

Analyst Briefing Notes
Budget Committee Review
(February 8, 2007)

Page

PART 1: CAPITAL PROGRAM

Executive Summary2
 Recommendations.....5
 2006 Capital Variance Review6
 5-Year Capital Plan (2007 Recommended Budget, 2008-2011 Plan).....8
 5-Year Capital Plan Overview.....9
 Recommended Changes to 5-Year Plan11
 Total 2007 Recommended Cash Flow & Future Year Commitments14
 Operating Budget Impact..... 16

PART II: ISSUES FOR DISCUSSION

2007 Issues.....18
 5-Year Capital Plan Issues19

APPENDICES

Appendix 1: 2007 Rec'd Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates.....A1 to A6
Appendix 2: 2007 Recommended Cash Flow & Future Year Commitments.....A7 to A11
Appendix 3: 2007 Recommended Capital Projects with Financing DetailsA12 to A14
Appendix 4: Reserve / Reserve Fund ReviewA15

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2006 Approved Capital Budget of \$67.132 million was 58% spent as at September 30, 2006. Actual expenditures by year-end are anticipated to be \$49.090 million, or 73% of the Approved Capital Budget, resulting in projected 2006 cash flow funding of \$14.561 million being carried forward into 2007. This projected under expenditure is primarily attributed to the delays in acquiring land for various Police facility projects including replacement of Divisions 14, 11, 41 and 54.
- The 2007 Recommended Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates totals \$498.029 million of which \$268.520 million is projected for the 5-Year Capital Plan (2007 Recommended Capital Budget and 2008-2011 Plan), requiring debt funding of \$163.500 million, or \$32.700 million per year in 2007 to 2011.
- 91% of the total cash flow of \$253.959 million in the Recommended 5-Year Capital Plan (2007 Recommended Budget and 2008-2011 Plan) excluding 2006 funding carried forward into 2007, is allocated to State of Good Repair projects at \$230.774 million; 9% is allocated to Service Improvement projects at \$22.435 million; and less than 1% of funding is allocated to Health and Safety projects at \$0.750 million. The gross costs include the purchase of land which is funded from reserve funds and does not affect the debt targets.
- A needs assessment study of the Police facilities was completed in 1996. This 5-Year Capital Plan is consistent with the needs assessment study and addresses the Program's state-of-good-repair needs arising from the facility assessment, as well as IT upgrades, vehicle and handheld radio replacement.
- On November 28, 2006, the Toronto Police Services Board approved a 2007 – 2011 Capital Plan with debt funding levels of \$35.804 million in 2007; \$37.915 million in 2008; \$36.663 million in 2009; 34.172 million in 2010; and \$28.675 million in 2011, that represent an “average” annual debt funding requirement of \$34.646 million.
- In addition, the Traffic Services and Garage Facility project which is virtually completed, will have 2 year carry forward funding from 2006 and prior years for move-in costs, requiring 2007 cash flow of \$0.252 million which forms part of the 2007 affordability target.
- Although, the Toronto Police Services Board has recommended a Plan with an average annual debt level of \$34.7 million, based on debt affordability limits a lower annual debt level of \$32.7 million is being recommended by the City for 2007 to 2011. This is greater than the 5-year debt guideline of \$28.500 million in 2007; \$28.400 million in 2008; \$28.500

million in 2009; \$28.500 million in 2010; and \$27.400 million in 2011. The recommended 5-year debt requirement of \$163.500 million, is over the debt target of \$141.300 million by \$22.200 million. The City has acknowledged that the Toronto Police Service has facilities that are in need of replacement and have State of Good Repair issues, and have accommodated the replacement of handheld radios in their 5 Year Plan. Therefore, the City is recommending debt levels for 5 years beyond the debt guidelines approved by Council.

- The 5-Year Capital Plan is driven primarily by the Facility Projects, including the New Training Facility, and replacement of the handheld radios which will be obsolete in 2011. The 2007 Recommended 5-Year Capital Plan totals \$268.520 million including carry forward of 2006 funding into 2007, and provides funding for the following major projects:
 - Construction of New Training Facility (\$69.932 million)
 - Police Handheld Radio Replacement (\$27.000 million)
 - Replacement of 14 Division (\$25.243 million)
 - Replacement of 11 Division (\$26.871 million)
 - Police Vehicle Replacement (\$25.230 million)
- In order to align the Toronto Police Service 5-Year Capital Plan to the recommended annual debt level of \$32.700 million, the following unspecified reductions need to be made: \$3.356 million in 2007, \$5.215 million in 2008, \$3.963 million in 2009, and \$1.472 million in 2010; also an increase of \$4.025 million in 2011 to accommodate some of the projects deferred in the earlier years. It is recommended that the Toronto Police Services Board report back to Budget Committee during the 2007 Capital Budget process in February 2007, on how the unspecified reductions/adjustments to the 2007-2011 Capital Plan can be accommodated and specifically which projects can be deferred, so that an annual debt level of \$32.700 million is not exceeded in each of the 5 years. The Board could reconsider the option presented by staff to the Police Budget Subcommittee with an average annual debt funding level of \$32.700 million, which primarily recommended deferring projects which had not yet started including the “In Car Cameras” project.
- The 2007 Recommended Capital Budget including previously approved commitments and 2 year carry forward funding requires new 2007 cash flow of \$50.865 million gross with debt funding of \$32.700 million. This cash flow combined with funding carried forward of \$14.561 million for 2006 projects provides a total 2007 Recommended Capital Budget of \$65.426 million gross. . The 2007 Recommended Capital Budget for Toronto Police Service is over the debt affordability guideline of \$28.500 million by \$4.200 million, primarily due to large facility projects in process and previously made commitments, including the New Training Facility.
- The 2007 Recommended Capital Budget provides funding for 3 major projects in 2007:
 - Construction of New Training Facility (\$25.929 million)
 - Replacement of 14 Division (\$6.264 million)
 - Replacement of 11 Division (\$5.500 million)

- The construction of the New Training Facility is expected to start in early 2007, however the Department of National Defence (DND) funding for their portion of the costs has not been confirmed as yet. The Toronto Police Service may need to fund the DND portion of the facility costs, resulting in an estimated \$6.5 million shortfall if DND funding is not received. Given the significant increases in the cost of the New Training Facility from the preliminary estimates, the Toronto Police Service has been requested to report back to Budget Committee with a historical chronology of the change in cost, scope, and reasons for the cost increases, as well as how the potential \$6.5 million shortfall will be accommodated within the recommended debt targets if Federal DND funding does not materialize.
- The Radio Communication System Replacement Project is classified as a corporate project in conjunction with requirements of EMS and Fire Services. This system needs to be replaced for all three services as it will no longer be supported by the manufacturer by 2011. As a result, \$70 million in total project cost has been budgeted corporately, and an initial \$0.250 million in each of 2007 & 2008 for consultant services, has been recommended for funding.
- The current backlog for State of Good Repair work is estimated at \$10.588 million for the Toronto Police Service. The Recommended 5-Year Capital Plan provides funds for State of Good Repair work inside the Police facilities of \$1.700 million in 2007, \$1.800 million in 2008, and a constant \$1.900 million for each of the years 2009, 2010, and 2011.
- Operating impacts in the Toronto Police Service 2007 Recommended Capital Budget are \$2.500 million for 2007, and \$1.564 million for 2008, \$3.199 million for 2009, \$2.428 million for 2010, and \$0.411 million for 2011. These are primarily related to increased maintenance costs for new facilities, and increased contributions to the equipment replacement reserve for future replacement of computer equipment such as office & mobile workstations, servers, printers, and backup equipment.

Recommendations

The City Manager and the Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for Toronto Police Service with a total project cost of \$47.319 million and a 2007 cash flow of \$65.426 million and future year commitments of \$67.083 million be approved. The 2007 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 15 new & change in scope sub-projects with a 2007 total project cost of \$47.319 million that requires cash flow of \$30.039 million in 2007 and a future year commitment of \$7.241 million in 2008, \$7.063 million in 2009 and \$2.976 million in 2010;
 - ii) 11 previously approved sub-projects with a 2007 cash flow of \$20.574 million and a future year commitment of \$26.117 million in 2008, \$20.695 million in 2009, and \$2.991 million in 2010;and
 - iii) 1 sub-project from previously approved projects with carry forward funding from 2006 and prior years requiring 2007 cash flow of \$0.252 million which forms part of the affordability targets that requires Council to reaffirm its commitment.
 - b) 2007 approved cash flow for 10 previously approved sub-projects with funding carried forward from 2006 into 2007 totalling \$14.561 million;
2. new debt service costs of \$0.981 million in 2007 and incremental costs of \$4.524 million in 2008, \$4.158 million in 2009, \$2.962 million in 2010 and \$0.656 million in 2011 resulting from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future year operating budgets;
3. operating impacts of \$2.500 million for 2007, \$1.564 million for 2008, \$3.199 for 2009; \$2.428 million for 2010 and costs of \$0.411 million in 2011 emanating from the approval of the 2007 Capital Budget be considered within the overall scope of the Toronto Police Service 2007 and future years' operating budget submissions;
4. the 2008-2011 Capital Plan for Toronto Police Service totalling \$203.094 million in project commitments and estimates, comprised of \$51.591 million in 2008; \$57.347 million in 2009; \$47.183 million in 2010; and \$46.973 million in 2011, be approved;
5. the Toronto Police Services Board report back to Budget Committee during the 2007 Capital Budget review process in February 2007, on projects which could be reduced or deferred in the 2007-2011 Capital Plan, so that the recommended debt funding of \$32.700 million is not exceeded in each of the 5 years;
6. the Toronto Police Services Board report back to Budget Committee during the 2007 Capital Budget review process in February 2007, with a historical chronology of the change in cost, scope, and reasons for the cost increases for the New Training Facility since preliminary estimates, and how the potential \$6.5 million funding shortfall will be accommodated within the existing recommended debt targets if Federal funding does not materialize.

2006 Capital Variance Review

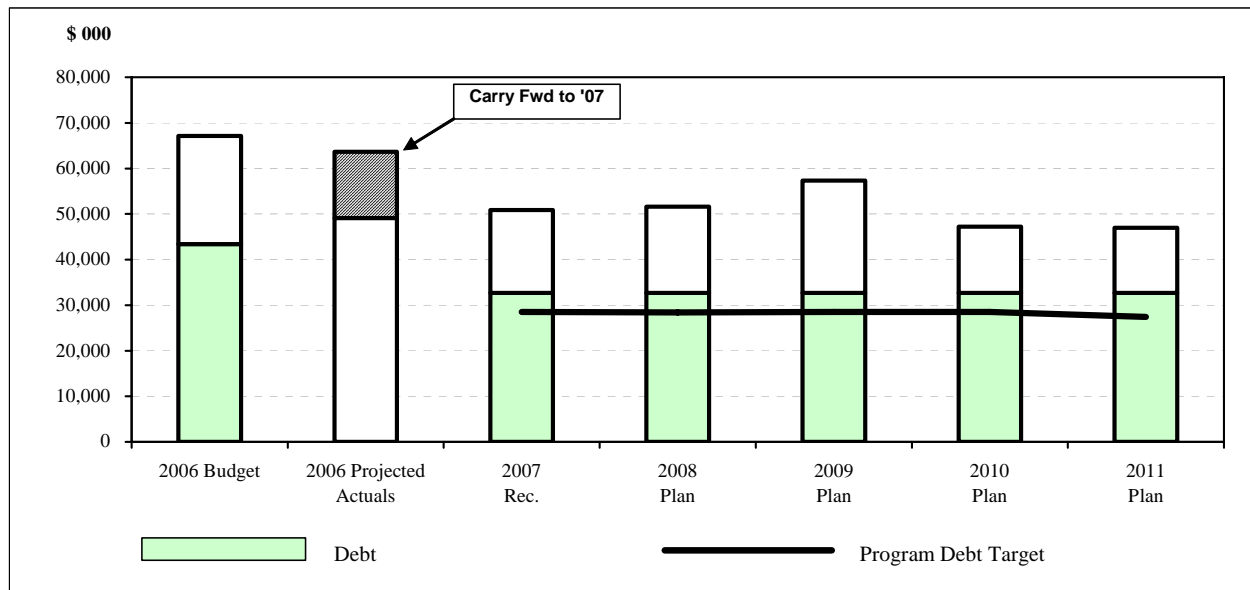
2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of September 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
67,132	38,712	58	49,090	73	18,042

Comments / Issues:

- As of September 30, 2006, Toronto Police service spent approximately \$38.712 million or 58% of its 2006 approved cash flow budget of \$67.132 million.
- Toronto Police Service projected its year-end spending rate for 35 approved projects at 73% in its September 30, 2006 Variance Report. The projection of 2006 funding to be carried forward into 2007 with the 2007 Capital Budget is \$14.561 million with projected year-end actuals of \$49.090 million. This carryforward amount of \$14.561 million includes Land Acquisition costs of \$11.692 million.
- In 2006, Council approved the transfer of available funding from the Smartzone, Centracom, 14 Division and 11 Division projects, in the amount of \$8.430 million to start the multiyear project to replace handheld radios which will no longer be supported in 2011.
- The general level of funding carried forward from 2006 to 2007 arises primarily from a number of factors listed below. The projects include:
 - Replacement of 14 Division: \$5.230 million of which \$4.230 is for land and \$1.000 million for construction. City Real Estate is in the process of acquiring this land
 - Replacement of 41 Division: \$3.254 million for land acquisition. Suitable land still to be identified.
 - Replacement of 11 Division: \$2.500 million land acquisition cost. Suitable land still to be identified.
 - Replacement of 54 Division: \$1.708 million land acquisition cost. Suitable land still to be identified.
 - Time Resource Management System (TRMS): \$0.911 million for time tracking and scheduling system additional functionality. Delayed to resolve issues related with initial implementation before adding new functionality.
 - Human Resources Management System (HRMS): \$0.703 million for additional functionality. Upgrade to HRMS delayed to assess ramifications of purchase of Peoplesoft by Oracle.

- In addition, the Traffic Services and Garage Facility project which is virtually completed, will have carry forward funding from 2006 and prior years for move-in costs, requiring 2007 cash flow of \$0.252 million which forms part of the 2007 affordability target.
- For 11 Division, TPS is working with City Real Estate and Facilities to identify suitable property. With respect to a new 14 Division, the City is currently in discussions with the Toronto District School Board to acquire an identified property. Assuming successful acquisition of this property in 2007, design is anticipated to commence in 2007 with construction starting in the second quarter 2008.
- 23 Division is now nearing completion and will be operational in early 2007. As this project is ahead of schedule, there will be an in year over-expenditure of \$2.000 million, however the total project cost will remain unchanged. To accommodate this over-expenditure, the \$2.000 million overage will be temporarily covered in 2006 through under expenditures in other 2006 projects (TRMS and Digital Video Asset Management). These dollars will be added back in the 2007 budget, to continue the TRMS and Digital Video Asset Management projects.

5-Year Capital Plan (2007-2011)



	2006		5-Year Plan					2007-2011
	Budget	Projected Actual	2007 Rec.	2008	2009	2010	2011	
Gross Expenditures:								
Capital Budget & Future Year Commitments	67,132	49,090	50,865	33,358	27,758	5,967	0	117,948
New Plan Estimates			0	18,233	29,589	41,216	46,973	136,011
1-Year Carry Forward to 2007		14,561						
Total Gross Annual Expenditures & Plan	67,132	63,651	50,865	51,591	57,347	47,183	46,973	253,959
Program Debt Target			28,500	28,400	28,500	28,500	27,400	141,300
Financing:								
Recommended Debt	43,405		32,700	32,700	32,700	32,700	32,700	163,500
Other Financing Sources:								
Reserves/Reserve Funds	23,727		13,249	16,433	22,189	14,483	14,273	80,627
Development Charges								0
Federal								0
Provincial								0
Other Revenue			4,916	2,458	2,458			9,832
Total Financing	67,132		50,865	51,591	57,347	47,183	46,973	253,959
By Category:								
Health & Safety	859		750					750
Legislative								0
SOGR	51,362		44,038	45,111	53,461	43,298	44,866	230,774
Service Improvement	14,911		6,077	6,480	3,886	3,885	2,107	22,435
Growth Related								0
Total By Category	67,132		50,865	51,591	57,347	47,183	46,973	253,959
Yearly SOGR Backlog Estimate (not addressed by current plan)			10,588					10,588
Accumulated Backlog Estimate (end of year)			8,808	7,088	5,188	3,288	1,388	1,388
Operating Impact on Program Costs			2,500	1,831	3,332	2,428	411	10,502
Debt Service Costs			981	4,578	4,578	4,578	4,578	19,293

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

5-Year Capital Plan Overview

91% of the total cash flow of \$253.959 million in the Recommended 5-Year Capital Plan (2007 Recommended Budget and 2008-2011 Plan) excluding 2006 funding carried forward into 2007, is allocated to State of Good Repair projects at \$230.774 million; 9% is allocated to Service Improvement projects at \$22.435 million; and less than 1% of funding is allocated to Health and Safety projects at \$0.750 million. The gross costs include the purchase of land which is funded from reserve funds and does not affect the debt targets.

A needs assessment study of the Police facilities was completed in 1996. This 5-Year Capital Plan is consistent with the needs assessment study and addresses the Program's state-of-good-repair needs arising from the facility assessment, as well as IT upgrades, vehicle and handheld radio replacement.

Multi Year Debt Affordability Target

On November 28, 2006, the Toronto Police Services Board approved a 2007 – 2011 Capital Plan with debt funding levels of \$35.804 million in 2007; \$37.915 million in 2008; \$36.663 million in 2009; 34.172 million in 2010; and \$28.675 million in 2011, that represent an “average” annual debt funding requirement of \$34.646 million.

In addition, the Traffic Services and Garage Facility project which is virtually completed, will have 2 year carry forward funding from 2006 and prior years for move-in costs, requiring 2007 cash flow of \$0.252 million which forms part of the 2007 affordability target.

In an attempt to achieve the City's multi-year debt affordability target, the Police Budget Subcommittee had also considered an alternative Capital Plan with a lower “average” annual debt funding level of \$32.7 million. This alternative plan was not recommended by the Budget Subcommittee and was not approved by the Board. The plan recommended deferring projects which had not yet started or had not been committed, such as the “In Car Cameras” project.

Although, the Toronto Police Services Board has recommended a Plan with an average annual debt level of \$34.7 million, based on debt affordability limits a lower annual debt level of \$32.7 million is being recommended by the City for 2007 to 2011. This is greater than the 5-year debt guideline of \$28.500 million in 2007; \$28.400 million in 2008; \$28.500 million in 2009; \$28.500 million in 2010; and \$27.400 million in 2011. The recommended 5-year debt requirement of \$163.500 million, is over the debt target of \$141.300 million by \$22.200 million. The City has acknowledged that the Toronto Police Service has facilities that are in need of replacement and have State of Good Repair issues, and have accommodated the replacement of handheld radios in their 5 Year Plan. Therefore, the City is recommending debt levels for 5 years beyond the debt guidelines approved by Council.

The 5-Year Capital Plan is driven primarily by the Facility Projects, including the New Training Facility and replacement of the handheld radios which will be obsolete in 2011. The 2007 Recommended 5-Year Capital Plan totals \$268.520 million including carry forward of 2006 funding into 2007, and provides funding for the following major projects:

- Construction of New Training Facility (\$69.932 million)
- Police Handheld Radio Replacement (\$27.000 million)
- Replacement of 14 Division (\$25.243 million)

- Replacement of 11 Division (\$26.871 million)

In order to align the Toronto Police Service 5-Year Capital Plan to the recommended annual debt level of \$32.700 million, the following unspecified reductions need to be made: \$3.356 million in 2007, \$5.215 million in 2008, \$3.963 million in 2009, and \$1.472 million in 2010. The City is also recommending an increase of \$4.025 million in 2011, to accommodate some of the projects deferred in the earlier years.

It is recommended that the Toronto Police Services Board report back to Budget Committee during the 2007 Capital Budget process in February 2007, on how the unspecified reductions/adjustments to the 2007-2011 Capital Plan can be accommodated and specifically which projects can be deferred, so that an annual debt level of \$32.700 million is not exceeded in each of the 5 years. The Board could reconsider the option presented by staff to the Police Budget Subcommittee with an average annual debt funding level of \$32.700 million, which primarily recommended deferring projects which had not yet started including the "In Car Cameras" project.

The construction of the New Training Facility is expected to start in early 2007, however the Department of National Defence (DND) funding for their portion of the costs has not been confirmed as yet. The Toronto Police Service may need to fund the DND portion of the facility costs, resulting in an estimated \$6.5 million shortfall if DND funding is not received.

Given the significant increases in the cost of the New Training Facility from the preliminary estimates, the Toronto Police Service has been requested to report back to Budget Committee with a historical chronology of the change in cost, scope, and reasons for the cost increases, as well as how the potential \$6.5 million shortfall will be accommodated within the recommended debt targets if Federal DND funding does not materialize.

The Radio Communication System Replacement Project is classified as a corporate project in conjunction with requirements of EMS and Fire Services. This system needs to be replaced for all three services as it will no longer be supported by the manufacturer by 2011. As a result, \$70 million in total project cost has been budgeted corporately, and an initial \$0.250 million in each of 2007 & 2008 for consultant services, has been recommended for funding.

Capacity/ State of Project Readiness

The recommended carry forward of unspent funds has decreased from \$24.782 million in 2006 to \$14.561 million in 2007. It can be noted that the \$14.561 million carryover includes \$11.692 million for the purchase of land for future facilities. This land is purchased as suitable sites for the Toronto Police facilities become available.

There is, however, a concern in the spending rate in the 2006 Capital Budget to date. 58% of the 2006 Approved Budget of \$67.132 million has been spent up to September 30, 2006. The Program however, is projecting a spending rate for year-end of 73% based on current spending rates, or an additional \$10.378 million of spending in the last quarter of 2006.

From a readiness standpoint, the major portion of the capital budget is controllable; the non-controllable portion relates to the need to procure suitable sites and the requirement for Environmental

Assessments for future facilities. The Toronto Police Service is sensitive to the readiness issues and have adjusted their Plan to address land acquisition and environmental assessment challenges. In the event a capital project may not proceed as scheduled, the Toronto Police Service is prepared to accelerate projects such as the new Training Facility.

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 following highlights the major changes from the 2006-2010 Capital Plan endorsed in July and the current Recommended 5-Year Capital Plan:

New Projects funded by Debt:

- IT Data Warehouse – Business Intelligence - new project in 2010 & 2011 (\$3.107 million)
- Unspecified Debt Reduction – (reduction over 5 years of \$9.981 million in debt related projects to meet recommended debt affordability levels).

New/ Change in Scope Projects funded by Equipment Replacement Reserve or Others:

- New Training Facility – additional cost for inflation, firing range, increase in scope in 2007 to 2009 (\$9.432 million increase offset by funding from the Department of National Defence).
- Mobile Workstation Replacement – new project in 2009 – (\$6.436 million funded from Equipment Reserve)
- IT Business Resumption – continuing project in 2010 & 2011 (\$3.490 million funded from Equipment Replacement Reserve)
- Locker Replacement – new project in 2007 to 2010 (\$2.200 million funded from Equipment Replacement Reserve)

Operating Impact of the 5-Year Capital Plan

Operating impacts in the Toronto Police Service 5-Year Capital Plan are \$2.500 million for 2007, \$1.831 million for 2008, \$3.332 million for 2009, \$2.428 million for 2010, and \$0.411 million for 2011. The Recommended 5-Year Capital Plan will increase the Program's Operating Budget, with incremental impacts in 2007 and future years as a result of the following capital projects/ subprojects:

**5-Year Incremental Operating Impact Summary
By Project/Sub-Project**

2007-2011 Capital Projects/Sub-Projects	2007 (\$000s)	2008 (\$000s)	2009 (\$000s)	2010 (\$000s)	2011 (\$000s)	2007-11 (\$000s)
Workstations, Printers and Laptops	1,016	1,086	1,164	1,182		4,448
Servers	656	9	7	4	2	678
IT Business Resumption	345	5	4	2	1	357
23 Division	100	102				202
Voice Logging System	85	40				125
Police Integration Systems	100					100
Advanced Taser Deployment	80					80
Strong Authentication - Computer Security	65					65
Replacement of Call Centre Mgmt Tools	50					50
Livescan fingerprinting System	3		1			4
TRMS Additional Functionality		100				100
CASC System Replacement		100				100
Geocoding Engine		52				52
Jet Forms Replacement		40				40
Auto Dialer Replacement		30				30
Mobile Workstation			1,993			1,993
Automated Vehicle Location Expansion			30			30
Firearms, Def Tactics Facility				1,040		1,040
Digital Video Asset Management II				200		200
In Car Camera					200	200
14 Division					208	208
Police Radio Communications Replacement		267	133			400
TOTAL	2,500	1,831	3,332	2,428	411	10,502

The operating impacts associated with various capital projects are primarily for

- Workstations, Printers and Laptops Replacement: Contribution to equipment replacement reserve (\$4.448 million).
- Mobile Workstations Replacement: Contribution to equipment replacement reserve (\$1.993 million)
- New Training Facility: Maintenance costs (\$1.040 million).
- Servers Replacement: Contribution to equipment replacement reserve (\$0.678 million)

The operating impacts for the Mobile Workstations, Workstations, Printers & Laptops, Servers, and IT Business Resumption projects relate primarily to lifecycle replacement costs of the 4 lifecycle programs over 4 years, and contributions to the equipment replacement reserve beginning in 2007.

State of Good Repair Backlog and Unmet Needs

The current backlog for State of Good Repair work is estimated at \$10.588 million for the Toronto Police Service. The Recommended 5-Year Capital Plan provides funds for State of Good Repair work inside the Police facilities of \$1.700 million in 2007, \$1.800 million in 2008, and a constant \$1.900 million for each of the years 2009, 2010, and 2011.

Pre-approvals

City Council approved the report from the Deputy City Manager and Chief Financial Officer, entitled 'Pre-Approval of 2007 Capital Projects Commitment and Spending' at its meetings of December 5 and 6, 2006.

The recommended pre-approval cash flow funding for the Toronto Police Service was \$8.224 million gross and debt, and consisted of \$1.375 million in funding carried forward for a 2006 project; \$5.849 million for the 2007 phase of previously approved projects; and \$1.0 million for new projects. This pre-approval of \$8.224 million represented 13% of the Toronto Police Service total 2007 Recommended Capital Budget.

The recommended pre-approval included carry forward cash flow funding of \$1.375 million for the Digital Video Asset Management and \$5.849 million for the 2007 Phase of 4 previously approved projects, of which \$5.0 million was required for the New Training Facility. The design development for the Facility is complete and the working drawings are 70% complete. Site cleanup/preparation began in December 2006.

In addition, the recommended pre-approval cash flow included \$1.0 million in new commitments and cash flow funding of \$1.0 million for 2 new projects: \$0.5 million was required for on-going repair and maintenance projects and \$0.5 million to complete the construction of the 23 Division in the first quarter of 2007.

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

	2005 & Prior Year Carry Forward	2007 Previously Approved Cash Flow Commitments	2007 New Cash Flow 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	252	20,574		20,826		14,561	35,387	26,117	20,695	2,991			85,190
Change in Scope			14,709	14,709			14,709	8,456	8,640	2,063			33,868
New			5,737	5,737			5,737	3,000	2,386	2,385			13,508
New w/Future Year			12,949	12,949			12,949	1,000	0	0	0		13,949
Unspecified Adjustments			(3,356)	(3,356)			(3,356)	(5,215)	(3,963)	(1,472)	0		(14,006)
Total Expenditure	252	20,574	30,039	50,865		14,561	65,426	33,358	27,758	5,967	0	0	132,509
Financing													
Debt	252	20,574	11,874	32,700	28,500	2,814	35,514	30,900	25,300	5,967	0		97,681
Reserves			10,249	10,249		55	10,304						10,304
Reserve Funds			3,000	3,000		11,692	14,692						14,692
Development Charges													0
Other			4,916	4,916			4,916	2,458	2,458				9,832
Federal Grants													0
Total Financing	252	20,574	30,039	50,865		14,561	65,426	33,358	27,758	5,967	0	0	132,509

Comments / Issues:

- Approval of the 2007 Recommended Capital Budget of \$65.426 million gross, will result in future year commitments of \$33.358 million in 2008; \$27.758 million in 2009; and \$5.967 million in 2010.
- The 2007 Recommended Budget includes 11 previously approved sub-projects with a 2007 cash flow of \$20.574 million and a future year commitment of \$26.117 million in 2008, \$20.695 million in 2009, and \$2.991 million in 2010. 2007 approved cash flow for 1 previously approved subproject with funding carried forward from 2005 into 2007 totals \$0.252 million, and 10 previously approved subprojects with funding carried forward from 2006 into 2007 totals \$14.561 million. This combined cash flow is required for the continuation of projects such as the New Training Facility (\$41.627 million), 14 Division (\$23.180 million), and 11 Division (\$3.500 million).
- There are 15 new & change in scope sub-projects and an unspecified reduction, with a 2007 total project cost of \$47.319 million, that requires cash flow of \$30.039 million in 2007 and a future year commitment of \$7.241 million in 2008, \$7.063 million in 2009 and \$2.976 million in 2010. This is primarily driven by projects such as the New Training Facility (\$28.305 million), In Car Camera (\$10.371 million), Vehicles (\$5.098 million), Workstations, Printers, Laptops (\$4.341 million), 11 Division (\$3.000 million), and 14 Division (\$2.063 million).

- In order to achieve the recommended annual debt level \$32.700 million, the above incorporates an “unspecified” reduction in cash flow of \$3.356 million in 2007, \$5.215 million in 2008, \$3.963 million in 2009, and \$1.472 million in 2010. The Toronto Police Services Board is being requested to report back with details on deferrals/reductions of specific projects to accommodate the “unspecified” reduction. Adjustments to the 2007 recommended cash flow and future year commitments will have to be made once project adjustments have been recommended.

2007 Recommended Capital Budget

2007 Recommended Capital Budget versus Debt Target

The 2007 Recommended Capital Budget of \$50.865 million excluding carryforward reflects a debt funding level of \$32.700 million, which is over the 2007 debt affordability guideline for the Toronto Police Service of \$28.500 million by \$4.200 million. The gross costs include the purchase of land which is funded from reserves and does not affect the debt targets.

It is recommended that the Toronto Police Service report back to the Budget Committee during the Capital Budget review process, on how to reduce/defer the 2007 Capital Budget from the requested level of \$36.056 million of debt, to the recommended \$32.700 million debt target. This would require a reduction and/or deferral of \$3.356 million of debt from 2007.

Operating Budget Impact

Incremental Operating Budget Summary

Incremental Operating Budget Impact	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	2,500.0	1,564.0	3,199.0	2,428.0	411.0
Debt Service Charges (\$000s)	981.0	4,524.0	4,158.0	2,962.0	656.4
Approved Positions	0	0	0	0	0

Program Incremental Operating Costs

Operating impacts in the Toronto Police Service 2007 Recommended Capital Budget are \$2.500 million for 2007, and \$1.564 million for 2008, \$3.199 million for 2009, \$2.428 million for 2010, and \$0.411 million for 2011. The 2007 5-Year Capital Plan will increase the Program's Operating Budget, with incremental impacts in 2007 and future years as a result of the following capital projects/subprojects:

Incremental Operating Impact Summary By Project/Sub-Project

2007 Capital Projects/Sub-Projects	2007 (\$000s)	2007 approved position change	2008 (\$000s)
Workstations, Printers and Laptops	1,016	0.0	1,086
Servers	656	0.0	9
IT Business Resumption	345	0.0	5
23 Division	100	0.0	102
Voice Logging System	85	0.0	40
Police Integration Systems	100	0.0	
Advanced Taser Deployment	80	0.0	
Strong Authentication - Computer Security	65	0.0	
Replacement of Call Centre Mgmt Tools	50	0.0	
Livescan fingerprinting System	3	0.0	
TRMS Additional Functionality		0.0	100
CASC System Replacement		0.0	100
Geocoding Engine		0.0	52
Jet Forms Replacement		0.0	40
Auto Dialer Replacement		0.0	30
TOTAL	2,500.0	0.0	1,564.0

The 2007 and 2008 operating impacts associated with various capital projects are primarily for

- Workstations, Printers and Laptops: Contribution to equipment replacement reserve (\$2.102 million).
- Servers: Contribution to equipment replacement reserve (\$0.665 million).
- IT Business Resumption: Contribution to equipment replacement reserve (\$0.350 million)
- 23 Division: Maintenance costs (\$0.202 million)

The operating impacts for the Workstations, Printers & Laptops, Servers, and IT Business Resumption projects relate primarily to lifecycle replacement costs of the 3 lifecycle programs over 4 years, and contributions to the equipment replacement reserve beginning in 2007.

Debt Service Cost

The 2007 Recommended Capital Budget for Toronto Police Service will result in new debt service costs of \$0.981 million in 2007, and the incremental cost of \$4.524 million in 2008, \$4.158 million in 2009, \$2.962 million in 2010, and \$0.656 million in 2011.

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**2007 Issues****2007 Recommended Capital Budget versus Debt Guideline**

The 2007 Recommended Capital Budget including previously approved commitments and 2 year carry forward funding requires new 2007 cash flow of \$50.865 million gross with debt funding of \$32.700 million. This cash flow combined with funding carried forward of \$14.561 million for 2006 projects provides a total 2007 Recommended Capital Budget of \$65.426 million gross. The 2007 Recommended Capital Budget for Toronto Police Service is over the debt affordability guideline of \$28.500 million by \$4.200 million, primarily due to large facility projects in process and previously made commitments, including the New Training Facility.

The 2007 Recommended Capital Budget provides funding for several major projects, including:

- Construction of a New Training Facility (\$25.929 million)
- Replacement of 14 Division (\$6.264 million)
- Replacement of 11 Division (\$5.500 million)

A needs assessment study of the Police facilities was completed in 1996 and the 2007 Recommended Capital Budget is consistent with the needs assessment study and includes new facilities, IT upgrades, and minor State of Good Repair work for the interior of the facilities.

On November 28, 2006, the Toronto Police Services Board approved a 2007 – 2011 Capital Plan with debt funding levels of \$35.804 million in 2007. In addition, the Traffic Services and Garage Facility project which is virtually completed, will have 2 year carry forward funding from 2006 and prior years for move-in costs, requiring 2007 cash flow of \$0.252 million which forms part of the 2007 affordability target.

In order to adjust the submitted plan to an annual debt level of \$32.700, the City has recommended “unspecified” reductions of \$3.356 million in 2007. It is recommended that the Toronto Police Services Board report back to Budget Committee during the budget review process on specific projects which could be reduced/deferred in the 2007 Capital Budget, so that the annual \$32.700 million debt affordability target is not exceeded in 2007.

The construction of the New Training Facility is expected to start in early 2007, however the Department of National Defence (DND) funding for their portion of the costs has not been confirmed as yet. The Toronto Police Service may need to fund the DND portion of the facility costs, resulting in an estimated \$6.5 million shortfall if DND funding is not received.

There have been increases in the cost of the New Training Facility from the preliminary estimate in 2003 of \$44.100 million gross and net, to its 2007 Total Project cost of \$75.832 million gross and \$66.000 million net. Given the significant increase in cost, the Toronto Police Service has been requested to report back to Budget Committee with a historical chronology of the change in cost, scope, and reasons for the cost increases, as well as how the potential \$6.5 million shortfall will be accommodated within the recommended debt targets if Federal DND funding does not materialize.

5-Year Capital Plan Issues

Multi-Year Debt Affordability Target

The primary focus of the 2007 Recommended Capital Budget is to address current SOGR needs, and the 5-Year Recommended Capital Plan equally addresses the Program's needs regarding SOGR over the longer term.

The Toronto Police Service future year budget trend is driven primarily by replacement of handheld radios which will be obsolete in 2011, and by four facility projects which were identified by a needs assessment and study to address SOGR, Health & Safety, and Service Enhancements. These projects include:

- New Training Facility (start construction in 2006)
- Replacement of 14 Division (start design in 2007)
- Replacement of 11 Division (start design in 2008)
- Handheld Radio Replacement (start 2008)

The Recommended 5-Year Capital Plan reflects a debt funding of \$32.700 million in each year from 2007 to 2011. This is greater than the 5-year debt guideline of \$28.500 million in 2007; \$28.400 million in 2008; \$28.500 million in 2009; \$28.500 million in 2010; and \$27.400 million in 2011.

Based on the needs assessment of facilities and the state of good repair that was recognized several years ago, the recommended 5-year debt funding of \$163.500 million, is over the 5-year debt target of \$141.300 million by \$22.200 million. The 5-Year Capital Plan is driven primarily by the Facility Projects, including the New Training Facility, and replacement of the handheld radios which will be obsolete in 2011.

On November 28, 2006, the Toronto Police Services Board approved a 2007 – 2011 Capital Plan with debt funding levels of \$35.804 million in 2007; \$37.915 million in 2008; \$36.663 million in 2009; 34.172 million in 2010; and \$28.675 million in 2011, that represent an “average” annual debt funding requirement of \$34.646 million. It can be noted that for the four years 2007, 2008, 2009, and 2010 the debt levels are higher than the recommended \$32.700 million annually, and lower than \$32.700 million in 2011.

In addition, the Traffic Services and Garage Facility project which is virtually completed, will have 2 year carry forward funding from 2006 and prior years for move-in costs, requiring 2007 cash flow of \$0.252 million which forms part of the 2007 affordability target.

In an attempt to achieve the City's multi-year debt affordability target, the Police Budget Subcommittee had also considered an alternative Capital Plan with a lower “average” annual debt funding level of \$32.7 million. This alternative plan was not recommended by the Budget Subcommittee and was not approved by the Board. The plan recommended deferring projects which had not yet started or had not been committed, such as the “In Car Cameras” project.

It is recommended that the Toronto Police Services Board report back to Budget Committee during the budget review process on specific projects which could be reduced/deferred in the 2007-2011 Capital Plan, so that the annual \$32.700 million debt affordability target is not exceeded in each of the 5 years. In order to adjust the plan to an annual debt level of \$32.700 million, reductions/deferrals of \$3.356

million in 2007, \$5.215 million in 2008, \$3.963 million in 2009, and \$1.472 million in 2010 are required. The City is also recommending an increase of \$4.025 million in 2011, to accommodate some of the projects deferred in the earlier years.

Radio Communication System Infrastructure Replacement

The Radio Communication System Replacement project is a corporate initiative involving three Programs: Fire Services, Police Services and Emergency Medical Services and does not form part of these individual Programs’ Capital Plans. This project will be fully funded by debt at a total cost of \$70.0 million for the replacement of the joint radio communication system infrastructure. As confirmed by a consultant’s study and by Motorola, the current equipment and system infrastructure will be unsupported and in need of replacement by 2011. Initial cash flow funding of \$0.250 million in both 2007 and 2008 for system consultants and project management are followed by project cash flows of \$28.0 million in each of 2009 and 2010 and \$13.5 million in 2011.

The following is a preliminary assessment of cost drivers:

FY	ITEM	ESTIMATED COST (\$000)
2007/8	Development of Infrastructure Functional Specifications	\$460
2008	Development of System Supplier RFP	\$40
2009-2011	Infrastructure Replacement (Approx.)	\$69,470
2011	Overseeing Assembly, Installation and Test	\$30
2012	Costs Associated with Transition	TBD
2007-2009	Total Project Cost	\$70,000

This “radio infrastructure” project does not include the replacement of mobile (in-vehicle) or handheld radios, which are budgeted within each of the Police, Fire, and Emergency Medical Services capital budgets. Toronto Police Service began replacing their handheld radios in 2006 and have budgeted an additional \$27.000 million in years 2008 to 2011 for replacement of the remaining handheld radios, ensuring compatibility with the new radio infrastructure system to be commissioned in 2011.

The Steering Committee, which consists of Deputy Chiefs from the 3 Services, has been formed and has met with the City Manager Office and Financial planning Division and plans to report to Budget Committee for July 2007 on the project. The Steering Committee is to report back on a governance agreement on how the project would be managed and reconfirmation of project costs, timelines and cash flows.

EMS Fire Headquarters Power System Upgrade

The EMS and Fire Headquarters at 4330 Dufferin Street houses the EMS Central Ambulance Communication Centre, the Fire Communication Centre and the Toronto Police 911 Back-up Call Centre (which is also used for special event coordination, e.g. Caribana).

Two separate incidents in 2006 raised serious concerns about the integrity of the power systems, and their ability to maintain primary or even back up power feeds to the facility in the event of power disruptions. These incidents made it necessary for staff from EMS and Fire to decide that a more comprehensive assessment of the integrity of all the power feeds, linkages and back-up systems is required.

The firm of Morrison Hershfield was retained to undertake a critical power engineering audit of the power supply and support systems at the EMS-Fire Headquarters and it was determined that a major overhaul of the systems has to be undertaken as soon as possible. The site investigation and analysis of the existing electrical and mechanical systems revealed several major deficiencies two of which were significant as it would place the facility in a high-risk situation

The total cost of the project has been estimated at \$2.125 million. The proposed funding between the three Toronto emergency services, EMS, Fire and Police is as follows:

	<u>2007*</u>	<u>2008**</u>	<u>TOTAL</u>
EMS	180	670	850
Fire	150	700	850
Police		425	425
Total	330	1,795	2,125

*Included in the 2007 Recommended Capital Budget
 **to be submitted, once the study is finalized, as part of the 2008 Capital Budget process

EMS' 2007 Recommended Capital Plan includes a 2007 cash flow of \$0.330 million (\$0.180 million funded by debt and \$0.150 million funded from Fire Services) for the design and planning of the critical upgrade required to the power supply and support systems. Once the study for the design and planning of the upgrades is finalized, the funding for the systems upgrade, estimated at \$1.795 million, will be submitted as part of the 2008 Capital Budget process including potential provincial funding. The Toronto Police Service portion of this cost is estimated to be \$0.425 million in 2008.

Appendix 4

Reserve / Reserve Fund Review (\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Uncommitted balance as of September 30, 2006	Proposed Withdrawals				
			2007	2008	2009	2010	2011
XQ1701	POL906576 Vehicle & Equipment Reserve - TPS.	\$29,413	\$5,098	\$5,033	\$5,033	\$5,033	\$5,033
XQ1701	POL906582 Workstations, printers and laptops	\$29,413	\$4,341	\$4,040	\$5,260	\$4,300	\$4,480
XQ1701	POL906583 Servers	\$29,413		\$2,810	\$2,910	\$3,010	\$3,120
XQ1701	POL906584 IT business resumption	\$29,413	\$260			\$1,590	\$1,640
XQ1701	POL907174 Locker Replacement	\$29,413	\$550	\$550	\$550	\$550	
XQ1701	POL907175 Mobile workstation	\$29,413			\$6,436		
XQ1701	TED907024 POLICE Radio Comm. Syst. Replacement	\$29,413		\$4,000	\$2,000		
XR1012	POL000366 11 Division	\$126,618	\$3,000				
XR1012	POL000367 14 Division	\$126,618	\$1,270				
Total Reserve / Reserve Fund		\$459,127	\$14,519	\$16,433	\$22,189	\$14,483	\$14,273

Appendices 1-3 not available online.