

Analyst Briefing Notes

Budget Committee

November 3, 2009

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October 30, 2009

PART I: CAPITAL PROGRAM**Executive Summary**

- Funding for the 10-Year Recommended Capital Plan ensures the State-of-Good-Repair (SOGR) and essential life cycle replacement of the City's fleet of vehicles and equipment utilized by all City Programs, and Agencies, Boards and Commissions, excluding the Toronto Police and TTC.
- The following summarizes the allocation of recommended funding by project type:
 - The 10-Year Recommended Capital Plan allocates significant financial resources to address the renewal needs of essential life cycle replacement of the City's fleet of vehicles and equipment. The total cash flow, including carry forwards, over the 10-year planning horizon is \$546.075 million. Significant replacement programs include:
 - Solid Waste Management (\$170.630 million).
 - Fire Services (\$76.840 million).
 - Parks, Forestry and Recreation (\$73.385 million).
 - Transportation Services (\$60.483 million).
 - Toronto Water (\$50.649 million)
 - Emergency Medical Services (\$47.791 million).
 - Fuel Sites Closures (\$16.800 million).
 - The Maintenance System Upgrade (\$1.136 million).
 - The Fleet Management and Fuel System Integration project (\$3.918 million).
 - The Green Fleet Plan (\$5.164 million)
- The 2009 Approved Capital Budget of \$59.197 million was 30.7% or \$18.187 million spent, as at September 30, 2009. Actual expenditures by year-end are anticipated to be \$42.747 million or 72.2% of the 2009 Approved Capital Budget. This is comparable to the 2008 spending rate of 71.5%.
 - The projection of 2009 funding to be carried forward into the 2010 Recommended Capital Budget is \$12.762 million.
- The 10-Year Recommended Capital Plan totals \$546.075 million, including 2009 carry forward funding into 2010 of \$12.762 million, of which \$278.390 million is projected for the first 5 years, with the final 5 years requiring funding of \$267.685 million or 49.0%.
 - The 10-Year Recommended Capital Plan is funded from the Vehicle and Equipment Replacement Reserves, and does not affect the debt level for the City.

- Changes to the 2009-2018 Approved Capital Plan include an increase in cash flow funding of \$42.980 million in the 9 years 2010-2018 that incorporates an increase in funding estimates for Fleet Services major clients (Solid Waste Management, Transportation, Parks, Forestry and Recreation, and Fire Services) fleet replacement in accordance with the life-cycles of the vehicles and equipment due for replacement, and new estimate of \$50.911 million for 2019.
- Funding for the 10-Year Recommended Capital Plan reduces the current state of good repair backlog by approximately \$4.000 million annually. The state of good repair backlog will be eliminated at the end of the 10-year time frame.
- The 10-Year Recommended Capital Plan provides funding to advance the following priority actions outlined in the Mayor's and Council's policy agenda:
 - **A Greener City of Toronto:** The 10 Year Recommended Capital Plan includes recommended funding for the Green Fleet Plan, which over the ten year period, totals of \$5.164 million to replace vehicles and equipment with newer and innovative green technology to lower pollutants and save fuel.
- The 2010 Recommended Capital Budget for previously approved and new projects (excluding 2009 carry forward funding into 2010) of \$43.465 million is 95.1% allocated to state of good repair projects at \$41.361 million; 3.6% to service improvement projects at \$1.561 million, and 1.3% to legislated projects at \$0.543 million.
- Approval of the 2010 Recommended Capital Budget will result in a commitment to future year funding for new projects of \$10.500 million in 2011. This is the required cash flow for expected delivery of vehicles in 2011.
- The 2009 summer labour disruption will not significantly impact Fleet Services delivery for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan.
- The 2010 Recommended Capital Budget of \$43.465 million provides funding:
 - To replace vehicles and equipment for Fleet Services' client Divisions. (\$41.361 million)
 - To continue the Green Fleet initiatives to lower emissions and save fuel by taking advantage of innovative green technology. (\$0.543 million)
 - To continue the closure of Fuel Sites in accordance with the "Corporate Fuel Sites Review" approved by Council in 2006. (\$1.500 million)
 - To upgrade the Fleet Management System. (\$0.061 million)

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. Council approve the 2010 Recommended Capital Budget for Fleet Services with a total project cost of \$40.927 million, and 2010 cash flow of \$56.227 million and future year commitments of \$10.500 million comprised of the following:
 - a) New Cash Flow Funding for:
 - i) 21 new sub-projects with a 2010 total project cost of \$40.927 million that requires cash flow of \$30.427 million in 2010 and a future year commitment of \$10.500 million in 2011;
 - ii) 4 previously approved sub-projects with a 2010 cash flow of \$9.373 million;
 - iii) 23 sub-projects from previously approved projects with carry forward funding from 2008 and prior years requiring 2010 cash flow of \$3.665 million that requires Council to reaffirm its commitment; and,
 - b) 2009 approved cash flow for 17 previously approved sub-projects with carry forward funding from 2009 into 2010 totalling \$12.762 million;
2. Council approve the 2011-2019 Recommended Capital Plan for Fleet Services totalling \$479.348 million in project estimates, comprised of \$51.947 million in 2011; \$50.380 million in 2012; \$65.348 million in 2013; \$43.988 million in 2014; \$66.721 million in 2015; \$47.430 million in 2016; \$55.311 million in 2017; \$47.312 million in 2018; and, \$50.911 million in 2019; and,
3. The 2010 Recommended Capital Budget for Feet Services be adjusted to agree with Programs' 2010 budgeted contributions to the Vehicles Reserves to reflect any changes to the recommended contributions that may occur during the Operating Budgets review, and the funding availability of the Programs' vehicle reserve account.

PART I: CAPITAL PROGRAM

2009 Capital Variance Review

2009 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2009 Approved	Actuals as of Sept 30 (3 rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
59,197	18,187	30.7%	42,747	72.2%	16,450

Fleet Services’ 2009 Approved Capital Budget of \$59.197 million was 30.7% or \$18.187 million spent, as at September 30, 2009. Actual expenditures by year-end are anticipated to be \$42.747 million or 72.2% of the 2009 Approved Capital Budget. This is comparable to the 2008 spending rate of 71.5%.

State of Good Repair projects represent 94.2% or \$55.734 million of the 2009 Approved Capital Budget. As of September 30, 2009 \$17.305 million or 31.0% of the approved cash flow funding for SOGR projects was spent. With the expected delivery of vehicles in the latter half of the year, Fleet Services is projecting a spending rate of 71.1% or \$39.601 million of the approved cash flow funding for SOGR projects by year end.

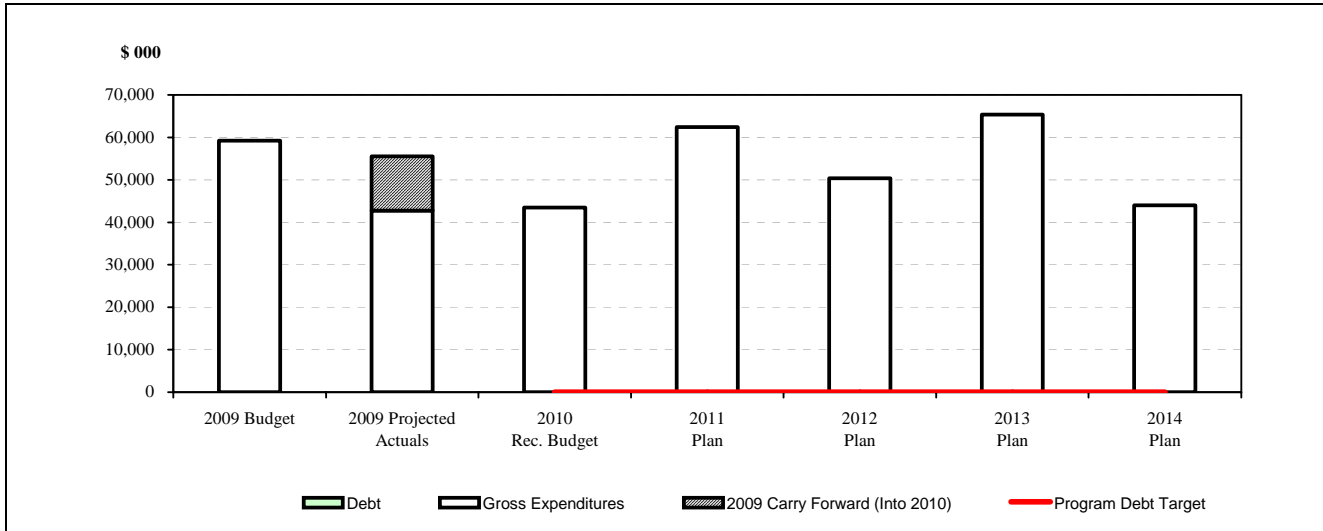
The projected under-spending of \$16.133 million is primarily due to the delay in procurement resulting from specification development with Programs for specialized vehicles and equipment, such as excavators, loaders, side-loading packers, and combination sewer vacuum / cleaners for specific business operations. Vehicle design changes have delayed the replacement of Fire Service vehicles. Significant time was required to evaluate and confirm whether the new designs would serve operational requirements.

Service Improvement projects represent 5.8% or \$3.463 million of the 2009 Approved Capital Budget. As of September 30th, \$0.882 million or 25.5% of the approved funding for Service Improvement projects was spent. The projected spending on the Service Improvement projects to year end will be \$3.146 million or 90.9% of the approved funding. The projected under-spending of \$0.317 million is due to the delay in implementation of the Fleet Fuel system and Management System integration pilot

The funding from 2009 carried forward into 2010 included in the 2010 Recommended Capital Budget is \$12.762 million. This is lower than the projected unspent actual expenditures of \$16.450 million, which includes funds approved in 2008.

10-Year Capital Plan

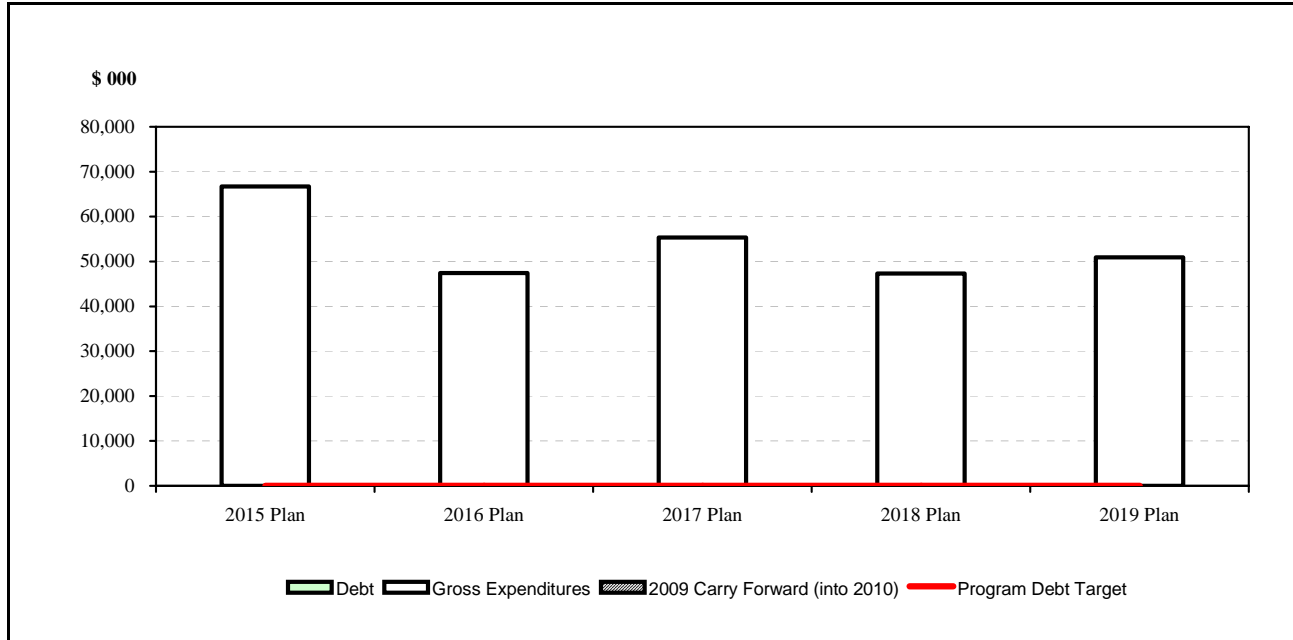
2010 Recommended Capital Budget, 2011-2014 Recommended Capital Plan



	2010 Rec. Budget and 2011-2014 Plan								2010-2014 Total	Five Year Percent
	2009		2010	2011	2012	2013	2014			
	Budget	Projected Actual								
Gross Expenditures:										
2009 Capital Budget & Approved FY Commitments	59,197	42,745	9,373					9,373		
Recommended Changes to Approved FY Commitments			3,665					3,665		
2010 New/Change in Scope and FY Commitments			30,427	10,500				40,927		
2011 - 2014 Capital Plan Estimates				51,947	50,380	65,348	43,988	211,663		
1-Year Carry Forward to 2010		12,762								
Total Gross Annual Expenditures & Plan	59,197	55,507	43,465	62,447	50,380	65,348	43,988	265,628		
Program Debt Target										
Financing:										
Recommended Debt										
Reserves/Reserve Funds	59,197	55,507	43,465	62,447	50,380	65,348	43,988	265,628	100%	
Development Charges										
ISF / RInC										
Provincial/Federal										
Other Revenue										
Total Financing	59,197		43,465	62,447	50,380	65,348	43,988	265,628	100%	
By Category:										
Health & Safety										
Legislated	682		543	500	500	500	500	2,543	1%	
SOGR	56,420		41,361	60,047	47,755	62,698	41,038	252,899	95%	
Service Improvement	2,095		1,561	1,900	2,125	2,150	2,450	10,186	4%	
Growth Related										
Total By Category	59,197		43,465	62,447	50,380	65,348	43,988	265,628	100%	
Yearly SOGR Backlog Estimate (not addressed by current plan)			(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(20,000)		
Accumulated Backlog Estimate (end of year)		32,187	28,187	24,187	20,187	16,187	12,187	12,187		
Operating Impact on Program Costs										
Debt Service Costs										

10-Year Capital Plan

2015-2019 Recommended Capital Plan



	2015-2019 Capital Plan					2010-2019 Total	10-Year Total Percent
	2015	2016	2017	2018	2019		
Gross Expenditures:							
2009 Capital Budget & Approved FY Commitments						9,373	
Recommended Changes to Approved FY Commitments						3,665	
2010 New/Change in Scope and FY Commitments						40,927	
2015 - 2019 Capital Forecast Estimates	66,721	47,430	55,311	47,312	50,911	479,348	
Total Gross Annual Expenditures & Plan	66,721	47,430	55,311	47,312	50,911	533,313	
Program Debt Target							
Financing:							
Recommended Debt							
Reserves/Reserve Funds	66,721	47,430	55,311	47,312	50,911	533,313	100%
Development Charges							
ISF / RInC							
Provincial/Federal							
Other Revenue							
Total Financing	66,721	47,430	55,311	47,312	50,911	533,313	100%
By Category:							
Health & Safety							
Legislated	500	500	500	500	500	5,043	1%
SOGR	64,121	44,780	52,611	43,987	48,111	506,509	95%
Service Improvement	2,100	2,150	2,200	2,825	2,300	21,761	4%
Growth Related							
Total By Category	66,721	47,430	55,311	47,312	50,911	533,313	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)	(4,000)	(4,000)	(4,000)	(187)		(32,187)	
Accumulated Backlog Estimate (end of year)	8,187	4,187	187	0		0	
Operating Impact on Program Costs							
Debt Service Costs							

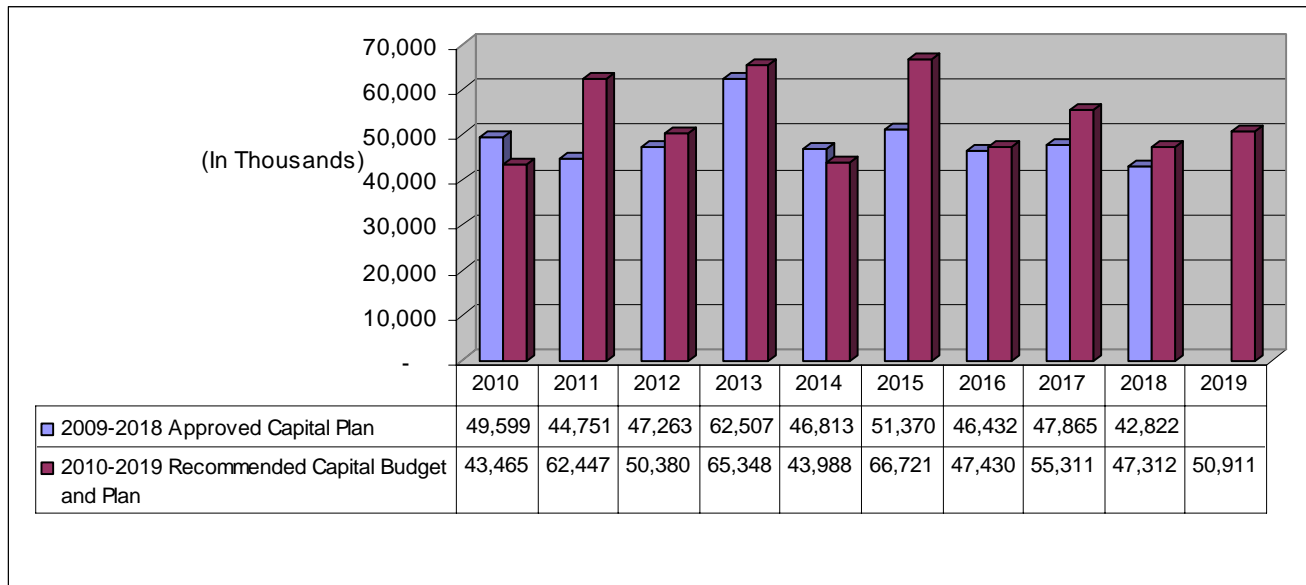
10-Year Capital Plan Overview

- Funding for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan enables Fleet Services to continue replacement of vehicles and equipment utilized by City Programs, Agencies, Boards and Commissions, excluding the Toronto Police and TTC. While Fire Services and EMS vehicle replacements are included in this capital plan, these Programs manage their own fleet replacements.
- Over the 10-year planning horizon, Fleet Services continues to utilize the Vehicles and Equipment Replacement Reserves with no impact on the City's debt level. The Vehicle and Equipment Replacement Reserves are financed annually by the Programs' budgeted contributions to their Vehicle and Equipment Replacement Reserves from their Operating Budgets.
- The 2009 summer labour disruption will not significantly impact Fleet Services' delivery for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan.
- The following summarizes the allocation of recommended funding by project category:
 - The 10-Year Recommended Capital Plan allocates significant financial resources to *State of Good Repair projects* to address the renewal needs of essential life cycle replacement of the City's fleet of vehicles and equipment. 95% of the total forecasted cash flow over the 10-year planning horizon is allocated to State-of-Good Repair projects at \$506.509 million.
 - *Service Improvement projects* represent approximately 4% or \$21.761 million of the 10-Year Recommended Capital Plan. The service improvement projects include the Fuel Sites Closures, the Maintenance System Upgrade and the Fleet Management and Fuel Systems Integration.
 - *Legislative projects* account for 1% or \$5.043 million of funding in the 10-Year Recommended Capital Plan. This funding is for the Green Fleet Plan to replace vehicles with green vehicles, giving priority to the cleanest technologies.
- Fleet Services currently has a State of Good Repair backlog, estimated at \$32.187 million by December 31, 2009. The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan includes funding to decrease this backlog by \$4.000 million in each year of the 10-Year Recommended Capital Plan to eliminate it by 2019.

Key Changes to the 2009-2018 Approved Capital Plan

The following highlights the changes between the 2009-2018 Approved Capital Plan and the 2010-2019 Recommended Capital Budget and Plan. As outlined in the table below, the 2010 Recommended Capital Budget of \$43.465 million in cash flow represents a decrease of 12.4% or \$6.134 million compared to 2010 Approved Capital Plan of \$49.599 million in 2009. There is a \$42.980 million or 9.8% increase in the 2010 Recommended Capital Budget and 2011-2018 Recommended Capital Plan over the 9 year period.

Changes to the 2009-2018 Approved Capital Plan



The majority of this increase is due to a significant increase for the Solid Waste Management Fleet replacement program. Solid Waste Management projects its vehicle replacement based on the life cycle of its fleet ensuring older vehicles are replaced in priority order to minimize maintenance costs. A large number of Packers are due for replacement in 2011, 2013 and 2015. In addition to the volume number of Packers due to be replaced, the costs of replacements have escalated as a result of new built-in equipment specifications to accomplish operational requirements.

Project Financing

The Fleet Replacement Projects contained in the 2010 Recommended Capital Budget and 2011-2019 Capital Plan for Fleet Services are funded from the Vehicle and Equipment Replacement Reserves which are financed by an annual contribution from the Operating Budgets of the participating Programs into the respective Reserve. Replacing vehicles acquired in 2005 and prior will still be based on a “pay as you go” basis. Namely, each Program’s annual contributions to the Vehicle and Equipment Replacement Reserve cannot be less than the capital required to replace the vehicles in the current year.

For vehicles acquired in 2006 and beyond, a component of the chargeback rate billed monthly by Fleet Services to the Programs will be used to contribute to the Vehicle and Equipment Replacement Reserves for the replacement of these vehicles. An accounting entry is processed each month to transfer the reserve component to the respective Vehicle and Equipment Replacement Reserves.

To ensure the adequacy of the Reserves to fund the Programs’ fleet replacement, each Program is provided by Fleet Services, a list of proposed vehicle replacements for the five year period, based on the age of the vehicle at the start of the budget process. The finalized list establishes the funding required for the Program’s vehicle replacement for the fiscal year and estimates over the 10-Year Capital Plan period. In addition, each Program is also provided a statement of its reserve account showing the uncommitted funds available for the following fiscal year. This enables the Program to plan the amount of contribution to its Vehicles and Equipment Reserve account from their Operating

Budget. The annual budgeted contributions and the uncommitted reserve balance must provide for adequate funding for the annual replacements.

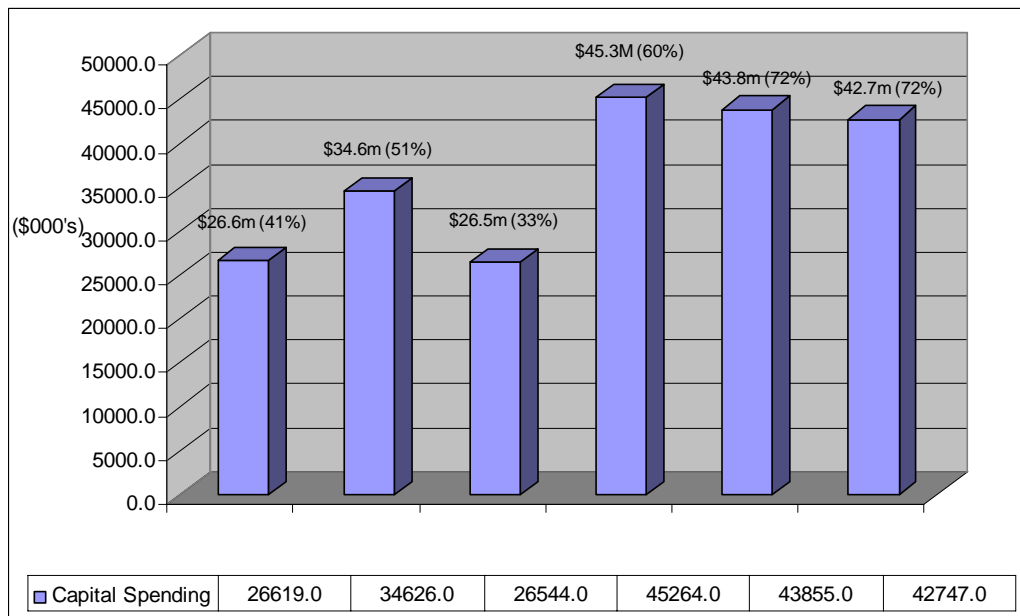
Each year a recommendation is made that the Fleet Services' Recommended Capital Budget be adjusted to agree with Programs' budgeted contributions to the Vehicle and Equipment Replacement Reserves to reflect any changes to the contributions that may occur for a number of reasons, including the need to meet operating budget targets or other budgetary pressures. This recommendation ensures that funding is adequate and available for replacement in the Capital Plan.

Program Capacity and Readiness to Proceed

Fleet Services' spending rates are affected by the procurement process and manufacturers' build-out dates. Typically, the preparation of specifications and tenders occur in the first half of the year, with the issuance of purchase orders occurring in the second half. This often results in delivery of goods taking place in the spring of the year following the year of budget approval. Vehicle delivery is determined by the manufacturers' build out dates; heavy vehicles and specialized equipment take longer to be assembled and built, and these commonly will not be delivered by year end. This is particularly true for Solid Waste, Transportation, and Toronto Water vehicles and specialized equipment needs.

Over the last 5 years, Fleet Services has made a concerted effort to improve its spending rate by working more closely with manufacturers to align clients' specifications and manufacturers' capacity to deliver, in an attempt to better align cash flow with product delivery. Improvement in spending rates is noted below, as it has improved from 40.7% in 2005 to 71.5% in 2008.

Fleet Services Capital Budget Spending (2004-2009)



State of Good Repair (SOGR) Backlog

The projected backlog of vehicle replacements at the end of 2009 is \$32.187 million. Fleet Services has planned on reducing this backlog annually by \$4.000 million, effectively eliminating the backlog by 2019.

The Asset Inventory comprising of Hoists, Lifter Vacuums, Loaders, Off-road vehicles, Packers, Pickups, Sweepers, Trucks, Sedans/Vans, and miscellaneous equipment has an insurable/replacement value of \$286.079 million in 2009. The backlog of vehicle replacements as a percentage of this is 11.3%.

Capital Projects Highlights

The 10-Year Capital Plan supports the Mayor’s and Council’s policy agenda.

A Greener City of Toronto

- The 10-Year Recommended Capital Plan includes funding for the Green Fleet Plan which over the ten year period totals \$5.043 million to replace vehicles and equipment with newer and innovative green technology to provide greater opportunities to lower emissions and save fuel. The Green Fleet Plan’s objective is to transition the City’s vehicles and equipment to lower impact alternatives such as bio-diesel, natural gas and hybrid electric vehicles, which will leave fewer negative impacts on the environment, and also support the reduction of fuel consumption.
- Continue to close or upgrade City operated fuel sites to reduce environmental risks and to improve operational efficiencies.

Summary of Major Capital Initiatives

(In \$Thousands)	2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010-2019 Total
IT Projects											0
Maintenance System Upgrade	61			100	400				575		1,136
Fleet Mgt System & Fuel System Integration	93	300	375	450	450	450	450	450	450	450	3,918
Sub-Total	154	300	375	550	850	450	450	450	1,025	450	5,054
Other Major City Initiatives											
The Green Fleet Plan	543	500	500	500	500	500	500	500	500	500	5,043
Fuel Sites Closure	1,500	1,600	1,750	1,600	1,600	1,650	1,700	1,750	1,800	1,850	16,800
Sub-Total	2,043	2,100	2,250	2,100	2,100	2,150	2,200	2,250	2,300	2,350	21,843
Total	2,197	2,400	2,625	2,650	2,950	2,600	2,650	2,700	3,325	2,800	26,897

The 10-Year Recommended Capital Plan for Fleet Services includes funding for two IT projects, the Green Fleet Plan, and the Fuel Sites Closures:

The Fleet Management System and Fuel System Integration project (\$3.918 million) will integrate the Fleet Management System (M5) with the City’s Fuel System. Currently fuel management by Fleet Services occurs outside of the Fleet Management System, and is handled by a third party application called ProFuel. ProFuel communicates with the City’s fuel dispensing units to store fuel transaction data. ProFuel downloads and stores the transaction data from the pumps each night. The data is then transferred from ProFuel to the Fleet Management System via a custom interface. The new integrated system will provide for better fuel operations by eliminating inconsistencies and inaccurate data. The integrated system will achieve online, real-time integration between the Fleet Management System and a fuel management system.

The Fleet Management System Upgrade project (\$1.136 million) will provide funding to upgrade the system in 2013 and 2014. This system is central to the management of Fleet Services to provide data and reports in the management of vehicles and equipment acquisitions and disposals, and in the maintenance of the City's fleet. It provides operational information for asset inventory records and control, vehicle parts and supplies stocking and requisitioning, inventory management, and operational reporting.

The Green Fleet Plan (\$5.043 million) will provide funding to increase the number of the City's fleet with green technology to reduce air pollutants and consumption of fuel.

The Fuel Sites Closures (\$16.800 million) will provide funding to upgrade and/or close fuel sites in accordance with the "Corporate Fuel Sites Review" approved by Council in 2006.

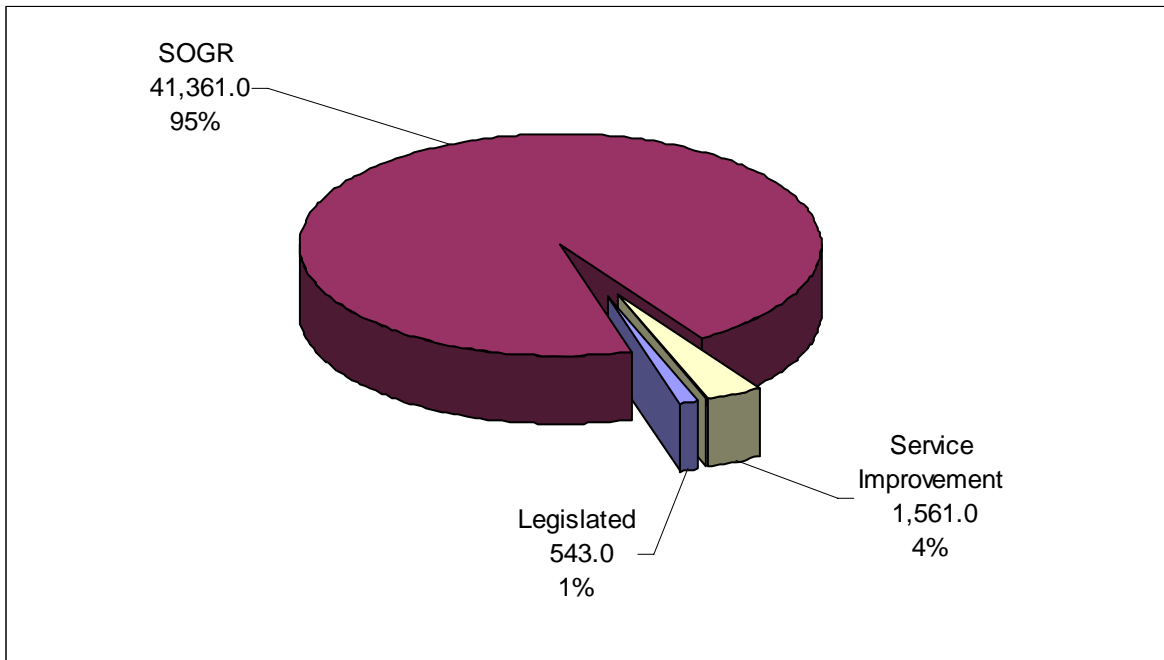
Total 2010 Recommended Cash Flow & Future Year Commitments

(In \$ Thousands)	2008 & Prior Year Carry Forwards	2010 Previously Approved Cash Flow Commitments	2010 New Cash Flow Rec'd	2010 Total Cash Flow Rec'd	2009 Carry Forwards	Total 2010 Cash Flow (Incl 2008 C/Fwd)	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total Cost
Expenditures																
Previously Approved	3,665	9,373		13,038	12,762	25,800										25,800
Change in Scope																
New			9,920	9,920		9,920										9,920
New w/Future Year			20,507	20,507		20,507	10,500									31,007
Total Expenditure	3,665	9,373	30,427	43,465	12,762	56,227	10,500	0	0	0	0	0	0	0	0	66,727
Financing																
Reserves/Res Funds	3,665	9,373	30,427	43,465	12,762	56,227	10,500									66,727
Development Charges																
Other																
Debt																
Total Financing	3,665	9,373	30,427	43,465	12,762	56,227	10,500	0	0	0	0	0	0	0	0	66,727

- Fleet Services' 2010 Recommended Capital Budget is \$56.227 million, and provides funding carried forward for 2008 and prior year projects to 2010 of \$3.665 million, funding carried forward from 2009 into 2010 of \$12.762 million, previously approved funding of \$9.373 million, and new funding of \$30.427 million.
- Approval of the 2010 Recommended Capital Budget will result in a future year commitment of \$10.500 million in 2011. This is the required cash flow for expected delivery of vehicles in 2011.
- The 2010 Recommended Capital Budget is fully funded from the Vehicle and Equipment Reserves.

2010 Recommended Capital Budget: Overview

Capital Budget by Project Category



The following summarizes the allocation of recommended funding by project category:

- The 2010 Recommended Capital Budget reflects the allocation of significant funding for *State of Good Repair* projects. These projects account for approximately \$41.361 million or 95.2% of the total new cash flow of \$43.465 million being recommended for 2010. State of good repair projects are driven by replacement needs of the lifecycle management of the City's fleet.
- *Service Improvement* projects represent 3.6% or \$1.561 million of the total new recommended cash flow for 2010. Service Improvement projects include the Fleet Management and Fuel Systems Integration, and the Fuel Sites Closures.
- *Legislated* projects represents 1.2% or \$0.543 million of the total new recommended cash flow for 2010. The Green Fleet Plan contributes to the initiatives for a "Greener City of Toronto" to replace conventional vehicles with those built with "green" technology to reduce pollutants and save on fuel costs.

Capacity and Readiness to Proceed

The spending rate of 72.2% for 2009 indicates that the Program has been able to improve over prior years' spending rates, from 40.7% in 2004 to 71.5% in 2008 and continues to ensure that project delays are kept to a minimum.

Fleet Services has worked with its clients to standardize specifications for vehicles and equipment. In addition, Fleet Services has planned their cash flow requirements to better align with the manufacturers' build out dates.

2010-2019 Capital Program

Capital Project Highlights

The 2010 Recommended Capital Budget provides funding for the Green Fleet Plan that advance priority actions relating to the Mayor's and Council's policy agenda on the Environment.

A Greener City of Toronto

- Funding in the amount of \$0.543 million is included in the 2010 Recommended Capital Budget to continue implementing the Green Fleet Plan, to increasingly replace conventional vehicles with alternative fuel and hybrid gas/electric vehicles.
- The 2010 Recommended Capital Budget also provides funding of \$1.500 million to continue to reduce and upgrade City operated fuel sites to minimize environmental risks and to improve operational efficiencies.

The 2010 Recommended Capital Budget of \$43.465 million provides funding for :

- Vehicle replacement for Fleet Services' client Divisions, including
 - Parks, Forestry and Recreation in the amount of \$7.509 million;
 - Solid Waste Management in the amount of \$10.838 million;
 - Transportation Services in the amount of \$2.497 million;
 - Toronto Water in the amount of \$6.319 million;
 - Emergency Medical Services in the amount of \$4.700 million; and,
 - Fire Services in the amount of \$5.644 million.
- The Green Fleet Plan (\$0.543 million)
- Fuel Sites Closure (\$1.500 million)

PART II: ISSUES FOR DISCUSSION

2011-2019 Recommended Capital Plan Issues

Contributions to the Vehicles and Equipment Reserve

Fleet Services projects the vehicle replacement schedules based on the life cycle of Programs' fleet ensuring older vehicles are replaced in priority order to minimize maintenance costs. Programs make annual contributions in their operating budgets to their respective vehicle reserves for the replacements of their vehicles.

Solid Waste Management Services

Solid Waste Management's future year replacement schedules have identified large increases due to the timing and cost of Packer replacements. The 2011-2019 capital plan includes requirements of 20.840 million in 2011, \$14.050 million in 2012, \$29.940 million in 2013, and \$6.920 million in 2014 and \$29.790 million in 2015, \$12.290 million in 2016, \$13.180 million in 2017, \$11.880 million in 2018, and \$15.990 million in 2019.

In the past few years, Solid Waste Management Services made an annual contribution of \$8.6 million to the vehicle reserve. As at December 31, 2009, the uncommitted balance in the Solid Waste Vehicle Reserve is \$6.027 million. Based on the 2011-2019 capital plan, Solid Waste needs to significantly increase its annual contribution to the vehicle reserve to meet future vehicle replacement requirements. To avoid significant budget pressures year over year, Solid Waste Management staff has undertaken to review its fleet capital plan requirements with the intent of smoothing and perhaps reducing requirements based on an operational review of its fleet. This is expected to result in minimizing the costs pressure on the Operating Budget of Solid Waste Management over the 10 year period, and make it more feasible to increase contributions to the Reserve starting in 2011.

Fleet Services will work with all Programs to smooth out their vehicles and equipment replacement capital plan based on affordability.

Issues Referred to the 2010 Budget Process

There were no issues referred to the 2010 Capital Budget process.

Appendix 1
10-Year Recommended Capital Plan Project Summary

Appendix 2
2010 Recommended Capital Budget; 2011 to 2019
Capital Plan

Appendix 3
2010 Recommended Cash Flow
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2010 Recommended Capital Projects
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Not Applicable