

Analyst Briefing Notes

Budget Committee

November 3, 2009

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 10-Year Recommended Capital Plan provides funding for IT projects that advance the strategic direction of Court Services to acquire technology to support productivity improvement and fine enforcement and collections:
 - Online self-service tool, allows the public to obtain court data and case status information over the Internet and reduces counter line ups and telephone service for case inquiries (\$0.161 million).
 - Collections tracking software, allows staff to identify high value accounts and automatically generate default and collections notices (\$0.192 million)
 - Ongoing system sustainment, hardware upgrades, and equipment replacement (\$1.2 million)
- Expenditures by year-end 2009 are projected to be \$2.565 million, or 75% of the 2009 Approved Capital Budget. The projected under expenditures are solely attributed to delays in system automation and implementation of collections software due to legal regulations. The \$0.853 million of unspent 2008 funding will not be fully carried forward into 2010 as the project for Alternative Resolution for Parking Tickets will not proceed at this time. Only \$0.353 million in unspent 2008 funding will be carried forward into 2010 to complete the implementation of collections tracking software and development of self-service online information tools for customers.
- The 10-Year Recommended Capital Plan totalling \$1.553 million focuses on system upgrades, automation, and enhanced productivity.
 - All Court Services projects are funded from the Provincial Offences Court Stabilization Reserve, and have no impact on the City's debt. 100% of the 2010 Recommended Capital Budget is allocated to projects that are deemed Legislated to comply with the Provincial Offences Act.
 - Court Services has no backlog of state of good repair requirements.
- The 2010 Recommended Capital Budget of \$0.353 million provides funding to complete a previously approved IT project, which was not completed in 2009.
- While the 10-Year Recommended Capital Plan is fully funded by the Provincial Offences Courts Stabilization Reserve, the Reserve is nearing depletion and any unforeseen capital requirements may fully deplete the Reserve. As Court Services has no capital plan for the period 2015-2020, the sustainability of the Provincial Offences Courts Stabilization Reserve will be reviewed once Court Services has identified future facility, SOGR and IT requirements.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. Council approve the 2010 Recommended Capital Budget for Court Services with a 2010 cash flow of \$0.353 million. The 2010 Recommended Capital Budget consists of the following:
 - a) one previously approved sub-project with carry forward funding from 2008 into 2010 totalling \$0.353 million;
2. Council approve the 2011-2019 Capital Plan for Court Services totalling \$1.2 million in project cost estimates, comprised of cash flows of \$0.600 million in 2012, and \$0.600 million in 2014; and
3. the Director of Court Services assess all future capital requirements for Court Services and develop a 10-Year Capital Plan for the 2011 Capital Budget process.

PART I: CAPITAL PROGRAM

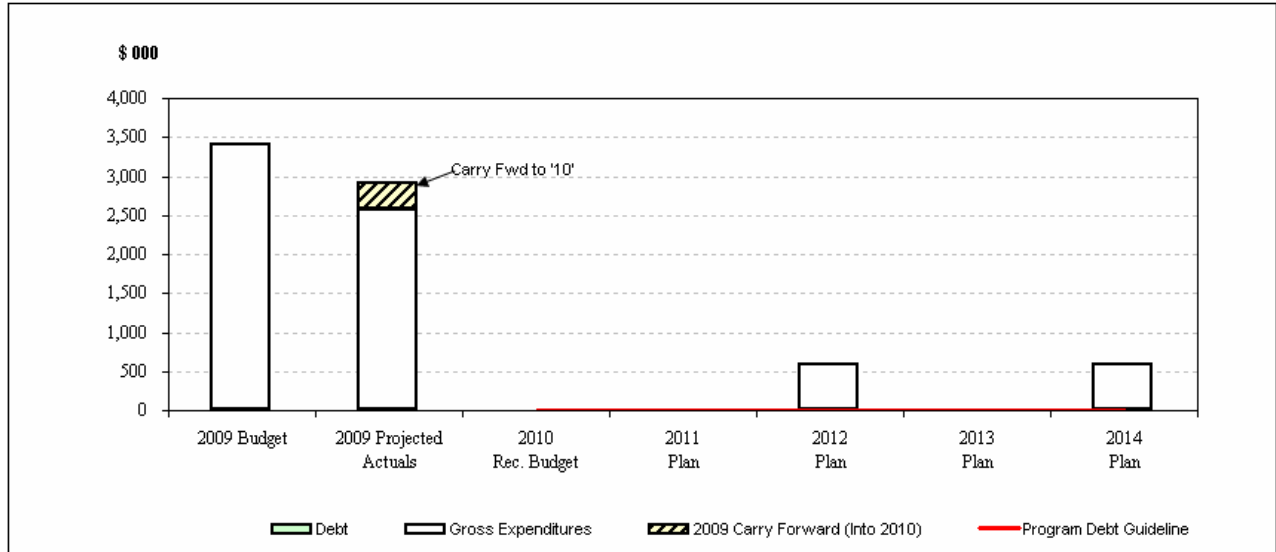
2009 Capital Variance Review

2009 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2009 Approved	Actuals as of September 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
3,418	2,195	64.2%	2,565	75%	853

- At the end of September 30, 2009, Court Services spent \$2.195 million or 64.2% of its 2009 Approved Capital Budget of \$3.418 million. Court Services is projecting expenditures at year-end to be \$2.565 million or 75% of its 2009 Approved Capital Budget of \$3.418 million. All projects are funded from the Provincial Offences Court Stabilization Reserve, and have no impact on the City’s debt.
- Projected year-end under-spending of \$0.853 million is attributed to the POA Application Development project - Phase II (Court Admin Records System - CARS). Of the \$0.853 million unspent funding, only \$0.353 million in funding will be carried forward into 2010, as \$0.500 million for the alternative dispute resolution for parking tickets is not currently required and the project will not proceed. The unspent amount of \$0.353 million is required for the completion of collections tracking software and IVR payment services.
- The \$0.500 million in under-spending will remain in the Provincial Offences Court Stabilization Reserve for future SOGR and IT projects.

10-Year Capital Plan

2010 Recommended Capital Budget, 2011-2014 Recommended Plan



	2009		2010 Rec. Budget and 2011-2014 Plan					2010-2014 Total	Five Year Percent
	Budget	Projected Actual	2010	2011	2012	2013	2014		
	Gross Expenditures:								
2009 Capital Budget & Approved FY Commitments	3,418	2,565						-	
Recommended Changes to Approved FY Commitments								-	
2010 New/Change in Scope and Future Year Commitments					600		600	1,200	100%
2011 - 2014 Capital Plan Estimates									
1-Year Carry Forward to 2010		353						-	
Total Gross Annual Expenditures & Plan	3,418	2,918	-	-	600	-	600	1,200	
Program Debt Target			-	-	-	-	-	-	
Financing:									
Recommended Debt			-	-	-	-	-	-	0%
Reserves/Reserve Funds					600		600	1,200	100%
Development Charges								-	0%
ISF								-	0%
Provincial/Federal								-	0%
Other Revenue								-	0%
Total Financing			-	-	600	-	600	1,200	100%
By Category:									
Health & Safety								-	0%
Legislated					600		600	1,200	100%
SOGR								-	0%
Service Improvement								-	0%
Growth Related								-	0%
Total By Category			-	-	600	-	600	1,200	100%
Yearly SOGR Backlog Estimate (addressed by current plan)									
Accumulated Backlog Estimate (end of year)									
Operating Impact on Program Costs									
Debt Service Costs									

10-Year Capital Plan Overview

Court Services' 10-Year Capital Plan does not have any estimates beyond 2014 given the uncertainty surrounding Provincial direction for future year capital requirements, and the Provincial Offences Courts Stabilization Reserve balance. Once specific needs have been identified, Court Services will submit a full 10-Year Capital Plan.

The 2010 Recommended Capital Budget for Court Services of \$0.353 million consists of one previously approved project (POA Application Phase II Court Case Record Management System) that was not completed in 2009. In addition, the 2010-2019 Recommended Capital Plan includes recommended cash flow funding of \$0.600 million in 2012 and \$0.600 million in 2014 to sustain the POA Court Case Record Management System and Hardware upgrade and replace the equipment that will retire in 6-7 years. All recommended projects are in accordance with the Provincial Offences Act and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General.

All Court Services capital projects meet legislated requirements and are fully funded by the Provincial Offences Courts Stabilization Reserve. Court Services has re-prioritized projects to ensure \$4.0 million is set aside in the Provincial Offences Courts Stabilization Reserve to fund the construction of a future courthouse at the St. Lawrence Market North location, to replace the existing Old City Hall courthouse. Details of the St. Lawrence Market North project are discussed in the Capital Analyst Notes for Facilities and Real Estate.

Key Changes to the 2009-2018 Approved Capital Plan

The only change in the Recommended 10-Year Capital Plan is the deferral of cash flow funding for the POA Court Case Record Management System and Hardware upgrade project from 2010 to 2012 (\$0.600 million) and from 2012 to 2014 (\$0.600 million). The change reflects Court Services' needs assessment.

Project Financing

All projects in the Recommended 10-Year Capital Plan are fully funded by the Provincial Offences Courts Stabilization Reserve (XQ0704). The projected balance of the reserve at the end of 2009 is anticipated to be \$6.743 million. The 10-Year Recommended Capital Plan requires withdrawals of \$0.353 million in 2010, \$0.600 million in 2012, and \$0.600 million in 2014, leaving a balance of \$5.190, out of which \$4.0 million is allocated to the construction a future courthouse as part of the St. Lawrence North Revitalization project.

Program Capacity and Readiness to Proceed

The Court Services Program is projecting to spend 75% of its 2009 Approved Capital Budget reflecting legal process delays in implementing system automation and collections software. The Program will not proceed with the Alternate Dispute Resolution project for parking tickets and therefore will not require the total unspent amount of \$0.853 million. While \$0.353 million of unspent funding will be carried forward into 2010, the remaining amount will remain in the reserve for future use.

The 10-Year Recommended Capital Plan is comprised of one ongoing IT project scheduled for completion in 2010, a new sub-project required for IT sustainment and upgrades, starting in 2012.

Projects have been reviewed and prioritized based on a needs assessment undertaken for all capital projects. The IT sustainment project cash flows have been deferred to reflect actual procurement plans and readiness to proceed.

Backlog – State of Good Repair (SOGR)

No state of good repair projects exist at this time. Court Services and Facilities and Real Estate, have reviewed the potential need for facility renovations at 1530 Markham Road and 2700 Eglinton Avenue West. However, at this time, minor repair work in areas of carpeting, painting and wall paper replacement will be included in future operating budgets as required.

Capital Projects Highlights

The 10-Year Recommended Capital Plan includes the following key capital projects:

- Completion of Phase II – Court Administration Records System to support productivity improvement and to acquire and implement collections software (\$0.353 million); and
- Ongoing system sustainment, hardware upgrades, and equipment replacement for POA application equipment that is 6-7 years old (\$1.2 million).

(In \$Thousands)	2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	5-Year Plan	2015 -2019 Plan	2010 -2019 Total
IT Projects								
POA Application Development	353					353		353
POA Application Sustainment & Hardware Upgrade			600		600	1,200		1,200
Sub-Total	353	-	600	-	600	1,553	-	1,553
Other Major City Initiatives:								
Sub-Total								
Total	353	-				1,553		1,553

Total 2010 Recommended Cash Flow & Future Year Commitments (\$000s)

	2008 & Prior Year Carry Forwards	2010 Previously Approved Cash Flow Commitments	2010 New Cash Flow Recommended	2010 Total Cash Flow Recommended	2010 Debt Target	2009 Carry Forwards	Total 2010 Cash Flow (Incl 2009 C/Fwd)	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total Cost
Expenditures																	
Previously Approved	353	-		353		-	353										353
Change in Scope		-		-			-										-
New			-	-			-										-
New w/Future Year																	-
Total Expenditure	353	-	-	353	-	-	353	-	-	-	-	-	-	-	-	-	353
Financing																	
Reserves/Res Funds						-	353										353
Development Charges																	-
Other																	-
Debt																	-
Total Financing	-	-	-	-	-	-	353	-	-	-	-	-	-	-	-	-	353

The 2010 Recommended Capital Budget of \$0.353 million is comprised of 2008 carrying forward funding required to complete a self-service application that will allow customers to look up look up information over the web for a nominal service fee (\$0.161 million). The remaining \$0.192 million in unspent funding will be used to develop a collections tracking software program as well as an IVR payment service.

2010 Recommended Capital Budget Overview

Capital Budget by Project Category

The 2010 Recommended Capital Budget is entirely allocated to Legislated projects.

2010 Recommended Capital Budget Financing

All projects in the 2010 Recommended Capital Budget are fully funded by the Provincial Offences Courts Stabilization Reserve. As a result, there are no set debt affordability targets for Court Services. The Provincial Offences Courts Stabilization Reserve Fund is the only funding source for Court Services' capital projects.

Capital Project Highlights

The 2010 Recommended Capital Budget will complete the system automation to allow customers to use an online self service site to look up information and reduce long wait periods at counters, as well as to complete the implementation of collections software.

PART II: ISSUES FOR DISCUSSION**2011-2019 Recommended Capital Plan Issues****Reserve Depletion**

The Court Stabilization Reserve Fund has a projected year-end balance of \$6.743 million. The 10-Year Recommended Capital Plan requires withdrawals of \$1.553, leaving a balance of \$5.190, out of which, \$4.0 million needs to remain in the reserve for future courthouse construction at the St. Lawrence Market North location. Thus, any additional capital requirements for unforeseen projects may deplete the reserve.

The Provincial Offences Court Stabilization reserve, created in 2002 when the City assumed responsibility for the administration and prosecution functions of the provincial offences courts in Toronto, has been the sole funding source for Court Services capital projects. Since the transfer, Court Services has realized net operating revenues annually, ranging from \$3.3 million to \$9.6 million. All net revenues have been applied annually to the City's corporate operating surplus although the current policy permits net revenue in excess of \$8.5 million to be applied to the Reserve.

During the 2008 Capital Budget process, the issue of the pending depletion of the Provincial Offences Courts Reserve was identified as part of the 2009-2018 Capital Plan approval, Council directed that the Deputy City Manager and the Chief Financial Officer in conjunction with the Director of Court Services review the current policy of funding the reserve.

The Recommended 10-Year Capital Plan includes draws of \$1.553 from the Reserve, leaving a balance of \$5.2 million, out of which \$4.0 million is committed to the St. Lawrence Market North courthouse redevelopment. Thus, only \$1.2 million is available in the Reserve to fund Court Services' capital requirements. However, it is recommended that any review of the POA Reserve sustainability be subject to a firm 10-Year Plan submission from Court Services.

Future Year Estimates

Court Services has not identified capital requirements beyond 2015 at this time. To ascertain Court Services funding requirements and the pressure on the Reserve, it is recommended that the Director of Court Services assess all future capital requirements over the 2011-2020 capital planning period and include appropriate capital projects as part of Court Services 2011 Capital Budget submission.

Appendix 1
10 –Year Recommend Capital Plan Summary

Project	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total 10-year Plan
POA Application Development	353										353
POA Application Sustainment			600		600						1,200
Total Program (including carry forwards)	353		600		600						1,553

Appendix 2

**2010 Recommended Capital Budget; 2011 to 2019
Capital Plan**

Appendix 3

**2010 Recommended Cash Flow
And Future Year Commitments**

Appendix 4
2010 Recommended Capital Projects
With Financing Details

Appendix 5

Reserve / Reserve Fund Review

Reserve / Reserve Fund Name (In \$Thousands)	Project / SubProject Name and Number	Projected Balance as of December 31, 2009	Proposed Withdrawals									
			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
XQ0704 Provincial Offences Court Stabilization Reserve	Beginning Balance	9,309	6,744	6,391	6,391	5,791	5,791	5,191	5,191	5,191	5,191	5,191
	Proposed Withdrawals	(2,565)	(353)		(600)		(600)					
TOTAL RESERVE FUND BALANCE AT YEAR-END		6,744	6,391	6,391	5,791	5,791	5,191	5,191	5,191	5,191	5,191	5,191