issues	Gross	Debt/ Internal Sources
<b>2005 Carryforwards</b>								
Toronto Infrastructure Data Standards	3	322	322				322	322
Development App. Project Tracking Portal Phase 2	4	308	162				308	162
W.E.S. I.T. Disaster Recovery Plan	3	498	498	(498)	(498)	Reidentified as 2004 carry forward	0	0
Plan / Drawing Database	4	317	156				317	156
WES ITIL Implementation	4	255	255	35	35	Increase from 3rd quarter variance report	290	290
Document Management System	4	345	345				345	345
Harmonize Survey, Design and Drafting Functions	4	0	0	146	146	Additional carry forward from 3 rd quarter variance report	146	146
<b>Other Carry Forwards (details on previous page)</b>		0	0				0	0
<b>Sub Total</b>		<b>2,045</b>	<b>1,738</b>	<b>(317)</b>	<b>(317)</b>		<b>1,728</b>	<b>1,421</b>
<b>2004 Carryforwards</b>								
Environmental Liabilities	1			155	76	Additional carry forward from 3 rd quarter variance report	155	76
W.E.S. I.T. Disaster Recovery Plan	3			540	540	Reidentified as 2004 carry forward with additional underspending	540	540
<b>Sub Total</b>		<b>0</b>	<b>0</b>	<b>695</b>	<b>616</b>		<b>695</b>	<b>616</b>
<b>2006 Previously Approved Commitments</b>								
Energy Efficiency Office - Better Transportation	3	73	0				73	0
Toronto Infrastructure Data Standards	3	754	754	(476)	(476)	Deferred because of the spending capacity	278	278
W.E.S. I.T. Disaster Recovery Plan	3	210	210	(210)	(210)	Deferred because of the spending capacity	0	0
Plan / Drawing Database	4	348	157	(348)	(157)	Deferred because of the spending capacity	0	0
Harmonize Survey, Design and Drafting Functions	4	193	193	(193)	(193)	Deferred because of the spending capacity	0	0
<b>Other Previously Approved (details on previous page)</b>								
<b>Sub Total</b>		<b>1,578</b>	<b>1,314</b>	<b>(1,227)</b>	<b>(1,036)</b>		<b>351</b>	<b>278</b>
<b>New Projects</b>								
Asset Preservation 2006	3	2,301	2,179	(1,208)	(1,208)	Deferred to meet corporate affordability guidelines	1,093	971
Computer System Integration	4	1,160	1,160	(837)	(837)	Deferred to meet corporate affordability guidelines	323	323
Mainframe Application Replacement	4	1,292	1,292	(838)	(838)	Deferred to meet corporate affordability guidelines	454	454
Development Application Tracking System	4	298	298				298	298
Major Project Planning and Prioritization	4	195	195	(195)	(195)	Deferred to meet corporate affordability guidelines	0	0
Automated Vehicle Location Pilot Project	4	60	60				60	60
TMMS Web-Enabling (Investigations)	4	220	220	(220)	(220)	Deferred to meet corporate affordability guidelines	0	0
Web-Based PO Number Generator	4	100	100	(100)	(100)	Deferred to meet corporate affordability guidelines	0	0
<b>Other New (details on previous page)</b>								
<b>Sub Total New Projects</b>		<b>5,626</b>	<b>5,504</b>	<b>(3,398)</b>	<b>(3,398)</b>		<b>2,228</b>	<b>2,106</b>
<b>Total 2006 Proposed (Incl. 2005 C/Fwd)</b>		<b>9,249</b>	<b>8,556</b>	<b>(4,247)</b>	<b>(4,135)</b>		<b>5,002</b>	<b>4,421</b>
Less 2005 Carry Forwards		(2,045)	(1,738)	317	317		(1,728)	(1,421)
<b>Total 2006 Proposed (Excl. 2005 C/Fwd)</b>		<b>7,204</b>	<b>6,818</b>	<b>(3,930)</b>	<b>(3,818)</b>		<b>3,274</b>	<b>3,000</b>

**Total 2006 Proposed Cash Flow & Future Year Commitments  
(\$000s)**

	2004 & Prior Year Carry Forward	2006 Previous Commitments	2006 New Proposed	2006 Total Cash Flow Proposed	2006 Guidelines	2005 Carry Forward	Total 2006 Cash Flow (Incl 2005 C/Fwd)	2007	2008	2009	2010	2011-2015	Total Cost
<b>Expenditures</b>													
Previously Approved	695	351		1,046		1,728	2,774	1,712					4,486
Change in Scope			298	298			298						298
New			267	267			267						267
New w/Future Year			1,663	1,663			1,663	896	0	0	0	0	2,559
<b>Total Expenditure</b>	<b>695</b>	<b>351</b>	<b>2,228</b>	<b>3,274</b>	<b>0</b>	<b>1,728</b>	<b>5,002</b>	<b>2,608</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,610</b>
<b>Financing</b>													
Debt	616	278	2,106	3,000	3,000	1,103	4,103	2,247	0	0	0	0	6,350
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges													0
Other	79	73	122	274		625	899	361					1,260
Federal Grants													0
Reserves/Res Funds							0						0
<b>Total Financing</b>	<b>695</b>	<b>351</b>	<b>2,228</b>	<b>3,274</b>		<b>1,728</b>	<b>5,002</b>	<b>2,608</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,610</b>

**Comments / Issues:**

- The 2006 Proposed Capital Budget is \$5.002 million gross, including \$0.351 million in funding for previously approved commitments, \$2.228 million for new/change in scope projects, \$0.695 million funding carried forward for 2004 or prior year projects and \$1.728 million for projects carried forward from 2005 to 2006.
- Approval of the 2006 Proposed Capital Budget will result in a commitment of \$2.608 million in 2007 which will encumber the following year’s spending. \$1.712 million of the 2007 commitment is requested for previously approved projects and \$0.896 million is for new projects in 2006, which include:
  - \$ 0.595 million for Asset Preservation 2006;
  - \$0.159 million for Mainframe Application Replacement;
  - \$0.127 million for Computer System Integration;
  - \$0.015 million for Automated Vehicle Location Pilot Project.

**Operating Budget Impact**

**Incremental Operating Budget Summary**

<b>Incremental Operating Budget Impact</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Program Costs (net) (\$000s)	25	290			
Debt Service Charges (\$000s)	90	397	247	0	0
Approved Positions	0	3			

**Program Incremental Operating Costs**

The 2006 Proposed Capital Budget will increase the related Programs' Operating Budget, with incremental impacts in 2006 and future years as a result of the following capital projects/subjects:

<b>2006 Capital Projects/Sub-Projects</b>	<b>2006 (\$000s)</b>	<b>2006 approved position change</b>	<b>2007 (\$000s)</b>	<b>2007 approved position change</b>
Dev. App. Tracking System      Development Application Tracking System	0	0	100	1
WES IT Disaster Recovery Plan      WES IT Disaster Recovery Plan	25	0	0	0
Doc. Mgmt. System      Document Management System	0	0	190	2
<b>TOTAL</b>	<b>25</b>	<b>0</b>	<b>290</b>	<b>3</b>

The incremental operating costs outlined above include the following:

- The WES IT Disaster Recovery Plan project enables staff to develop a plan for the co-ordination of recovery of data and continuity of business operations that are dependent on information technology in the event of a disaster. The annual operating cost of \$0.025 million is required to maintain or update the plan.
- There will be a significant increase in operating costs in 2007. This is largely due to the need for additional positions required to maintain IT systems once developed:
  - Development Application Tracking System: 1.0 System Integrator position is needed for system maintenance with an annual recurring operating budget expenditure estimated to be \$0.100 million;
  - Document Management System: 1.0 System Integrator position and 1.0 position for scanning with an annual recurring cost of \$0.140 million. Annual recurring operating cost of \$0.050 million for software is also required.

**Debt Service Cost**

The 2006 Proposed Capital Budget for Cross Divisional Projects will result in new debt service cost of \$0.090 million in 2006, and incremental cost of \$0.397 million in 2007 and \$0.247 million in 2008.

*Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.*

**PART II: ISSUES FOR DISCUSSION****2006 Issues****2006 Proposed Capital Budget versus Guideline**

The 2006 debt affordability guideline for Cross Divisional Projects was set at \$3.000 million. The 2006 Proposed Capital Budget for Cross Divisional Projects reflects a debt funding level of \$3.000 million, which meets the 2006 debt affordability guideline. 79% of the 2006 proposed debt funding is allocated to New / Change in Scope and previously approved projects at \$2.384 million; 21% to funding carried forward for 2004 or prior year projects at \$0.616 million.

**5 Year Capital Plan Overview**

The Revised 2006-2010 Capital Plan totals \$17.363 million, 58% or \$10.068 million is allocated to State of Good Repair projects, of which \$8.124 million is for Asset Preservation projects; 41% or \$7.140 million is allocated to service improvement projects, all of which are IT initiatives; the balance of 1% or \$0.155 million is allocated to Health & Safety projects.

The Revised 5-Year Capital Plan has been smoothed to reflect a projected cash flow of \$5.002 million in 2006, \$3.361 million in 2007, \$3.000 million in 2008, \$3.000 million in 2009 and \$3.000 million in 2010. The Revised 5-Year Capital Plan is primarily driven by the requirement for the Asset Preservation Project, Computer System Integration Project, and Mainframe Application Replacement Project.

A portion of the cash flow requirement for Computer System Integration, Main Frame Application Replacement, Major Project Planning and Prioritization, Asset Preservation 2007, Asset Preservation 2008 and Asset Preservation 2009 projects has been deferred to 2011 in order to meet debt affordability guideline.

The 12 shared yard facilities will be reviewed to determine the major tenant at each location. The goal is to eventually transfer the ownership of the Asset Preservation Capital Budget to the major tenant to provide increased accountability and management of this program. The determination of major tenant is projected to be completed before 2007 and the Asset Preservation Capital Budget will be transferred out starting from 2007 budget process. It is recommended that the Deputy City Manager report back to the Director of Financial Planning prior to the 2007 budget process on the result of asset reviews and the plan of transferring the ownership of the Asset Preservation capital budget with the intention of providing increased accountability and management.

The revised cash flow projections of \$3.000 million in 2007; \$3.000 million in 2008; \$3.000 million in 2009 and \$3.000 million in 2010 for Cross Divisional Projects will be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.

5-Year Plan Proposed Changes (\$000)

Project / Sub-Project Name	Cat	2006		2007		2008		2009		2010		TOTAL 2011-2015		Comments / Issues
		Gross 1	Debt/ Internal Sources 2	Gross 3	Debt/ Internal Sources 4	Gross 5	Debt/ Internal Sources 6	Gross 7	Debt/ Internal Sources 8	Gross 9	Debt/ Internal Sources 10	Gross 11	Debt/ Internal Sources 12	
<b>PROGRAM REQUEST</b>		7,204	6,818	6,086	5,916	3,908	3,908	5,551	5,551	2,284	2,284	326	326	
<b>Proposed 2006 Changes</b>		(3,930)	(3,818)	1,227	1,036							1,870	1,870	
<b>PROPOSED CHANGES:</b>														
<b>2004 Carry Forwards:</b>														
<b>Previously Approved:</b>														
<b>New:</b>														
Asset Preservation 2006	3			(202)	(202)	(7)	(7)	354	354	(180)	(180)			
Computer System Integration	4			(1,143)	(1,143)	(666)	(666)	(761)	(761)	766	766	1,804	1,804	Deferred to meet guidelines
Mainframe Application Replacement	4			(1,141)	(1,141)	358	358					783	783	Deferred to meet guidelines
Development Application Tracking System	4							(1,190)	(1,190)	(50)	(50)	1,240	1,240	Deferred to meet guidelines
Major Project Planning and Prioritization	4			(720)	(720)							720	720	Deferred to meet guidelines
Automated Vehicle Location Pilot Project	4													
TMMS Web-Enabling (Investigations)	4													Deferred to meet guidelines
Web-Based PO Number Generator	4													Deferred to meet guidelines
Asset Preservation 2007	3			(746)	(746)							746	746	Deferred to meet guidelines
Asset Preservation 2008	3					(593)	(593)					593	593	Deferred to meet guidelines
Asset Preservation 2009	3							(954)	(954)			954	954	Deferred to meet guidelines
Asset Preservation 2010	3									180	180	(180)	(180)	Deferred to meet guidelines
<b>Sub-Total Proposed Changes</b>		(3,930)	(3,818)	(2,725)	(2,916)	(908)	(908)	(2,551)	(2,551)	716	716	8,530	8,530	
<b>Proposed 5-Yr. Cash Flow</b>		3,274	3,000	3,361	3,000	3,000	3,000	3,000	3,000	3,000	3,000	8,856	8,856	
<b>Debt Guideline</b>			3,000		3,000		3,000		3,000		3,000			
<b>Variance To Debt Guideline</b>			0		0		0		0		0			

- The Revised 5-Year Capital Plan’s cash flow projections are in line with the debt guideline of \$3.000 million debt per year.

### Capacity

The projected spending rate of 70% for 2005 indicates that the Program has been able to improve over prior year spending rate of 38.5% and has attempted to ensure that project delays are kept to a minimum, especially when funded by debt. The request for 1 year carry forward funding has decreased from \$3.895 million in 2005 to \$1.728 million in 2006, reflecting a higher degree of spending by year-end 2005. The Program's main initiative – Asset Preservation 2005, with a 2005 cash flow of \$1.999 million, which was 25% of The 2005 Approved Capital Budget, is identified to be 100% spent by the end of the year.

There is, however, a concern in the spending rate in the 2005 Capital Budget to date. Only 35% of the 2005 Approved Capital Budget has been spent up to September 30, 2005. The amount of 2004 and prior carry forward funding has increased to \$0.695 million from \$0.050 million. The delay in assigning staff to work on the WES IT Disaster Recovery project accounts for \$0.540 million or 78% of this re-approval request. If the contract can not be awarded in late 2005 or early 2006, then this \$0.540 million will not be fully spent in 2006.

3 projects amounting to \$1.175 million or 15% of the 2005 Approved Capital Budget are expected to have 0% spending and full funding to be carried over to 2006. The delay of these 3 projects is primarily due to the difficulties in obtaining appropriate staff to carry out project work and the delay from other Corporate Programs as one of the projects – Document Management System is dependent upon Information and Technology's selection of a City Document Management Standard and this selection is not expected until the end of 2005. Toronto Infrastructure Data Standards (TIADS) and Development Application Tracking System are projected to have a total spending of \$0.640 million to be carried over to 2006 and the delay is the result of the work plan revisions from Toronto Water and Transportation. The Program needs to assess its coordination with other Programs in order to eliminate current and future delays in scheduled work.

### Backlog of Projects – Unmet Needs

State of Good Repair audits have been completed on all 12 shared yard facilities in the City. The Program has developed a multi-year Asset Preservation project based on the detailed review and building condition assessments. This initiative has been in place for the past three years.

It is estimated that, at the end of 2005, the SOGR cumulative backlog is to be \$4.650 million, and the \$1.093 million budget in 2006 only addresses the non-backlog needs in 2006. Consequently, there will be an additional \$0.223 million backlog accumulated in 2006, which would result in a \$4.873 million SOGR cumulative backlog balance at the end of 2006.

As indicated in the following Asset Infrastructure Inventory/ SOGR Analysis, the 12 shared yard facilities have a total area of 1.15 million square feet, with a replacement value of \$169.8 million. The average projected funding of \$1.625 million for 2006-2010 Asset Preservation projects represents 1.0% of the replacement value. Although this is slightly lower than industry standard of 2.0%, it is sufficient to start addressing the cumulative backlog on these 12 shared yard facilities in the 2007-2010 Capital Plan. With \$0.032 million of funding in 2007, \$0.300 million in 2008, \$0.300 million in 2009 and \$0.500 million in 2010 for backlog reduction, the cumulative SOGR backlog balance will be decreased to \$3.741 million at the end of 2010.

**2006-2010 Asset Preservation Capital Budget  
Asset Infrastructure Inventory/SOGR Analysis  
(\$000s)**

Floor Area (Sq. Ft.)	Replacement Value	Average 2006- 2010 SOGR Budget	% of Replacement Value
1,151,391	169,791	1,625	1.0%

2006 SOGR Budget	% of Replacement Value	2007 SOGR Budget	% of Replacement Value	2008 SOGR Budget	% of Replacement Value	2009 SOGR Budget	% of Replacement Value	2010 SOGR Budget	% of Replacement Value
1,093	0.6%	1,348	0.8%	1,708	1.0%	1,741	1.0%	2,234	1.3%

**Strategic Direction**

Strategic IT initiatives account for \$9.121 million or 52% of the 5-Year Capital Plan. Strategic IT projects support management requirements and ensure integration between systems to improve business processes. Major new Strategic IT projects are listed below:

- The Computer System Integration project totals \$6.050 million and has a 2006 cash flow of \$0.323 million. This involves the integration of the Project Tracking Portal project with work order applications, data warehouse, operational systems, financial information systems and enterprise infrastructure systems. Connectivity between the Project Tracking Portal and other business systems will result in both productivity and service improvements. It will also serve as the main information source for the Corporate 3-1-1 project.
- The Main Frame Application Replacement project has a total project cost of \$2.592 million, with a 2006 cash flow of \$0.454 million. This project will provide for the conversion of 16 legacy systems and save an estimated \$2.700 million in annual maintenance fees once the project is completed.

The IT Implementation Project will prioritize and schedule major IT development across the cluster to provide a multi-year plan for IT projects. This will result in a different mix of IT projects in the 2007 to 2010, which will also incorporate potential cost-sharing with stakeholders.

It is recommended that, once the IT Implementation project is completed, the Deputy City Manager report to Budget Advisory Committee with a revised 2007-2010 Capital Plan for IT projects, which is required to be strategically aligned at the Program and Corporate level, and conforming to the debt guideline.

### **Service Improvement Projects Priority Setting**

Service Improvement projects consist primarily of IT initiatives. These strategic IT projects have been prioritized by the IT Steering Committee of the cluster based on the assessment of IT development needs.

The first priority is the Toronto Infrastructure Data Standards project, which was initiated in 2001. This is a very complex initiative and key element in supporting computer-based management of the City's infrastructure assets and future coordinated activities with other public and private utilities. It will provide a consistent, integrated framework for managing the information that describes the physical construction, condition and location of the City's transportation system, water distribution network, sewer systems etc.

The Project Tracking Portal (PTP) project enables project managers to track projects through a web interface. It has the potential to become a city-wide application supporting the 3-1-1 initiative. The Computer System Integration is strategically aligned with the City's Enterprise Application Interface (EAI) initiative and also complies with City Council's objectives in regards to Audit (single time sheet) and eCity (technology standards) initiatives. It will also put PTP in a position to serve as an important cluster information source for the 3-1-1 initiative.

### **Toronto Water Funding on Strategic IT Projects**

The strategic IT projects establish an IT vision and guiding principles across the program areas, and benefit various programs such as Transportation, Solid Waste, Technical Services, and Toronto Water. The Program has been discussing with Toronto Water potential cost sharing on specific projects.

Toronto Water has agreed to fund \$0.201 million in its 2006 Proposed Capital Budget to support Asset Preservation 2006 and Environmental Liabilities projects from Water Rate Reserve Fund. An additional \$0.165 million funding from Toronto Water is available to support the Computer System Integration project. This funding is not reflected in the 2006 Proposed Capital Budget for Cross Divisional Projects and an adjustment will be made before the Budget Advisory Committee review of the 2006 Proposed Capital Budget.

### **Environmental Liabilities Project**

This project was introduced in 2004, and involves identification and prioritization of potential environmental liabilities at all properties and facilities within the former WES Department. The project includes four phases: Site Identification; Site History and Current Usage Review; On-Site Investigation; and Risk Evaluation, Remedial Options & Action Plan Reporting. The project, with a total project cost of \$0.250 million, is \$0.127 million funded by Toronto Water. Due to incomplete Phase 2 work, which resulted from delays in populating the Environmental Liabilities Database, the project can not be completed in 2005 and carry forward funding of \$0.155 million is required.

This project will satisfy a WES component of the City wide initiatives addressing Corporate Risk and Liabilities described in the Auditor General's report of March 28, 2003 and in a letter of July 09, 2003. The outcome of this assessment project, and further reports to Council, may have financial impacts in subsequent years on Divisional Operating and Capital Budgets for site-specific remediation/mitigation efforts and future perpetual care.

**Issues Referred to 2006 Capital Budget**

There is no issue referred to 2006 Capital Budget.

**Outstanding Issues from Prior Years**

There is no outstanding issue from prior year.

**Appendix 1  
2006 Proposed Capital Budget  
and 2007 to 2015 Revised Program**

**Appendix 2  
2006 Proposed Capital Budget  
& Future Years Commitments**

**Appendix 3  
2006 Proposed Capital Project  
with Financing Details**