

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

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2006 Approved Capital Budget of \$352.161 million was 24% spent as at September 30, 2006. Actual expenditures by year-end are anticipated to be \$286.443 million, or 81% of the Approved Budget, resulting in projected 2006 cash flow funding of \$24.409 million being carried into 2007. This projected under expenditure is due to delays on the Dufferin Jog Elimination, Morningside Finch Grade Separation and the St. Clair Transit projects.
- The 2007 Recommended Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates total \$2.361 billion of which \$1.142 billion is projected for the Program's 5 year capital plan, requiring new debt funding of \$0.818 billion, or an average of \$0.164 million per year.
- The 5-Year Capital Plan requires cash flows of \$246.244 million in 2007, \$233.783 million in 2008, \$214.369 million in 2009, \$217.784 million in 2010 and \$205.124 million in 2011. Overall, excluding the Bloor Street Transformation, the Program has achieved the recommended 5-Year debt guidelines.
- The 2007 Recommended Capital Budget with a total recommended cash flow of \$270.674 million includes:
 - previously approved commitments and new/change in scope projects requiring 2007 cash flow of \$246.265 million gross with total debt funding of \$182.598 million, \$37.100 million funded from third parties, \$25.733 funded through Development Charges and \$0.834 million funded through Reserve Funds. This cash flow combined with funding carried forward of \$24.409 million for 2006 projects bring the total 2007 Recommended Capital Budget to \$270.674 million gross;
 - debt funding of \$170.598 million which consistent the debt guideline of \$170.598 million. This excludes \$12.000 million in recoverable debt funding due to funding requirements for the Bloor Street Transformation. This debt is recoverable from the local Business Improvement Area.
 - future year commitments of \$80.300 million in 2008 and \$3.780 million in 2009.
- The 2007 Recommended Capital Budget of \$246.265 million (excluding amounts carried forward) is allocated 54% to State-of-Good-Repair projects at \$132.3 million; 31% to Growth-Related projects at \$76.7 million, 11% to Service Improvement projects at \$26.9 million and 4% to Health & Safety projects at \$10.4 million.
- The 2007 Recommended Capital Budget will allow the Program to complete work on bridge rehabilitation, median and resurfacing work on the Gardiner and Don Valley expressways, major and local road reconstruction and resurfacing, and sidewalk reconstruction. This recommended Capital Budget also funds Service Improvement projects consisting of traffic control installations, signage and road safety improvement projects and accelerated cycling initiatives. Funding for Growth projects will allow construction of the Dufferin Jog Elimination, grade separations on Steeles, Sheppard and Morningside, the North Yonge Centre Service Road, Streetcar Track replacement., Highway 27 (401-Steeles), the Bloor Street Transformation and the installation of the St. Clair Dedicated Streetcar Line.

- The 5-Year Capital Plan addresses the SOGR backlog as it is currently known. At year-end 2006 the estimated SOGR backlog is \$301 million. The average annual backlog for SOGR over the 5-Year Capital Plan is \$83 million which requires capital works for bridges, roads, sidewalks, and expressways. In recognition of Transportation Services' state of good repair needs, the 5-Year Capital Plan also includes \$5 million per year (total of \$25 million) to address the backlog on the western Gardiner Expressway at grade section from Dowling Ave. to Hwy 427.
- The 5-Year Capital Plan includes provision for hydro enhancement work for the St. Clair Transit Improvement project. \$2.0 million had been allocated in 2006 with a further \$4.0 million in 2007 and \$3.0 million in 2008. This change in scope has been accomplished by deferring other road projects in adjacent wards. \$0.700 million in offset funding for these enhancements has been partially identified with the balance of \$6.300 million currently unspecified. It is being recommended that the General Manager Transportation Services to report back with the June 30th variance report to identify further project deferrals to offset funding for the hydro enhancements.
- The 5-Year Capital Plan for Transportation Services advances objectives as outlined in the Mayor's Mandate such as "A Cleaner and More Beautiful City" which includes working with City Planning to improve standards related to Civic Improvement projects, "A Wonderful Waterfront City", "A Greener City" by continuing to include funding for Street Trees, "A Creative City" and "Better Transit Today" including such dedicated transit right-of-way projects as Yonge St. (Finch to Steeles) and Kingston Road as well as increased project funding for Cycling Infrastructure. Transportation Services plays a key role in providing the City's public infrastructure that supports these initiatives by ensuring capital assets are maintained and future needs are addressed.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for Transportation Services with a total project cost of \$188.288 million and a 2007 cash flow of \$270.674 million and future year commitments of \$80.320 million in 2008 and \$3.780 million in 2009 be approved. The 2007 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 40 new sub-projects with a 2007 total project cost of \$188.288 million that requires cash flow of \$156.465 million in 2007 and future year commitments of \$31.823 million in 2008;
 - ii) 33 previously approved sub-projects with a 2007 cash flow of \$89.800 million and future year commitments of \$48.497 million in 2008 and \$3.780 million in 2009;
 - iii) 2007 approved cash flow for 3 previously approved sub-projects with carry forward funding from 2006 into 2007 totalling \$24.409 million;
2. new debt service costs of \$5.118 million in 2007 and incremental costs of \$20.305 million in 2008, \$5.757 million in 2009 and \$0.416 million in 2010 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 in the Transportation Services Operating Budget of \$0.270 million for 2007 and \$0.270 million for 2008 emanating from the approval of the 2007 Recommended Capital Budget be considered within the overall scope of the Transportation Services 2007 and future years operating budget submissions;
4. the 2008-2011 Capital Plan of Transportation Services totalling \$870.842 million in project commitments and estimates, comprised of \$233.523 million in 2008, \$214.379 million in 2009, \$217.816 million in 2010 and \$205.124 million in 2011, be approved.
5. 2007 Development Charge funding be approved subject to funds being available in the Development Charge Reserve Accounts;
6. all sub-projects with third party financing be approved conditionally, subject to the receipt of such funding during 2007;
7. the General Manager of Transportation Services, in consultation with the Chief General Manager Toronto Transit Commission, report back to Budget Committee with the June 30th variance report on the St. Clair Ave. West Transit Improvement project, including the status of this project and specifically on the total project cost and cash flow projections and which other Transportation projects will be deferred to accommodate the service enhancements cost of \$6.300 million; and

8. the Deputy City Manager responsible for Transportation Services report back to the Public Works and Infrastructure Committee prior to the 2008 Budget process regarding the status of the Steeles Avenue widenings, grade separation and state of good repair capital works including the total project costs, cash flow projections and any cost sharing agreements with York Region.

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
352,161	83,751	24	286,443	81	65,718

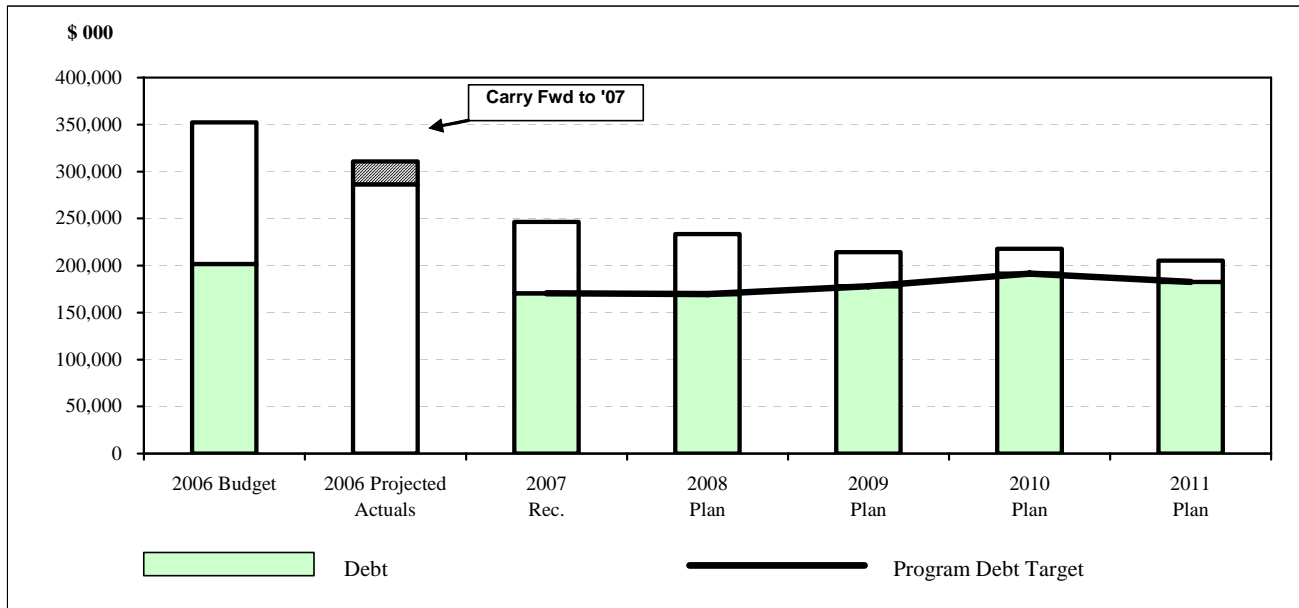
Comments / Issues:

- As of the September 30th, 2006 Transportation Services had spent approximately \$83.751 million of its 2006 approved cash flow budget of \$352.161 million. This translates to an overall spending rate of 24%.
- The Program's projected year-end spending rate for 2006 approved projects is 81.3%. It can be noted that this projection is aggressive based on past trends and is based on moving forward on all major state of good repair work on bridges, roads and expressways and assuming a spending rate of 70% to 80% for infrastructure enhancement projects such as the Simcoe Street Underpass. This represents an improvement over the 52.1% achieved in 2005 and the 60.5% achieved in 2004. The current year-end projected spending has decreased slightly from that projected as of the first six months (which was 94.8%) as spending estimates are fine tuned and actual schedules realized.
- As of September 30th the Program is projecting spending rates of 95% and 90% respectively for resurfacing and maintenance work on the Don Valley and Gardiner Expressways. The Program is also projecting 97% spending for local and major road reconstruction and resurfacing, 96% spending on bridge rehabilitation, 93% spending on traffic control projects and 100% spending for sidewalk reconstruction.
- Uncontrollable expenditures are generally related to those projects with third party funding or are contingent on negotiations with and involvement of third parties such as developers or land owners. Of the \$65.7 million in under-spending projected at year-end, 52% or \$34.4 million are uncontrollable expenditures for the Dufferin Street Jog Elimination, Morningside/Finch Grade Separation, North Yonge Centre Acquisitions, Simcoe St. Underpass and the St. Clair Avenue Transit project. It should also be noted that the unspent balance of \$65.7 million as of September 30th, includes \$12.7 million for the purchase and renovation of 9 Hanna as part of the Front Street Extension project. This cash flow was spent in the 4th quarter when this transaction was completed.
- The 2007 Recommended Capital Budget does not reflect any subsequent changes to funding being carried forward from 2006 to 2007 based on the unspent cash-flow balance projected as at September 30th, 2006. Updates and adjustments to funding being carried forward from prior years will be reported to the Budget Committee during its review of the 2007 Recommended Capital Budget. The unspent amount of \$65.7 million currently projected for 2006 is greater than the \$24.4 million in funding being carried forward in the recommended 2007 Recommended Capital Budget. This amount will be adjusted and should align more closely to the unspent balance at year-end. To

date, the funding that is being carried forward from 2006 to 2007, in the amount of \$24.409 million, is required for the following projects:

- **St Clair (Yonge to Gunn's Road):** The amount being carried forward from 2006 to 2007 is \$12.950 million. This project is forecasted to be 60% spent at year-end or \$19.0 million out of a budget of \$31.950 million for Phase 2 of the project. This represents 30% spent on a total project cost of \$65 million. Expenditures have been delayed since the project was pending the outcome of the judicial review. The first tenders have been awarded and, as of the September 30th, 2006, expenditures have begun to increase towards year-end.
- **Dufferin Street Jog Elimination:** The amount being carried forward from 2006 to 2007 is \$6.000 million. The project is forecast to be 17% spent by year-end based on activity to the third quarter. This represents \$2.5 million out of approved cash flow for 2006 of \$14.4 million. This has been delayed due to property expropriations, however demolition tenders have been recently issued.
- **Morningside / Finch Grade Separation:** The amount being carried forward from 2006 to 2007 is \$5.459 million. The project which is forecast to be \$2.5 million or 31% spent at year-end out of a total \$8.0 million planned for 2006, has been delayed due to ongoing discussions with CN, delays in property acquisitions/easements and late delivery of the structural steel.

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	352,161	286,443	246,265	80,320	3,780			330,365
New Plan Estimates				153,203	210,599	217,816	205,124	786,742
1-Year Carry Forward to 2007		24,409						
Total Gross Annual Expenditures & Plan	352,161	310,852	246,265	233,523	214,379	217,816	205,124	1,117,107
Program Debt Target			170,598	169,651	178,074	191,322	182,600	892,245
Financing:								
Recommended Debt	201,827		170,598	169,651	178,074	191,322	182,600	892,245
Debt -Recoverable	1,000		12,000	12,000				24,000
Other Financing Sources:								
Reserves/Reserve Funds	974		834	1,048	885	1,009		3,776
Development Charges	68,110		25,733	16,062	10,640	10,800	6,829	70,064
Federal								0
Provincial								0
Other Revenue	80,250		37,100	34,762	24,780	14,685	15,695	127,022
Total Financing	352,161		246,265	233,523	214,379	217,816	205,124	1,117,107
By Category:								
Health & Safety	10,368		10,380	10,940	11,940	11,920	9,687	54,867
Legislative								0
SOGR	167,045		132,264	130,974	154,574	170,888	161,693	750,393
Service Improvement	20,757		26,905	27,040	16,795	14,523	15,949	101,212
Growth Related	153,991		76,716	64,569	31,070	20,485	17,795	210,635
Total By Category	352,161		246,265	233,523	214,379	217,816	205,124	1,117,107
Yearly SOGR Backlog Estimate (not addressed by current plan)			9,146	14,458	25,977	50,295	21,262	121,138
Accumulated Backlog Estimate (end of year)		301,000	310,146	324,604	350,581	400,876	422,138	422,138
Operating Impact on Program Costs			270	270	270	270	270	1,350
Debt Service Costs			5,118	23,855	24,004	25,328	26,523	104,828

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

5-Year Capital Plan Overview

- The 5-Year Capital Plan (2007 Recommended Budget and 2008-2011 Plan) requires cash flows of \$246.265 million in 2007, \$233.523 million in 2008, \$214.369 million in 2009, \$217.816 million in 2010 and \$205.124 million in 2011.
- Funding for the 5-Year Capital Plan is composed of 82% debt, 11% in other funding which includes third party and other revenue, 6% from DC Reserve Funds and 0.3% from other reserve funds.
- The Program is ready to proceed with the 5-Year Capital Plan. The ability to proceed with its will continue to depend on a number of factors including the disposition of planning, tendering and engineering studies. Also affecting the ability of the Program to achieve the plan is the availability of funding particularly with those projects that involve third party agreements. Current assumptions are reasonable therefore the Plan should be achievable.
- Overall, excluding the Bloor Street Transformation, the Program has achieved the recommended 5-Year debt guidelines.
- State of Good Repair (SOGR) represents 54% of spending within the 5-Year Capital Plan, the average over 5-years is \$150 million. Average annual expenditures on major projects include bridge rehabilitation \$33.5 million, expressways \$16.6 million, major roads \$36.2 million, local roads \$41.5 million, sidewalks \$10.7 million and miscellaneous infrastructure \$8.3 million.
 - This 5-Year Capital Plan, will result in a SOGR backlog estimated to be \$422 million by 2011. By maintaining the current level of SOGR debt funding, the estimated backlog will grow at an average rate of \$24 million per year based on 2006 estimates. Note that this SOGR backlog is an estimate based on debt affordability and does not include variances due to schedule slippage. The current backlog is presently estimated at \$301 million. This is estimated to include the following:
 - \$163 million in major and local road and sidewalks
 - \$49 million in bridge rehabilitation
 - \$89 million related to the western Gardiner Expressway
- In response to Transportation Services' SOGR backlog, funding in the amount of \$5 million per year over five years has been added to the Recommended 5-Year Capital Plan to reduce the backlog of work on the western Gardiner Expressway. This will allow the Program to replace the median guard rail in 2007 which is urgently in need of repair. Future years funding will allow the Program to start major rehabilitation work on the western section of the Gardiner from the Humber River to Highway 427.
- Transportation Services continues to be challenged by the ability to allocate adequate funding within debt constraints in order address SOGR backlog priorities while at the same time addressing growth and service improvement priorities such as the Bloor Street Transformation, the St. Clair Transit Improvement the Dufferin Jog Elimination and various grade separation projects meant to improve traffic safety.
- Service Improvement/Growth funding averages \$62 million per year or 42% of the 5-Year Capital Plan funding estimates.
 - The Service Improvement projects consist of traffic light installations, signage and road safety improvement projects and accelerated cycling initiatives.

- Growth projects include major development-related road projects including road widening and improving and grade separations. Projects in this category are the Dufferin Jog Elimination, grade separations on Steeles, Sheppard and Morningside, the North Yonge Center land acquisitions and construction of the service road, various track replacement work (recoverable from the TTC), Highway 27 (401-Steeles) and the completion of the St. Clair Dedicated Streetcar Line. Projects are prioritized based on resource/land availability and current assessed need to maintain appropriate safety and capacity standards in accordance with the City's priorities and debt affordability guidelines.

Mayor's Mandate

The 5-Year Capital Plan for Transportation Services advances various goals as outlined in the Mayor's Mandate. Transportation Services' Capital Plan is directly supports the following specific areas of the mandate:

A Cleaner and More Beautiful City:

Expand the Civic Improvement Program, which provides special treatment for important streets and places.

The Civic Improvement Program is part of City Planning's Capital program, however, the standards that Transportation Services uses when constructing road infrastructure has impact on the Civic Improvement outcome: "Further improvement could be achieved if Transportation Services budget could be expanded to include improved standards for major streets on at least 20% of their reconstruction projects. These standards will include special paving, tree planning and lighting included in City's Streetscape Manual. Locations will be selected in relation to the priorities established by the Civic Improvement Program."

Standardize and beautify Toronto's Street Furniture.

Transportation Services currently has a Capital project entitled "Street Furniture Harmonization" with a total Project cost of \$0.285 million. To date \$0.200 million has been committed on this project with funding likely to be carried forward into 2007. "By using a common design for our waste bins, benches and newspaper boxes, Toronto's streets will have a more attractive look and feel that will help build a sense of community across our large metropolis".

A Wonderful Waterfront City:

Construct bike trails and lakefront promenades across the city from Etobicoke to Scarborough.

"Public Access to and enjoyment of Toronto's waterfront are key objectives of waterfront renewal. The TWRC is charged with delivering the water's edge promenade and bike trails in the designated waterfront area. TWRC's efforts are also supported by Parks, Forestry, and Recreation, City Planning and Transportation Services. No immediate deliverables have been identified for Transportation Services." Transportation currently has a city-wide Cycling Infrastructure Project where the waterfront component would be part of this expanding initiative as well as road infrastructure projects within the new precincts.

A Greener City:

Make Toronto greener by improving the tree management and care program to feed, care for, save or replace existing street trees in our city.

“PFR Division plants trees through the Tree Advocacy Program and through capital funds provided by Transportation and Toronto Water, to beautify roads and reduce rain water runoff and erosion.” Transportation Services currently has a project entitled “Street Tree Planting” that has a 5-Year Capital Plan total of \$4.819 million with \$0.834 million recommended for 2007. The plan is to plant 500 trees in 2007.

A Creative City:

Improve the public realm around Toronto’s major cultural institutions.

“There is a need for coordination of all functional –visual elements placed on sidewalks surrounding major cultural institutions; such as: TTC access/signage vending carts/boxes, traffic signals, signs, lighting, utility installations and signage. Community Planning and Urban Design will initiate comprehensive review with Transportations Services as part of the development review process for these significant sites.” An example of this kind of project was the Princes’ Gates project at Exhibition Place which in 2006 was approved with a total cost of \$0.700 million.

Better Transit Today:

The City must make public transit a priority by expanding the number of enclosed, dedicated transit right-of-ways.

“Planned routes to be considered include:

- Yonge Street from Finch to Steeles
- Kingston Road from Victoria Park to Eglinton
- York University bus rapid transit
- Rapid transit through the East Bayfront and Portlands
- Rapid transit along Don Mills from Steeles to the city centre”.

“The planning and EA approval process for these projects is/has been a coordinated effort between TTC (the ultimate operator), Transportation Services, City Planning, and TWRC in the case of the Waterfront projects.” Funds have been allocated within the TTC Capital Budget for the Yonge Street and York University EAs (Environmental Assessments). Transportation Services has been named as the lead for the Yonge Street project and will be involved in projects such as Kingston Road.

Speed up the implementation of Toronto’s bike plan.

“Consultation with Cycling Committee has produced an acceleration strategy, including increased staff resources and funding for the Toronto Bike Plan projects.” Transportation currently has a city-wide Cycling Infrastructure Project with \$3.000 million recommended for 2007 as well as a further \$20.485 million planned over 2008-2011.

Multi Year Debt Affordability Target

The 2007-2011 Capital Plan has met the Council approved debt affordability targets. This was achieved by re-allocating resources from projects dedicated to backlog elimination, deferring projects such as the Steeles/Kennedy Underpass and the Scarlett Road project into future years and maximizing other available funding sources. In addition there is recoverable debt of \$12.000 million and \$12.000 million for 2007 and 2008 respectively for the Bloor Street Transformation. This project involves upfront debt funding to be recovered from the BIA over 20 years.

Capacity

Transportation Services' projected spending of \$286.443 million is 81% of the 2006 Approved Budget. The total under-expenditure of \$66 million is within normal limits based on historical program performance. To date, the estimated carry forward capital funding from 2006 into 2007 is \$24.4 million. Historically, this amount of funding carried forward would normally be in the \$30 to \$50 million range and would be equivalent to an 85% spending rate. The current projected spending rate represents a vast improvement over the 52.1% achieved in 2005 and the 60.5% achieved in 2004. While the projection for 2006 spending is aggressive compared to 2004/2005, this improvement is achievable due to advances in the planning and tendering process and generally favourable weather conditions which extended the normal construction season. The Program will update carry forward funding requirements based on actual/projected spending capacity prior to the Capital Budget approval.

State of Project Readiness

As a major driver of the capacity to spend, the state of readiness of projects is one of the main criteria for proceeding with major components of the 5-Year Capital Plan. As mentioned previously, one factor in determining the state of readiness is negotiations with third parties or the reliance on third party funding. Unavailability or non-confirmation of these funding sources may prevent the Program from proceeding with a project that is otherwise ready to proceed. Transportation Services' state of good repair program is the main focus of their regular capital works and is generally ready to proceed. New road, bridge and underpass work are currently scheduled on an on-going basis, with readiness determined by design preparation, perceived need, disposition of planning, tendering and engineering studies. However, usually growth or service improvement projects are less likely to be predictable. Projects such as the Dufferin Jog, the Simcoe Street Underpass and the North Yonge Centre Service Road. Are subject to negotiations with third parties such as developers and land owners relating to project timing or scheduling of resources and the availability of funding based on third party funding agreements.

Recommended Changes to the 5-Year Capital Plan

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

Highlights of the changes between the Plan reviewed in July 2006 and the current recommended 5-Year Capital Plan are summarized below:

- Projects to reduce the backlog for both local and major roads have been eliminated and funding in the amount of \$15.765 million in 2007 and \$22.028 million has been reassigned to on-going SOGR projects within the 5-Year Capital Plan. The reduction of the backlog is an issue that has been addressed in the current long range plan. An additional \$5 million per year will allow the Program to proceed with the backlog of work on the western Gardiner.
- The Steeles/Kennedy Grade Separation has been deferred from (2011 to 2013) to the period (2012-2015) in the amount of \$25.7 million in order to achieve debt affordability guidelines. There is no change to the overall project cost for this project and it is 50% funded through debt.
- Changes were made to the allocation of funding for the Simcoe Street Underpass. This project has been partially advanced to 2007 from 2008 with the cash flow changes accommodated within the debt guidelines by deferral of other projects. The Simcoe Street Underpass has been advanced based on coordination of scheduling with Go Transit in order to complete construction efficiently in a timely manner.
- The rebuilding of the intersection of Scarlett Road/ St. Clair Avenue/ Dundas Street: This growth project has been deferred by four years in order to meet the debt targets. This project is now scheduled for completion in the period 2011-2013 at a cost of \$14.850 million.

Backlog of Projects

The main focus of the 5-Year Capital Plan is to complete on-going state of good repair projects for major and local roads, bridge infrastructure and expressways. Due to recent years' funding constraints, there is a backlog of State of Good Repair work for on-going maintenance currently estimated at \$301 million by year-end 2006. While the Program is managing its many project challenges within funding constraints, the focus is to ensure cash flow is approved only for those projects ready to proceed. The current backlog is estimated to include the following:

\$163 million in major and local road and sidewalks
\$ 49 million in bridge rehabilitation
\$ 89 million related to the western Gardiner Expressway
\$301 million total backlog

The current Capital Plan includes provision for partial reduction of backlog related to the western section of the Gardiner Expressway. An additional \$25 million over five years has been recommended to reduce this backlog and allow the Program to proceed with repair of the westbound Gardiner.

The current plan represents what can be accomplished in terms of cash flow spending given the constraints of budget and project scheduling. In order to accomplish this and meet the debt affordability targets, funding to eliminate the backlog for Local and Major Roads has been re-allocated to other projects of higher and immediate priority. The reallocation extends the backlog elimination by 4 to 5 years. The current SOGR backlog is estimated to be \$301million, this SOGR backlog is estimated to be \$422 million by the end of 2011. An estimated amount of \$197 million per year would be needed in order to eliminate the backlog by 2016. Unless other funding sources are realized, the cumulative effect of adhering to the current debt affordability guideline would result in an increase to

the existing backlog, however, it is understood the debt targets are a measure seeking a balance between affordability and recognized capital requirements.

Unmet Need

In addition to state of good repair backlog there are site specific growth initiatives such as the Steeles/Kennedy and Finch/Kennedy grade separations and the rebuilding of the intersection of Scarlett Road/ St. Clair Avenue/ Dundas Street project that have been deferred to the long term (2012-2016) in order to meet debt affordability in the mid term (2007 to 2011)

- the Steeles/Kennedy Underpass would provide traffic and pedestrian safety by installing a bridge over a railway crossing in an area that will continue to see increased density and traffic volumes. The total project cost is estimated at \$25.700 million.
- the Scarlett Road project at the intersection of Scarlett Road/ St. Clair Avenue/ Dundas Street has been deferred by four years to 2011 in order to meet the debt targets. This project is being driven by the requirement for the TTC to provide a special bus route for passengers travelling beyond the St.Clair/Keele transit loop. This is now scheduled for completion in 2013 with a total cost of \$14.850 million.
- Steeles Widening and Grade Separations have an approximate cost of \$60 million and is the subject of cost sharing negotiations between the City and York Region pending a Boundary Agreement. These amounts have not yet been factored into the Program's 5-Year Capital Plan. The earliest requirements are estimated to be in 2012. *Please issue in PART II: ISSUES FOR DISCUSSION*

Other projects that have been deferred include the widening of Dufferin from Finch to Steeles, the Sheppard & Finch Grade Separations and work on Hwy 27.

The total current unmet need identified for this type of work is estimated to be \$183 million.

Operating impact of the 5-Year Capital Plan

Approval of Transportation Services' 5-Year Capital Plan will result in operating impacts of \$0.270 million for 2007, \$0.270 million for 2008, \$0.270 million for 2009, \$0.270 million for 2010 and \$0.270 million for 2011 and are driven by the following projects:

- Traffic Control RESCU System - The operating impact associated with this project is estimated to be \$20,000 per year for maintenance and additional systems.
- New Traffic Control Signals – The operating impact associated with this project is estimated to be \$0.250 million per year for maintenance and additional systems.

Pre-approvals

City Council approved the report dated September 8, 2006 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 & 6, 2006.

Pre-approval of spending for previously approved projects and new commitments represents 20% of the current 2007 Recommended Capital Budget.

The recommended pre-approval cash flow for Transportation Services is \$53.576 million gross, \$32.678 million debt in spending for the first quarter of 2007. Of this amount, \$45.987 million gross, \$25.739 million debt is recommended for 30 previously approved projects and includes \$18.409 million gross and \$1.575 million debt funding for 2 projects carried forward from 2006 to 2007 to complete work already underway. \$12.950 million gross, is required to continue work for the St. Clair Dedicated Transit project which is fully recoverable from the TTC. On-going local and major road/expressway work and bridge rehabilitation work requires \$7.936 million gross and debt for the first quarter of 2007 to begin funding the 2007 phase of 2006 projects.

Transportation's recommended pre-approval of new commitments for tendering purposes for 13 projects is \$79.656 million gross and \$69.156 million debt. Of these amounts, \$7.589 million gross and \$6.939 million debt is the estimated first quarter spending requirement. Transportation Services' recommended pre-approval cash flow is required to allow preliminary design work and tendering of contracts for long lead items such as Traffic Plant Requirements, City Bridge Rehabilitation, Sidewalks, Local and Major Road Reconstruction and Resurfacing. Pre-approval of the requested projects is essential to ensure construction schedules are optimized with timely completion of deliverables while ensuring that the City's infrastructure backlog is not negatively impacted. Pre-approval of the recommended project funding will allow for advantageous pricing of contracts early in the year thereby optimizing utilization of financial resources and advancing projects in a timely manner.

**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		89,800		89,800		24,409	114,209	48,497	3,780				166,486
Change in Scope			4,000	4,000			4,000	3,000					7,000
New			38,350	38,350			38,350						38,350
New w/Future Year			114,115	114,115			114,115	28,823					142,938
Total Expenditure	0	89,800	156,465	246,265		24,409	270,674	80,320	3,780	0	0	0	354,774
Financing													
Debt		48,953	121,645	170,598	170,598	5,655	176,253	51,306	3,780				231,339
Debt -Recoverable		12,000		12,000				12,000					12,000
Reserves													0
Reserve Funds			834	834			834	93					927
Development Charges		13,445	12,288	25,733		5,804	31,537	4,919					36,456
Other		15,402	21,698	37,100		12,950	50,050	12,002					62,052
Federal Grants													0
Total Financing	0	89,800	156,465	246,265		24,409	270,674	80,320	3,780	0	0	0	354,774

Comments / Issues:

- Approval of the 2007 Recommended Capital Budget of \$270.674 million will result in future year commitments of \$80.320 million in 2008 and \$3.780 million in 2009 which will encumber the following year’s spending. For 2007, these projects are funded by debt of \$188.253 million, Development Charge Reserve Funds of \$31.537 million, Reserve Funds of \$0.834 million and Other Funding of \$50.050 million.
- Previously Approved projects require a cash flow commitment of \$89.800 million in 2007 and future year commitments of \$48.497 million in 2008 and \$3.780 million in 2009. Projects for 2007 include the Dufferin Jog Elimination for \$6.941 million, the Bloor Street Transformation for \$12.000 million, the Simcoe Street Underpass for \$10.000 million, Lighted Electric Diode Signals for \$4.730 million, the St. Clair Transit Improvement for \$15.000 million and major/local roads and expressways for \$14.182 million. Approval of 2008 commitment are required for the Dufferin Jog Elimination for \$16.054 million, the Bloor Street Transformation for \$12.000 million, the Simcoe Street Underpass for \$4.713

million, LED Signals for \$4.730 million, the St. Clair Transit Improvement for \$11.000 million. The 2009 commitment represents \$3.130 million for LED Signals and \$0.650 million for the Morningside /Finch Grade Separation.

- New & Change in Scope projects require cash flow of \$156.465 million in 2007 and future year commitments of \$31.823 million in 2008. Projects for 2007 include major/local roads and expressways for \$73.271 million, bridges at a cost of \$27.650 million, various track work for \$15.000 million, the North Yonge Centre for \$9.340 million, St. Clair Transit Improvement (Hydro Enhancements) for \$4.000 million and Gardiner Expressway backlog reduction at \$5.000 million. The 2008 commitment is mainly for projects such as major/local roads and expressways for \$13.842 million, bridges \$3.700 million, St. Clair Transit Improvement (Hydro Enhancements) for \$3.000 million.
- Note that the 2007 Recommended Capital Budget includes an unspecified reduction to offset the Hydro Enhancements for the St. Clair Transit Improvement project of \$3.300 million in 2007 and \$3.000 million in 2008. The identification of project deferrals to offset this additional funding is the subject of a recommended report back in September 2007.

2007 Recommended Capital Budget**2007 Recommended Capital Budget versus Debt Target**

The 2007 Recommended Capital Budget requires \$170.598 million debt and is therefore on target to the established debt guidelines. 2007 includes recoverable debt funding of \$12.000 million. This is due to the Bloor Street Transformation. This short term debt funding is to be recovered over the long-term from the Bloor Street BIA.

With the exception of Bloor Street, it should be noted that the 2007 Recommended Capital Budget achieves the debt target. This was achieved by re-allocating resources from projects dedicated to backlog reduction, deferring projects such as grade separations and road widenings into future years and maximizing other available funding sources such as Development Charge reserve funds.

Capacity /Readiness

Project readiness impacts the capacity to spend. Based on historical data, spending rates for Transportation Services are in the range of 60 to 70%. The year-end spending rate for 2006 is currently projected to be 81%. However, projects can be characterized as being controllable, such as state of good repair projects, and non-controllable, such as growth and service improvement projects that depend on interaction with third parties. This dependency impacts the Program's ability to proceed. uncontrollable element effects the readiness to proceed and so the capacity to spend. Specific examples of this for 2007 include the Dufferin Jog Elimination, dependant on negotiations with railways and expropriations of property. While the Simcoe Street Underpass requires coordination with Go Transit in order to complete construction efficiently in a timely manner.

The focus for 2007 remains on major projects including maintaining local and major roads and addressing site specific road and infrastructure projects. All project cash flows reflect current needs in areas where the Program is ready to proceed. Other projects such as City-wide Growth initiatives and grade separations have been deferred to future years based on priority and the need meet affordable funding levels for other priorities such as state of good repair. If there are any projects that are deemed to be not ready to proceed due to unforeseen circumstances, the Program will be able to accelerate other projects based on continuous advance planning and maintain a reasonable capacity to spend.

In summary, based on the projected capacity at year-end 2006, and based on the on-going nature of established projects and new commitments as reviewed and project readiness, 2007 is the optimal combination of priorities, scheduling and funding.

**Operating Budget Impact
Incremental Operating Impact Summary**

Incremental Operating Budget Impact	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	270.0	270.0	270.0	270.0	270.0
Debt Service Charges (\$000s)	5,117.9	20,305.0	5,757.1	415.8	0.0
Approved Positions					

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)
New Traffic Control Signals/Devices	250.00	0.00	250.00
Traffic Control RESCU System	20.00	0.00	20.00
TOTAL	270.00	0.00	270.00

The incremental operating costs outlined above include the following:

- Traffic Control RESCU System - The operating impact associated with this project is estimated to be \$20,000 per year for maintenance and additional systems.
- New Traffic Control Signals – The operating impact associated with this project is estimated to be \$0.250 million per year for maintenance and additional systems.

There are no new positions being added as a result of approving the 2007 Recommended Capital Budget.

PART II: ISSUES FOR DISCUSSION**2007 Capital Budget Issues****St Clair Dedicated Street Car Line- Status**

On July 25, 26, 27, 2006 City Council approved the following motions: (summarized)

- i. hydro enhancements be considered at a total maximum estimated cost of \$18.5 million, subject to the necessary funding being re-allocated from proposed projects in the 2007-2011 Capital Plan for Transportation Services in Wards 15, 17 and 21;
- ii. staff be directed to continue discussions with hydro and gas utilities to reduce the City share of any utility related costs;
- iii. Transportation Services, be directed to include this project in the 2007-2011 Capital plan within debt guidelines;
- iv. The Program be requested to report to the Works Committee on projects impacted to accommodate the St. Clair project within the debt guideline.

An August 24, 2006 report from the General Manager Transportation Services to Works Committee detailing the impacts of proceeding with the \$2 million portion of enhancements for 2006 was referred to the Budget Advisory Committee the 2007 Capital Budget Process. This report recommended not proceeding with the 2007 to 2010 enhancements given the debt affordability issues surrounding the Program's Capital Budget. If the option is to proceed the report recommended that either the funding not be re-allocated from the Transportation Services' future year commitments or that if funding is re-allocated that the Committee advise which projects be deferred.

Transportation received the approval to proceed with the 2006 portion of the enhancements. Initial planning for the hydro undergrounding relating to the 2006 portion (\$2 million) has been undertaken. This amount includes approximately \$1.061 million for decorative poles and \$0.938 million for hydro relocation work. This work was funded through re-allocation of funding for local road reconstruction.

Transportation, Technical Services and Financial Planning have met with Toronto Hydro with a view to reducing the estimated cost for the balance of enhancements. It has been determined that an efficient combination of undergrounding, modified hydro poles and mid-block sidewalk construction where necessary can accommodate the requirements of the project. This will require a additional cash flow of \$4.000 million in 2007 and \$3.000 million in 2008. This funding is included as a change in scope in the 2007 Recommended Capital Budget. It is recommended that the Program report back with the June 30th variance report to identify specific capital projects which can be deferred to fund these enhancements. To date, \$0.700 million has been identified for deferral within the local road reconstruction program.

5-Year Capital Plan Issues

Gardiner Expressway

There are 3 issues associated with the Gardiner Expressway:

a) **Gardiner West Section Reconstruction**

There is a current backlog of state of good repair work estimated at \$87 million for the western portion of the Gardiner Expressway from Dowling Ave to Highway 427. This forms part of the established backlog of \$301 million estimated to the end of 2006. As noted in the August 24, 2006 report to the Works Committee, without adjusting debt targets for this impact, resources must be taken away from other SOGR commitments and applied to this urgently needed work. The short-term priority is to replace the median guide rail with the balance of improvements required in the 2008-2013 timeframe estimated at \$15 million per year and associated planning needs to start in 2007. The current recommended plan had included \$58.5 million for 2007 to 2011 and \$115 million for 2012 to 2016 and pertained only to the eastern elevated portion of the expressway in the central core of the City. The 2007 Recommended Capital Budget now includes an additional \$5.0 million for 2007 with a further \$5.0 million per year planned for the period 2008 to 2011 for the at grade western section to address immediate capital needs.

b) **Gardiner East (Jarvis to DVP)**

There is an additional need to reconstruct the roadway and sidewalls of this elevated portion of the Gardiner Expressway from Jarvis street to DVP. This work has been planned but not committed within the current recommended Capital Budget. The ability to proceed with this work is dependant on plans for the future of the Gardiner Expressway. Project cost and cash flows for this project section have not been determined.

c) **Future Plans for the Elevated Portion of the Gardiner Expressway in Regards to Waterfront Revitalization**

On September 27, 2006 the consultant's report commissioned by the TWRC on the future of the elevated portion of the Gardiner Expressway was made public at City Council. The estimated cost and cash flows and/or funding sources have not at this point been reviewed by the Financial Planning Division but could be in the range of \$1 to 2 billion. This project has not been included in the current Capital Budget of Transportation Services.

Storm Damages of August 19, 2005

On August 19, 2005 Toronto experienced a heavy rain storm with accumulations of up to 153 mm or 6 inches. The result was major damage to transportation infrastructure. The repairs were urgent and a priority for the Program to complete. In the absence of alternative funding, the Program reallocated resources and funding in order to cover the cost of the necessary repairs. This funding was re-allocated from 2004 approved cash flows for completed major road work, bridge rehabilitation and traffic control projects.

The Program is having ongoing discussions with Toronto Water to remedy damaged works similar to the Finch Avenue washout of last August. The Program has identified several other roadways and structures requiring imminent temporary repairs as a result of the storm. 15 locations across the top of

the City have been identified. Individual repairs range between \$200,000 and \$1.5 million. Transportation and Technical Services staff have been instructed to proceed with any emergency and safety related works pending the reporting out of any required re-allocation of funding. No additional funding is recommended at this time. The Program will manage this work within its recommended cash flow and re-allocate funding as necessary.

Steeles Widenings and Grade Separations

Three separate sections of Steeles Avenue across the top of the City have been identified for widenings as well as a grade separation in the east end but have not been included in the 5-Year Capital Plan. The widenings include Steeles Avenue West (Hilda Ave to Bathurst St) in 2012 for \$2.760 million, Steeles Avenue West (Jane St to Weston Rd) in 2012 for \$5.800 million and Steeles Avenue East (Beare Rd to Tapscott) in 2012/2013 for \$14.650 million. The approximate cost of this work is estimated to be \$120 million to be cost shared equally between the City and York Region pending a Boundary Agreement. Additional state of good repair funding are in excess of this amount has not been factored into the Plan (ongoing discussions with York Region also involve cost share discussions on this front). No additional funding is recommended at this time. It is recommended that the Deputy City Manager responsible for Transportation Services report back to the Public Works and Infrastructure Committee prior to the 2008 Budget process regarding ongoing discussions with York Region on this issue.

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
DC Res. Fund -North York (XR2010)	TRN000189 North Yonge Centre - Acquisition	\$3,034	\$7,290	\$2,200	\$9,640	\$9,800	\$5,000
"	TRN906355 North Yonge Centre - Construction	"	\$2,050	\$7,290			
DC Res. Fund -North York (XR2010)	Subtotal	\$3,034	\$9,340	\$9,490	\$9,640	\$9,800	\$5,000
DC Res. Fund- Scarborough (XR2012)	TRN906383 Morningside/Finch Grade Separation	\$12,764	\$3,884				
DC Res. Fund- Roads (XR2024) ^{See Note 3}	TRN077 Dufferin Street Jog Elimination	(\$16,314)	\$6,923	\$4,816			
"	TRN000186 Ellesmere, Warden - Kennedy	"	\$1,817				
"	TRN160 Engineering Studies	"	\$371	\$466			\$477
"	TRN000184 Growth Related Capital Works	"	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
"	TRN906661 Leaside Bridge	"	\$295				
"	TRN906319 Milner Connector at Morningside/401	"	\$900				
"	TRN906383 Morningside/Finch Grade Separation	"	\$3,750				
"	TRN380 Safety and Operational Improvements	"	\$232	\$290			\$352
"	TRN814 Simcoe St.Underpass - Railway Lands	"	\$3,025				
DC Res. Fund- Roads (XR2024)	Subtotal	(\$16,314)	\$18,313	\$6,572	\$1,000	\$1,000	\$1,829
Road Enhancement Res. Fund (XR1401)	TRN906073 Street Tree Planting	\$1,446	\$834	\$1,048	\$885	\$1,009	
Total Reserve / Reserve Fund		\$930	\$32,371	\$17,110	\$11,525	\$11,809	\$6,829

Notes: 1. XR2010 & XR2012 are shared by other programs.

2. 2007 includes carry forward funding for the Morningside/Finch Grade Separation in the amount of \$3.884 million.

3. The uncommitted balance above for XR2024 is (\$16.3) million, however, this number does not include provision for future estimated revenue streams. The table below shows estimated current balances at year-end including future estimated revenue streams for XR2024.

XR2024 DC Roads Plan	2006	2007	2008	2009	2010	2011
Account Balance Forward (From at Dec. 31, 2005)	33,948	12,381	6,029	11,818	23,527	35,635
Contributions & Interest to September 30th	4,700					
Estimated Current Plan	(31,828)	(18,313)	(6,572)	(1,000)	(1,000)	(1,829)
Estimated Revenue Inflow (2006=Balance)	5,561	11,961	12,361	12,709	13,109	13,502
Year-end Estimated Balance	12,381	6,029	11,818	23,527	35,635	47,308

Note 2006 Estimated Current Plan has been adjusted for current Dufferin Jog carry forwards into 2007.