

Analyst Briefing Notes

Budget Committee Review

(February 8, 2007)

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February 2, 2007

PART I: CAPITAL PROGRAM**Executive Summary**

- The 2006 Approved Capital Budget of \$5.341 million was 62% spent as at September 30, 2006. Actual expenditures by year-end are anticipated to be \$4.571 million, or 86% of the Approved Capital Budget, resulting in projected 2006 unspent balance of \$0.770 million. This projected under expenditure is primarily attributed to the Electronic Filing System-Candidate Statement project moving through its testing stages, and savings achieved in the replacement of the Printing Equipment by purchasing at the auction market.
- The 2007 Recommended Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates total \$48.754 million, of which \$18.294 million is projected for the Program's 5-Year Capital Plan, with 2007 cash flow of \$10.619 million, \$3.240 million in 2008, \$1.498 million in 2009, \$1.507 million in 2010 and \$1.430 million in 2011.
- The 2007 Recommended Capital Budget including previously approved commitments requires new 2007 cash flow of \$4.280 million. This cash flow combined with carry forward funding of \$6.339 million for 2006 projects brings the total 2007 Recommended Capital Budget to \$10.619 million gross, of which \$3.770 million is funded from debt, and \$0.510 million funded from the City Clerk's Office Equipment Reserve.
- The 2007 Recommended Capital Budget for previously approved and new/change in scope projects (not including 2006 carry forward funding) of \$4.280 million is 82% allocated to Service Improvement projects at \$3.520 million; 8% to State-of-Good-Repair projects at \$0.322 million and 9% to Legislative or contractually required projects at \$0.388 million, and 1% to Health and Safety projects at \$0.050 million.
- The 2007 Recommended Capital Budget includes new funding for the following projects which will commence in 2007:
 - The Bindery/Collator Equipment replacement (0.250 million)
 - The Order Picker Lift Truck (\$0.050 million)
 - The Gaming & Vital Statistics System (\$0.100 million)
 - The Electronic Record Retention project (\$0.150 million)
 - The Retrofit of the Print Shop (\$2.770 million), and the property acquisition for relocating the Print Shop.

With the exception of the Print Shop, the above projects are expected to be completed in 2007.

- The 2007 Recommended Capital Budget includes previously approved projects which have started in 2006 and prior years:
 - The Meeting Management Initiatives (\$0.750 million), a multi-year project started in 2004 is entering its final phase.
 - The Archives Facility upgrade (\$0.072 million) is a multi-year project expected to be completed in 2011, with 14% of the project completed in 2006.
 - The Council Vital Records project (\$0.138 million) is 90% complete.
- The backlog of projects for this Program as at December 31, 2007 totals \$11.925 million, represented by the Print Shop acquisition and retrofit. In 2004, City Council authorized the City Clerk's Office Printing and Distribution Unit to be the City's Printer and Copier of Record. It was also recognized that the current leased space at 90 Niagara Street for the Print Shop operations is too small for business demands and efficiency, and also does not meet health and safety requirements. Given the expiration of the current lease and the property designated for redevelopment by the owner, City staff has been actively seeking a permanent new location for the Print Shop since 2005. An offer put forward for a location found in 2006 was not successful. This search is ongoing.
- The 2012-2016 Estimates include \$20 million in 2013 for the replacement of the Vote Tabulators, which were purchased in 1999 with a predicted life cycle of 15 years. The City Clerk's Office and Financial Planning staff will be reviewing funding options for this future requirement in time for the 2008 Budget process.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for the City Clerk's Office with a total project cost of \$5.320 million and a 2007 cash flow of \$10.619 million and future year commitments of \$2.520 million be approved. The 2007 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 5 new sub-projects with a 2007 total project cost of \$5.320 million that requires cash flow of \$3.320 million in 2007, and a future year commitment of \$2.000 million for 2008;
 - ii) 3 previously approved sub-projects with a 2007 cash flow of \$0.960 and a future year commitment of \$0.260 million in 2008, \$0.068 million in 2009, \$0.062 million in 2010, and \$0.130 million in 2011;
 - b) 2007 approved cash flow for 2 previously approved sub-projects with carry forward funding from 2006 into 2007 totalling \$6.339 million (\$3.039 in City Clerk's; and \$3.300 million in Facilities and Real Estate 2006 Capital Budgets)
 - c) the \$3.300 million gross, zero net, approved in the Facilities and Real Estate 2006 Capital Budget for the acquisition of a property for the Print Shop be carried forward and included in the City Clerk's 2007 Recommended Capital Budget;
2. the 2008-2011 Capital Plan for the City Clerk's Office totalling \$7.675 million in project commitments and estimates, comprised of \$3.240 million in 2008; \$1.498 million in 2009; \$1.507 million in 2010; and \$1.430 million in 2011, be approved;
3. operating impacts of \$0.086 million in 2007, \$0.183 million in 2008, \$0.151 million in 2009, \$0.134 million in 2010 and \$0.158 million in 2011 emanating from the approval of the 2007 Recommended Capital Budget be approved for inclusion in the 2007 and future year operating budgets; and
4. new debt service cost of \$0.113 million in 2007, \$0.481 million in 2008, and \$0.242 million in 2009 emanating from the approval of the 2007 Recommended Capital be approved for inclusion in the 2007, and future year operating budgets; and
5. that the City Clerk's Office together with Facilities and Real Estate Services report back to the General Government Committee as to the status of the Print Shop acquisition and retrofit of the project prior to the start of the 2008 Budget process.

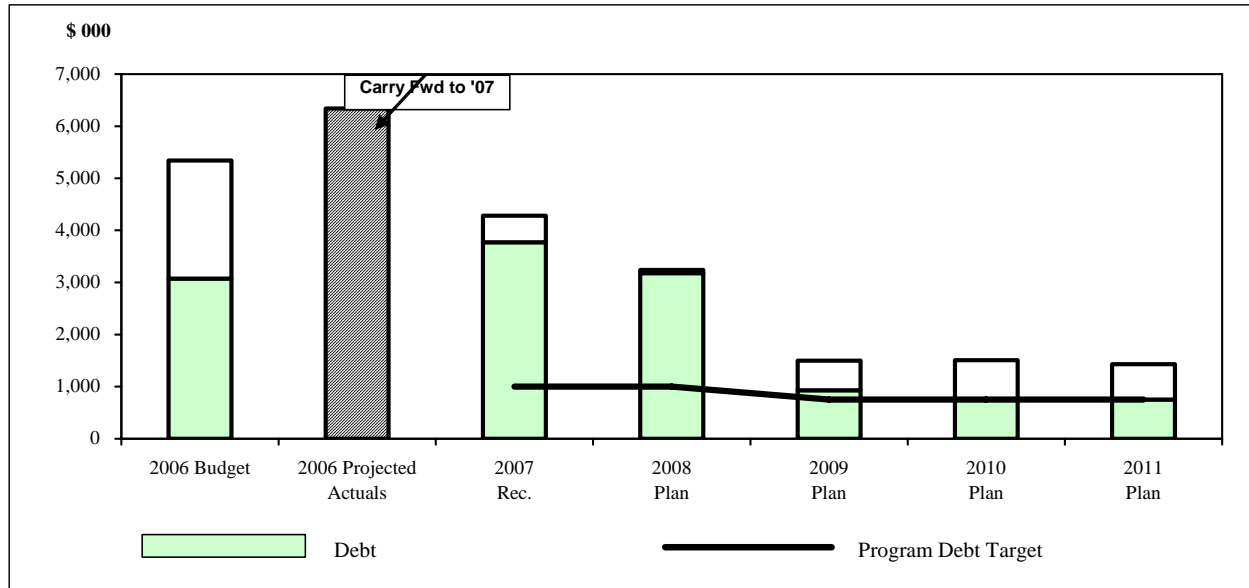
2006 Capital Variance Review

2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of Sept 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
5,341	3,319	62	4,571	86	770

Comments / Issues:

- At the end of the 3rd quarter, the City Clerk’s Office spent approximately 62% or \$3.319 million of its 2006 Approved Capital Budget of \$5.341 million. Under spending is mainly due to the Electronic Filing System – Candidate Statement project moving through the implementation of its public disclosure and web display components in 2007, and savings of \$0.255 million achieved in the replacement of the Printing Equipment by purchasing in the auction market.
- Carry forward funding included in the 2007 Recommended Capital Budget of \$0.039 million is required to complete the Electronic Filing system–Candidates Statement. This is lower than the unspent amount reported in the 3rd quarter due to the savings of \$0.079 million achieved in 2006 mainly because of lower than expected cost of outside professional services.
- City Council, at its meeting of July 25, 26, and 27, 2006 approved \$6.300 million for the purchase of a property for the relocation of the Print Shop funded from the Land Acquisition Reserve Fund. The funding amount was allocated \$3.000 million to the City Clerk’s and \$3.300 million to the Facilities and Real Estate 2006 Approved Capital Budget. A “conditional” offer to purchase properties at 53-61 Ontario Street and 102-104 Berkeley Street was executed, but the sale/purchase offer was not accepted by the purchaser. The search for an alternate site is continuing.
- The \$6.300 million approved was included in the Facilities and Real Estate (\$3.300 million, \$0 net) and the City Clerk’s Office (\$3.000 million, \$0 net) 2006 Approved Capital Budgets. As the purchase was not completed, these amounts are unspent in the Programs’ respective 2006 Operating Budgets, and are carried forward to 2007. The 2007 Recommended Capital Budget for the City Clerk’s Office includes the \$3.300 unspent amount in the Facilities and Real Estate 2006 Approved Capital Budget as part of the total carry forward funding of \$6.300 million for the acquisition of the property for the Print Shop.
- The City Clerk’s Office is reviewing the actual expenditures as at the end of December 31, 2006, and any adjustments to carry forward funding will be reported to the Budget Committee during its review of the 2007 – 2011 Capital Plan.

5-Year Capital Plan (2007-2011)



	2006		5-Year Plan					2007-2011
	Budget		2007 Rec.	2008	2009	2010	2011	
Gross Expenditures:								
Capital Budget & Future Year Commitments	5,341		4,280	2,260	68	62	130	6,800
New Plan Estimates			0	980	1,430	1,445	1,300	5,155
1-Year Carry Forward to 2007		6,339						
Total Gross Annual Expenditures & Plan	5,341	6,339	4,280	3,240	1,498	1,507	1,430	11,955
Program Debt Target	na		1,000	1,000	750	750	750	4,250
Financing:								
Recommended Debt	3,074		3,770	3,180	930	750	750	9,380
Other Financing Sources:								
Reserves/Reserve Funds	2,267		510	60	568	757	680	2,575
Development Charges								0
Federal								0
Provincial								0
Other Revenue								0
Total Financing	5,341		4,280	3,240	1,498	1,507	1,430	11,955
By Category:								
Health & Safety	350		50					50
Legislative	496		388	980	930	750	450	3,498
SOGR	1,441		322	60	568	757	980	2,687
Service Improvement	3,054		3,520	2,200				5,720
Growth Related								
Total By Category	5,341		4,280	3,240	1,498	1,507	1,430	11,955
Yearly SOGR Backlog Estimate (addressed)/not addressed by current plan			(4,000)	(3,950)	(2,850)	(575)	280	(11,095)
Accumulated Backlog Estimate (end of year)		11,925	7,925	3,975	1,125	550	830	830
Operating Impact on Program Costs			86	183	151	134	158	712
Debt Service Costs			30	116	22	0	0	168

* Note that the 1-Year Carry Forward reflects budget submission and as reflected in CAPTOR.

5-Year Capital Plan Overview

Overview

The 2007 - 2011 Capital Plan addresses the need for replacement of aging and other equipment and the development of applications required to support the operation of the City Clerk's Office.

- Continuation of the Meeting Management project
- Projects to comply with Legislative requirements
- Projects to meet Health and Safety standards
- Equipment replacement to maintain state of good repair
- Election related projects
- Relocation and retrofit of the Print Shop

Projects recommended for 2007 in the 5-Year Capital Plan includes the following:

- The Council Automation and Meeting Management Initiatives to promote openness, transparency, and accountability in the City's decision-making processes through information management and access, procedural rules and expertise and effective and timely communications.
- The Gaming and Vital Statistics System Improvement project to stabilize and maintain the current vital statistics tracking system, to enhance the marriage licensing application process, with the possibility of electronic booking of wedding chambers, and changing the gaming application to respond to the new gaming regulations.
- The Electronic Records Retention project to develop retention schedules for electronic records, and methodologies for the disposition of electronic data on mainframes, client servers, tapes, hard drives, etc.
- The replacement of the binding and collating equipment used for the bindery operations to maintain and enhance efficiencies.
- The Archives Facility Upgrade to meet increased demand for corporate records (eg: assessment rolls and by-laws); to support governance objectives; and to accommodate the increased volume of non-government records provided by private donors. The Research Hall needs upgrading to support current technology needs.
- The replacement of the Order Picker Lift Truck required for the Records Centre at the Archives Building, and the relocation and retrofit of the Print Shop are both for health and safety requirement as well as for efficiencies.

Multi Year Debt Affordability Target

The 2007-2011 Capital Plan is above the original debt target for 2007 by \$2.770 million for the retrofit of the Print Shop when a property is purchased for its relocation. Additional debt has been re-assigned above the original debt target to fund this Council approved priority. In 2008 and 2009 the target is exceeded by \$0.180 million to accommodate the funding for the Electronic Record Management (ERM) Competency Centre project that is recommended during the Administrative capital review.

Capacity/Project readiness

The Meeting Management Information Initiative is moving to its final phase; the City Council Vital Records Pilot project, and the Electronic Filing System-Candidates Financial Statement project will be completed in 2007. Replacements of the collating and binding equipment for Bindery and the purchase of the Order Picker Lift Truck will be completed, and the Archives Facility upgrade is targeted for completion over five years. The search for a suitable site for the relocation of the Print Shop is continuing.

Recommended Changes to the 5-Year Plan

City Council considered the 5-Year Plan (2006-2010) at its meeting of July 25, 26 and 27, 2006 and endorsed the Plan in principle.

The changes include the realignment and merging of a separate project into the City Clerk's Office for the purchase and retrofit for the Print Shop requiring 2007 cash flow of \$9.070 million and a future year commitment of \$2.000 for 2008. The Print Shop project involves the relocation of the City's Offset Printing Facility, which requires the purchase of a suitable property and building, and retrofit to house the Print Shop. In July 2006, Council authorized the City Clerk's Office to acquire the properties at 53-61 Ontario Street and 102-104 Berkeley Street for relocation of the Print Shop, and approved an increase to the 2006 Capital Budgets for the City Clerk's Office (\$3.000 million) and for Facilities and Real Estate (\$3.300 million). Unfortunately, the subject properties were sold to another buyer. The search for another suitable property is on-going. The funding approved in 2006 (\$3.000 million in the City Clerk's Capital Budget and \$3.300 million in Facilities and Real Estate) will need to be carried forward into 2007. As the two amounts relate to the Print Shop property acquisition, the amount of \$3.300 million in the 2006 Capital Budget for Facilities and Real Estate is included in the 2007 City Clerk's Capital Budget.

The cash flow recommended in the 2007 Recommended Capital Budget for retrofitting the Print Shop is \$2.770 million in 2007 and \$2.000 million in 2008. This cash flow combined with carry forward funding of \$6.300 million from 2006, brings the total 2007 funding for this project to \$9.070 million gross, of which \$2.770 million is funded from debt, and \$6.300 million funded from the Land Acquisition Reserve Fund.

The estimates for 2008 and 2009 are increased by \$0.180 million in each year for the Electronic Record Management (ERM) Competency Centre Project which was recommended during the Administrative review.

Operating Impact of the 5-Year Capital Plan

Previously approved and new capital projects will impact the City Clerk's Office's operating budgets by \$0.086 million in 2007, \$0.257 million in 2008, \$0.151 million in 2009, \$0.134 million in 2010, and \$0.158 million in 2011. These increases are required to cover costs for maintenance, licensing, and support of new IT applications.

Pre-approvals

The pre-approved cash flow as approved by City Council on December 5, and 6, 2006 for the City Clerk's Office is \$0.661 million. This includes \$0.628 million for three previously approved projects and \$0.033 million for one new project. The previously approved projects consist of one project that requires carry forward funding into 2007 in the amount of \$0.039 million to complete the Electronic Filing System-Candidates Statement project. The remaining \$0.590 million in pre-approval funding for previously approved projects consists of \$0.570 million for continuing the second phase of the Council Automation and Meeting Management Initiative, and \$0.020 million for the completion of the Council Vital Records Pilot Project. In addition, pre-approval funding in the amount of \$0.033 million is recommended for the new Vital Statistics Tracking System.

**Total 2007 Recommended Cash Flow & Future Year Commitments
(\$000s)**

	2005 & Prior Year Carry Forward	2007 Previous Commitments	2007 New Recommended	2007 Total Cash Flow Recommended	2007 Debt Target	2006 Carry Forward	Total 2007 Cash Flow (Incl 2006 C/Fwd)	2008	2009	2010	2011	2012-2016	Total Cost
Expenditures													
Previously Approved		960		960		6,339	7,299	260	68	62	130	0	7,819
Change in Scope							0						0
New			3,320	3,320			3,320	2,000					5,320
New w/Future Year							0					0	0
Total Expenditure	0	960	3,320	4,280		6,339	10,619	2,260	68	62	130	0	13,139
Financing													
Debt		750	3,020	3,770	1,000		3,770	2,200				0	5,970
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges													0
Other													0
Federal Grants													0
Reserves/Res Funds	0	210	300	510		6,339	6,849	60	68	62	130	0	7,169
Total Financing	0	960	3,320	4,280		6,339	10,619	2,260	68	62	130	0	13,139

Comments / Issues:

- The 2007 Recommended Capital Budget, including the Print Shop, is \$10.619 million, and includes funding for 2006 projects carried forward to 2007 of \$6.339 million, previously approved funding of \$0.960 million, and new funding of \$3.320 million.
- Approval of the 2007 Recommended Capital Budget (including the Print Shop) will result in a future year commitment of \$2.260 million in 2008, \$0.068 million in 2009, \$0.062 million in 2010, and \$0.130 million in 2011 which will encumber the following year's spending.
- The 2007 Recommended Capital Budget is \$3.770 million funded from debt , of which \$2.770 million is for the Print Shop retrofit, and the remainder for the Meeting Management Systems (\$0.750 million) , Gaming and Vital Statistics (\$0.100 million), and Electronic Records Retention (\$0.150 million) projects. \$0.510 million in funding from the City Clerk's Office Equipment Reserve is for the Binder/Collating Equipment (\$0.250 million) and the Order Picker Lift Truck (\$0.050 million) replacement, and the Archives Facility Upgrade, and Council Vital Records Pilot (\$0.138 million) project.

2007 Recommended Capital Budget

2007 Recommended Capital Budget versus Debt Target

Excluding the Print Shop, the 2007 Recommended Capital Budget meets the debt target of \$1.000 million. Projects to replace equipment are funded from the City Clerk’s Office Equipment Reserve financed by annual contributions from the City Clerk’s Office Operating Budgets.

The 2007 Recommended Capital Budget also includes \$2.770 million in debt funding for the purpose of retrofitting the new location of the City Print Shop. No debt target was originally established for this project. Additional debt has been re-assigned above the original target to fund this Council approved priority.

Capacity /Readiness

The implementation of the Council Automation and Meeting Management System is on schedule. The core component of the Election Candidate Financial Filing System is completed. The Program has the capacity and readiness to proceed with their 2007 Recommended Capital Budget.

Operating Budget Impact

Incremental Operating Impact Summary

Incremental Operating Budget Impact	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	86.0	183.0	151.0	134.0	158.0
Debt Service Charges (\$000s)	113.1	480.7	242.0		
Approved Positions	1.0	1.0	1.0		

Program Incremental Operating Costs

The 2007 Recommended Capital Budget will increase the Program’s Operating Budget, with incremental impacts in 2007 and future years as a result of the following capital projects/subprojects:

2007 Capital Projects/Sub-Projects		2007 (\$000s)	2007 approved position change	2008 (\$000s)
Special Corporate Projects	Meeting Management Infor Sys	86.00	1.00	168.00
Gaming & Vital Statistics Sys	Gaming & Vital Statistics Sys	0.00	0.00	15.00
TOTAL		86.00	1.00	183.00

The incremental operating impact from capital as a result of implementing the Meeting Management Systems will require a Desktop Support technician in 2007, a Communications (Clear Language)

Advisor in 2008, and a System Integrator in 2009. Other costs include licensing costs for the systems software.

Debt Service Cost

The City Clerk's Office 2007 Recommended Capital Budget will result in new debt service costs of \$0.113 million in 2007 and incremental costs of \$0.480 million in 2008, \$0.242 million in 2009.

PART II: ISSUES FOR DISCUSSION**2007 Capital Budget Issues****The Print Shop**

In June 2006, City Council authorized the City Clerk's Office to acquire the properties at 53-61 Ontario Street and 102-104 Berkeley Street for the relocation of the City Print Shop. Unfortunately, the property owner sold it to another purchaser. The City Clerk's Office and Facility and Real Estate staff are searching for other suitable sites, and the search will continue in 2007. The funding approved in 2006 (\$3.000 million in the City Clerk's Capital Budget and \$3.300 million in Facilities and Real Estate) will be carried forward into 2007 and included in the 2007 Recommended Capital Budget for the City Clerk's Office.

The cash flow recommended in the 2007 Recommended Capital Budget for retrofitting the Print Shop is for \$2.770 million in 2007 and \$2.000 million in 2008. This cash flow combined with carry forward funding of \$6.300 million from 2006, brings the total 2007 Recommended Capital Budget to \$9.070 million gross, of which \$2.770 million is funded from debt, and \$6.300 million funded from the Land Acquisition Reserve Fund.

The City Clerk's Office together with Facilities and Real Estate Services will report back to the General Government Committee as to the status of the Print Shop acquisition and retrofit prior to start of the 2008 Budget process.

Future Years Issues**Vote Tabulators**

In September 1999, the City of Toronto purchased 1,650 vote tabulators. They were predicted to have a life cycle of fifteen years, and the initial purchase and installation cost the City \$13 million. These tabulators greatly improved the ability of Election Services staff to deliver accurate and timely election night results in an efficient manner. The vote tabulators will need to be replaced following the 2012 election. Staff estimated that it will cost the City \$20 million to replace the vote counting equipment due to population increases and inflation.

The City Clerk's Office and Financial Planning staff will be reviewing funding options for this future requirement in time for the 2008 Budget process.

Appendix 4

Reserve / Reserve Fund Review

(\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Balance as of June 30	Proposed Withdrawals			
			2007	2008	2009	2010 & Beyond
XQ1507 Clerks Equipment	CLK906879 Vital Recods Pilot	2,162	138	0	0	0
	CLK906878 Archives Facility Upgrade		72	60	68	192
	CLK906677 Printing Equipment Replacement		250	0	500	1,070
	CLK906872 Order Picker Lift Truck		50	0	0	0
	CLK907146 Royobi Press Replacement					175
	CLK907147 Direct to Plate Processor Scanner					100
	CLK907145 Upgrade of Archive's Conservation					100
	CLK907149 Upgrade of AV Technologies					100
	CLK907150 AB Dick Collators					200
	CLK907151 Bourg Collator					125
	CLK907169 Toko Printing Press					150
	CLK907170 Bindery Packing System					200
Total Reserve / Reserve Fund		2,162	510	60	568	2,412

Appendices 1-3 not available online.