

Analyst Briefing Notes

Budget Committee Review

(February 8, 2007)

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PART I: CAPITAL PROGRAM**Executive Summary**

- Toronto and Region Conservation Authority (TRCA) spent 41% of its 2006 Approved Capital Budget of \$8.6 million as at September 30, 2006. TRCA estimates its actual expenditures at the end of 2006 to be \$8.6 million or 100% of the 2006 Approved Budget.
- The TRCA 2007 Recommended Capital Budget, 2008 to 2011 Plan and 2012 to 2016 Estimates total \$69.779 million, of which \$33.764 million is in the Program's 5-Year Capital Plan, requiring debt funding of \$14.192 million or an average of \$2.838 million per year.
- The 5-Year Capital Plan exceeds the Council-approved debt affordability targets in each of the 5 years by an average of \$0.358 million because there is a significant backlog of capital work that must be addressed to prevent property damage and personal injury. This plan will reduce the accumulated backlog from \$158.763 million at the start of 2007 to \$145.728 million by the end of 2011.
- The 5-Year Capital Plan includes \$2.499 million for a Waterfront Development project at Ashbridges Bay which could be moved to the Toronto Waterfront Revitalisation Corporation budget, since it falls within that Program's mandate. If the transfer of the project is successful, the debt-funded portion of TRCA's Capital Plan for 2008-2011 could be reduced by an average of \$0.259 million annually.
- The 5-Year Capital Plan contains ongoing phased projects with the objectives of flood protection; erosion protection; waterfront regeneration (parkland and habitat creation and water quality monitoring); infrastructure maintenance; and environmental rehabilitation through the Toronto Remedial Action Plan.
- The completion of many TRCA's capital projects in the 5-Year Capital Plan will impact the operating budgets of Parks, Forestry and Recreation. Future-year TRCA capital budgets will include such operating impacts. TRCA typically absorbs any other operating impacts of its capital budgets.
- The TRCA 2007 Recommended Capital Budget is \$5.992 million gross with no previously approved commitments.
 - \$2.722 million is to be funded by debt; this exceeds the Council-approved debt affordability target of \$2.5 million by \$0.222 million.
 - The remaining \$3.27 million is to be funded through a contribution from Toronto Water since TRCA's capital program includes activities that support Toronto Water initiatives or projects that are related to source water protection.

(Continued on page 3)

- 96% or \$5.772 million of the 2007 recommended new cash flow is for State of Good Repair projects to preserve the natural environment throughout Toronto and 4% or \$0.22 million is for Service Improvement projects to develop the waterfront at Tommy Thompson Park and Arsenal Park.
- The TRCA 2007 Recommended Capital Budget contains ongoing, phased projects and delivers \$1.733 million gross in watershed monitoring and regeneration as part of the Toronto Remedial Action Plan and green space acquisition, \$1.451 million gross in waterfront development work, \$1.448 million in waterfront and valley erosion control and \$1.36 million in public use infrastructure, information technology replacement items and retrofitting and other improvements at major facilities including Black Creek Pioneer Village, the Kortright Centre and conservation areas.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for Toronto and Region Conservation Authority with a total project cost and 2007 new cash flow funding of \$5.992 million gross and \$2.722 million debt for 28 new sub-projects with no future-year commitments be approved;
2. new debt service costs of \$0.082 million in 2007 and incremental costs of \$0.299 million in 2008 resulting from the approval of the Toronto and Region Conservation Authority 2007 Recommended Capital Budget be approved, for inclusion in the 2007 and future-year operating budgets; and
3. the 2008-2011 Capital Plan for Toronto and Region Conservation Authority totalling \$27.772 million gross and \$11.47 million debt in project commitments and estimates, comprised of \$6.282 million gross and \$2.718 million debt in 2008; \$6.686 million gross and \$2.801 million debt in 2009; \$7.187 million gross and \$2.951 million debt in 2010; and \$7.617 million gross and \$3.0 million debt in 2011 be approved.

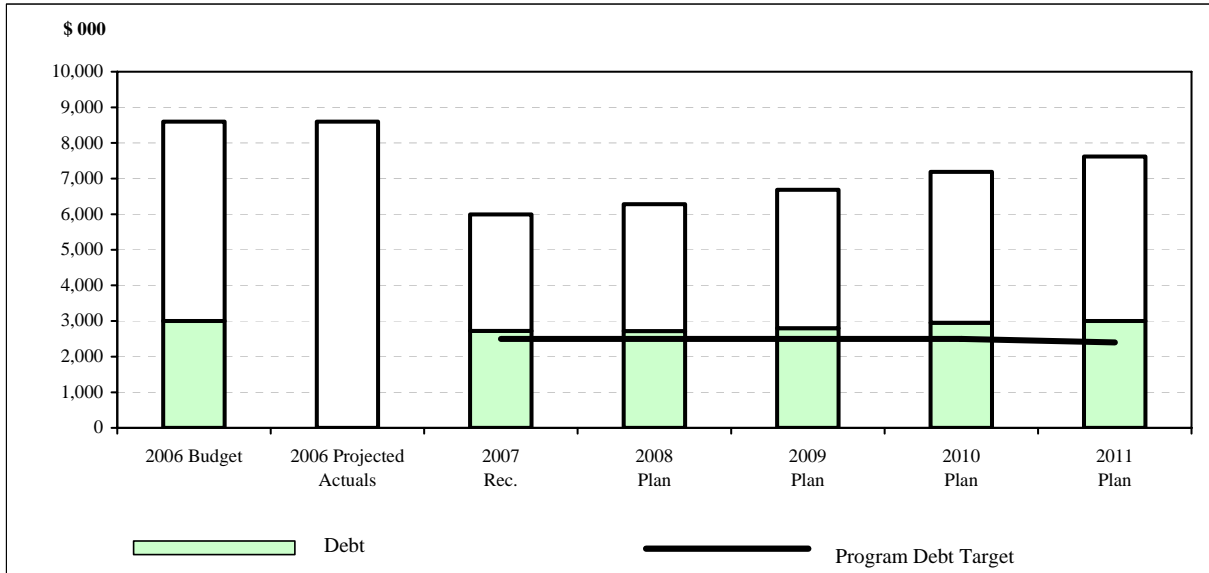
2006 Capital Variance Review

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
8,600	3,525	41	8,600	100	0

Comments / Issues:

- As at September 30, 2006, TRCA had spent approximately \$3.525 million or 41% of its 2006 Approved Capital Budget of \$8.6 million.
- The underspending of \$5.075 million at the end of the third quarter resulted primarily from the deferral of a legal settlement in the amount of \$2.6 million. In addition, work on several projects was not scheduled to begin until the fourth quarter.
- TRCA's projected year-end spending rate for its 2006 approved capital projects is 100%, which is in line with the Program's historical spending rates.

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	8,600	8,600	5,992					5,992
New Plan Estimates				6,282	6,686	7,187	7,617	27,772
1-Year Carry Forward to 2007								0
Total Gross Annual Expenditures & Plan	8,600	8,600	5,992	6,282	6,686	7,187	7,617	33,764
Program Debt Target			2,500	2,500	2,500	2,500	2,400	12,400
Financing:								
Recommended Debt	3,000		2,722	2,718	2,801	2,951	3,000	14,192
Other Financing Sources:								
Reserves/Reserve Funds								0
Development Charges								0
Federal								0
Provincial								0
Other Revenue	5,600		3,270	3,564	3,885	4,236	4,617	19,572
Total Financing	8,600		5,992	6,282	6,686	7,187	7,617	33,764
By Category:								
Health & Safety								0
Legislated	2,600							0
SOGR	5,607		5,772	2,983	6,362	6,977	7,467	29,561
Service Improvement	393		220	299	324	210	150	1,203
Growth Related								0
Total By Category	8,600		5,992	3,282	6,686	7,187	7,617	30,764
Yearly SOGR Backlog Estimate (not addressed by current plan)			2,000	2,000	2,000	2,000	2,000	10,000
Accumulated Backlog Estimate (end of year)		158,763	156,034	153,324	149,906	137,954	145,728	145,728
Operating Impact on Program Costs **To be determined - refer to discussion on pages 9 and 12.								
Debt Service Costs			82	463	846	1,242	1,657	4,289

* Note that the 1-Year Carry Forward is reflected in CAPTOR.

5-Year Capital Plan Overview

Overview

The Recommended 5-Year Capital Plan for Toronto and Region Conservation Authority (TRCA) is comprised almost entirely of capital projects specifically benefiting the City of Toronto and located within the City's borders. There are 10 projects and 32 sub-projects totalling \$43.764 million gross and \$14.192 million debt. These projects support the strategic objectives of TRCA's vision for the Living City which encompasses healthy rivers and shorelines, regional bio-diversity, sustainable communities and business excellence.

More specifically, TRCA's 5-Year Capital Plan contains projects with the objectives of flood protection, which addresses safety concerns in flood prone areas; erosion protection, which addresses safety concerns where land loss is occurring along river valleys and shorelines; waterfront regeneration, which consists primarily of parkland and habitat creation along the Lake Ontario waterfront (with associated water quality monitoring); infrastructure repairs and maintenance in support of the foregoing objectives; and environmental rehabilitation through the Toronto Remedial Action Plan.

Approximately 96% or \$29.561 million of TRCA's 5-Year Capital Plan consists of state of good repair projects. On average, the annual funding allocation for state of good repair projects is \$5.9 million.

Approximately 4% or \$1.203 million of TRCA's 5-Year Capital Plan consists of service improvement and enhancement or growth related projects pertaining to waterfront development.

Multi-Year Debt Affordability Targets

The Recommended 5-Year Capital Plan for 2007-2011 exceeds the Council-approved debt affordability targets in each of the 5 years: by \$0.222 million in 2007, \$0.218 million in 2008, \$0.301 million in 2009, \$0.451 million in 2010 and \$0.6 million in 2011, for the following reasons.

1. There is a significant and growing backlog of capital work to be done. (See discussion on page 8.)
2. The number of vulnerable erosion sites is increasing and, as witnessed by the events of August 19, 2005, there is reason to expect that such storm impacts could be incurred with increasing frequency.
3. The Black Creek Pioneer Village Visitors Centre is now 25 years old and requires retrofitting.

The TRCA Recommended 5-Year Capital Plan includes funding for an Ashbridges Bay project which falls within the mandate of the Toronto Waterfront Revitalization Corporation (TWRC). If negotiations to transfer that project to TWRC are successful, there would be a reduction in the debt-funded portion of TRCA's Capital Plan for 2008-2011, bringing TRCA closer to its debt affordability targets for those years. (See discussion on page 14.)

Capacity and Project Readiness

TRCA has had near-perfect spending rates over the past several years and is ready to proceed with the projects in its 5-Year Capital Plan. TRCA has completed feasibility or needs assessments and engineering estimates and formulated solid costing for its projects, the majority of which are ongoing or phased projects which have been in existence for a number of years.

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.

Subsequently, TRCA made a small number of minor changes to the Plan. Overall, the difference is a reduction by \$0.006 million over the 4 years 2007-2010 (a reduction of \$5,000 in 2007, a reduction of \$0.001 million in 2008, a reduction of \$0.005 million and an increase of \$0.001 million in 2010). The summary below highlights the changes:

- TRCA increased the allocation for Greenspace Land Acquisition (Toronto Share) by \$0.017 million to \$0.067 million each year to reflect sharing among TRCA's municipal partners on the basis of the current value assessment, for the first time. Previously, this has been an arbitrary \$0.050 million across the board for all TRCA's municipal partners.
- Waterfront and Valley Erosion Control remains the same in terms of annual totals with some reallocation among sites.
- TRCA increased the allocation for the Toronto Remedial Action Plan by \$0.187 million in 2007, \$0.533 million in 2008, \$0.758 million in 2009 and \$1.122 million in 2010 to include watershed management and regeneration projects that had previously been deferred and to include the sustainable communities work that had previously been classified as a separate project.
- TRCA reduced the allocation to the Sustainable Communities Project by \$0.125 million in 2007, \$0.125 million in 2008, \$0.093 million in 2009 and \$0.459 million in 2010 and merged this project into the Toronto Remedial Action Plan because of the similarity in the objectives of the two projects.
- TRCA reduced the allocation to Waterfront Development by \$0.017 million in 2008, \$0.197 million in 2009 and \$0.083 million in 2010 to accommodate Greenspace Land Acquisition (Toronto Share) and a reallocation between Ashbridges Bay and Tommy Thompson sites. The latter change more reasonably reflects the completion of the park and the handover of operations to the City's Parks, Forestry and Recreation Division.

State of Good Repair Backlog

TRCA's accumulated state of good repair backlog at the end of 2006 was \$158.736 million. This figure includes maintenance of the natural environment through activities such as erosion control and source water protection. During the period 2007-2011, TRCA will address its annual state of good repair needs and reduce its backlog so that the estimated accumulated backlog by the end of 2011 is \$145.728 million.

Operating Impact of the 5-Year Capital Plan

TRCA typically absorbs the operating impact of its capital budgets, except in cases where TRCA hands over a completed project to a City agency to manage ongoing operations. For example, upon completion of TRCA's capital work on ravine parkland, TRCA hands over the operation of the park to the City's Parks, Forestry and Recreation Division. This impacts the operating budget of Parks, Forestry and Recreation. Future-year TRCA capital budgets will include such operating impacts.

Pre-approvals

TRCA did not require pre-approval for its 2007 capital projects.

**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				0			0						0
Change in Scope				0			0						0
New			5,992	5,992			5,992						5,992
New w/Future Year				0			0						0
Total Expenditure	0	0	5,992	5,992		0	5,992	0	0	0	0	0	5,992
Financing													
Debt			2,722	2,722	2,500		2,722						2,722
Subsidy (SCPI)				0			0						0
Prov. Subsidy/Grant				0			0						0
Development Charges				0			0						0
Other			3,270	3,270			3,270						3,270
Federal Grants				0			0						0
Reserves/Res Funds				0			0						0
Total Financing	0	0	5,992	5,992		0	5,992	0	0	0	0	0	5,992

Comments / Issues:

- Approval of the 2007 Recommended Capital Budget of \$5.992 million gross (\$2.772 million debt) in 2007 will not require any future-year commitments.
- TRCA’s 2007 Capital Budget is partially funded by City debt (\$2.722 million or 45%) and “other” financing of \$3.27 million or 55% in the form of a contribution from Toronto Water Reserves, through the Toronto Water 2007 Capital Budget.

2007 Recommended Capital Budget

2007 Recommended Capital Budget versus Debt Target

TRCA's 2007 Recommended Capital Budget requires \$2.722 million in debt, which exceeds the Council-approved debt affordability target of \$2.5 million established for TRCA for 2007. Although the option of moving a Waterfront Development project at Ashbridges Bay is being explored, discussions with provincial and federal funding partners will not be concluded before the end of the 2007 Capital Budget process. As such, funding of \$0.43 million gross and \$0.215 million debt will remain in TRCA's 2007 Capital Budget for mandatory dredging to maintain boat access to the Ashbridges Bay area. (See discussion on page 14.)

Toronto Water Contribution to TRCA 2007 Recommended Capital Budget

The TRCA 2007 Recommended Capital Budget reflects \$3.3 million in funding through the Toronto Water 2007 Capital Budget. The following is a list of TRCA capital projects planned to be funded through the Toronto Water 2007 Capital Budget.

Project / SubProject Name and Number	2007	% funded by Toronto Water
TRC000003 Greenspace Land Acquisition (Toronto Share)		
4 Greenspace Land Acquisition	67	100%
TRC000017 Waterfront & Valley Erosion Control		
35 Meadowcliffe Drive	25	50%
48 Toronto Parks Sites	75	50%
51 Valley & Shoreline Monitoring/Maintenance	165	50%
52 Guildwood Parkway	193	50%
53 (97-01) 121-123 Col. Danforth Trail	84	50%
57 Martingrove Road	33	50%
58 Col. Danforth Trail/Beechgrove Ave.	88	50%
60 Charles Sauriol Park/ CN Rail Bridge	62	50%
TRC000315 Toronto Remedial Action Plan		
16 Sustainable Communities	160	100%
17 Multi Watershed	291	100%
18 Watershed Monitoring Program	265	100%
19 Regional Watershed Management	625	100%
20 Regeneration Sites	325	100%
TRC16 Waterfront Development		
21 Wtrfrnt Dev:Keating Channel Dredging	320	100%
33 Wtrfrnt Dev :Ashbridges Bay	245	57%
35 Tommy Thompson- Cell 2 Capping Phase 1	175	100%
TRC906538 Kortright/Living City Centre Retrofit		
3 Phase 2: Kortright/Living Centre Retrofit	103	50%
	\$3,300	

Category

The TRCA 2007 Recommended Capital Budget is comprised of 4% service improvement projects to develop waterfront parkland and 96% state of good repair projects to preserve Toronto's natural environment through the Toronto Remedial Action Plan, waterfront and valley erosion control and other waterfront development projects.

Capacity and Project Readiness

TRCA is ready to proceed with its 2007 projects. TRCA has completed feasibility or needs assessments and engineering estimates and formulated solid costing for each of its 2007 projects.

Operating Budget Impact

Incremental Operating Impact Summary

Program Incremental Operating Costs

In accordance with established practice, TRCA will absorb the operating impact of its 2007 capital budget, except in cases where TRCA will hand over a completed project to a City agency to manage ongoing operations. (See discussion on page 9.) TRCA's 2007 Recommended Capital Budget does not reflect these costs but future-year budgets will include such impacts.

PART II: ISSUES FOR DISCUSSION

2007 Capital Budget Issues

Funding Sources

Toronto Water, TRCA and Financial Planning staff have confirmed the allocation of funding between debt and water reserves for TRCA's 2007 Recommended Budget, in keeping with the broad policy governing the funding of TRCA's budgets that City Council approved in September 2006 which provides for Toronto Water to determine funding to TRCA from water reserves prior to budget submission deadlines. The level of funding from water reserves in TRCA's 2007 Recommended Capital Budget is \$3.3 million or 55%, through provisions made in the Toronto Water 2007 Capital Budget. A list of TRCA capital projects planned for funding through the Toronto Water 2007 Capital Budget is included on page 11. The individual projects within that funding envelope are still under discussion between TRCA and Toronto Water.

Motel Strip Expropriation – 2007 Costs

TRCA has been involved in prolonged expropriation proceedings pertaining to land acquired in the Motel Strip/Humber Bay Shores area in Toronto in 1996. The City is responsible for 50% of TRCA's costs in this matter; the Province of Ontario is responsible for the other 50%.

Following Council approval in September 2006, the City made an in-year adjustment, funded from various reserve funds, to increase TRCA's 2006 Approved Capital Budget by \$2.6 million, representing the first phase of settlement through TRCA in the motel strip expropriation proceedings.

TRCA's 2007 Recommended Capital Budget does not contain a provision for costs in 2007 since the funding is not yet required and is yet unknown as legal proceedings and negotiations are still in progress.

A report from the Deputy City Manager and Chief Financial Officer, in consultation with the General Managers of Transportation Services, Toronto Water and Parks, Forestry and Recreation, on funding various settlements regarding the expropriations in the Motel Strip/Humber Bay Shores area is scheduled to be submitted to the General Government Committee in the fall of 2007. The funding for 2007 will be requested as required.

5-Year Capital Plan Issues

Debt Affordability Targets

The average historical annual debt funding level for TRCA has been \$3 million. The debt affordability targets established for TRCA are \$2.5 million each year for 2007-2010 and \$2.4 million for 2011, which are 17% below historical funding levels. TRCA's Recommended 5-Year Capital Plan exceeds the debt affordability targets in each of the 5 years by an average of \$0.358 million because of a significant and growing backlog, vulnerable erosion sites and aging facilities. (See discussion on page 7.)

Waterfront Development – Ashbridges Bay

The TRCA Recommended 5-Year Capital Plan includes \$2.499 million for the Ashbridges Bay project, to be funded equally by debt and water reserves. (See Appendix 1, page A3, TRC16 – Waterfront Development, sub-project 33.) TRCA and Financial Planning staff are holding discussions with the Waterfront Secretariat to determine whether the construction of a breakwater at Ashbridges Bay could be moved to the Toronto Waterfront Revitalisation Corporation budget, since it falls within that Program's mandate. However, because such an amendment requires agreement from provincial and federal funding partners, it is unlikely that the Waterfront Secretariat can make a decision before the City's 2007 Capital Budget process is concluded. If the transfer of the project is successful, the reduction in the debt-funded portion of TRCA's Capital Plan for 2008-2011 could be \$1.034 million in total, made up of \$0.197 million in 2008, \$0.102 million in 2009, \$0.366 million in 2010 and \$0.369 million in 2011. Funding of \$0.43 million gross and \$0.215 million debt will remain in TRCA's 2007 Capital Budget for mandatory dredging to maintain boat access to the Ashbridges Bay area.

Motel Strip Expropriation – Future-Year Costs

There will likely be a requirement for City funding beyond 2007 for expropriation proceedings on land that TRCA acquired in the Motel Strip/Humber Bay Shores area.

No provision has been made in TRCA's 2008-2011 Capital Plan for costs beyond 2007 since the funding amounts are not yet required and are still unknown because legal proceedings and negotiations have not yet been concluded.

The required funding amounts for 2008-2011 will be requested when they become known, either as part of future-year capital budget processes or as in-year increases to TRCA's future-year capital budgets.

Land Acquisition

Annual funding of \$0.067 million for Greenspace Land Acquisition pertains to nominal amounts and legal costs to acquire small environmentally significant land parcels located in Toronto. The acquisition of larger parcels of land, often located in other municipalities, for source water protection purposes is not funded through the TRCA Capital Budget, but rather through the Toronto Water Capital Budget.