Analyst Briefing Notes

Budget Committee

November 3, 2009

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PART I: CAPITAL PROGRAM

Executive Summary

- The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan provides funding for the Facilities and Real Estate's core portfolio of state of good repair (SOGR) and essential life cycle replacement projects as well as several large scale capital projects which include lifecycle planning, health and safety and environmental principles. The main objective is to ensure that all users of facilities can enjoy safe and functional environments.

- The following summarizes the allocation of recommended funding by project type:

  - The 10-Year Recommended Capital Plan provides funding of $293.928 million for state of good repair (SOGR) projects in various project groupings (mechanical and electrical, emergency repairs, renovations, re-roofing, site work, divisional SOGR, etc.) that focus on the type of capital maintenance required. There is also new funding of $13.369 million for additional costs associated with the upgrades to the Old City Hall HVAC and Electrical system.

  - Funding of $187.917 million in the 10-Year Recommended Capital Plan is for new and expansion facility projects. This includes the redevelopment of the St. Lawrence Market North ($74.890 million); the study and implementation of the West District Plan which includes a new Etobicoke York Civic Centre ($67.200 million); the completion of the revitalization of Nathan Phillips Square ($28.258 million); and the stabilization of the Bathurst Street Silos ($9.200 million).

- The 2009 Approved Capital Budget of $55.032 million was 17.6% or $9.696 million spent, as at September 30th, 2009. Actual expenditures by year-end are anticipated to be $44.927 million or 81.6% of the 2009 Approved Capital Budget. The 2009 spending rate represents an increase over 2008's spending rate of 67.9% and is comparable to the five year historic average spending rate of 82%.

  - The projection of 2009 funding to be carried forward into the 2010 Recommended Capital Budget is $6.659 million. Large projects requiring 2009 carry forward funding include the Bathurst Street Silos ($1.500 million); and the Father Henry Carr High School ($2.600 million) projects.

- The 10-Year Recommended Capital Plan totals $544.145 million, including 2009 carry forward funding into 2010 of $6.659 million, of which $317.484 million is projected for the first 5 years, with the final 5 years requiring funding of $226.661 million or 41.7%.

  - Over the 10-year planning horizon, funding for Facilities and Real Estate is primarily provided through debt which accounts for approximately 75% or $404.791 million. Reserve and reserves funds provide funding of approximately 10% or $52.514 million and 11% or $60.265 million is from recoverable debt. Other revenue and Provincial

subsidies provides funding of 3% or $17.862 million. Funding from the federal government's Infrastructure Stimulus Fund (ISF) amounts to 0.4% or $2.054 million.

- Changes to the 2009-2018 Approved Capital Plan amount to $126.597 million or 33.4% compared to the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan. These include key changes to the following program areas within Facilities and Real Estate: the transfer in of EMS, Fire Services and PPF&A's SOGR facilities budget ($32.316 million); the addition of Old City Hall HVAC and Electrical upgrades ($13.789 million); the Redevelopment of St. Lawrence Market North ($74.890 million); and the acquisition of 819 Avenue Sheppard West ($3.889 million).

- Facilities and Real Estate has approved funding in the 10-Year Recommended Capital Plan from the Federal government's ISF program of $1.298 million in 2010 and $0.756 million in 2011, allowing these projects to proceed with 1/3 federal stimulus funding totalling $2.054 million. Funding has been approved for four corporate facilities to work on roofing, recaulking and asphalt with projects costs totalling $3.229 million. Funding is also provided for the development of Father Henry Carr High School whose total project cost is $4.000 million.

- The 10-Year Recommended Capital Plan includes operating impacts from previously approved and new capital projects for 2011 of $0.127 million; 2012 of $0.119 million; 2013 of $0.003 million; and $0.004 million in 2014, 2015 and 2016. The operating impacts primarily reflect maintenance costs that will be realized from implementation of various Information Technology projects.

- Facilities and Real Estate has an SOGR backlog estimated at $306.434 million by 2009 year-end, reflecting 11% of the total asset value of $2.792 billion. The 10-Year Recommended Capital Plan provides funding for Facilities and Real Estate's current SOGR needs and reduces the backlog. Within 10 years, at current funding levels included in this 10-Year Recommended Capital Plan, the SOGR backlog will be reduced by approximately $186.135 million to a balance of $120.299 million, representing 4% of asset value.

- 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 Cleaner and More Beautiful City - Developing a comprehensive public space beautification plan:** Funding of $103.148 million is recommended for projects that will increase attractiveness of public spaces to both residents and visitors and become spaces that are vital to the city's lifestyle. Projects include the Nathan Phillips Square Revitalization ($28.258 million) and the redevelopment of St. Lawrence Market North ($74.890 million).

  - **Invest $13 million in Toronto's 13 priority neighbourhoods over the next four years:** Funding of $4.189 million (including carry forward) is recommended for the development of Father Henry Carr High School in the Rexdale area, in the Jane-Finch priority neighbourhood.

  - **Implement the recently approved Toronto Green Building Standard to ensure ecologically friendly buildings:** The 2010 Recommended Capital Budget and

2011-2019 Recommended Capital Plan includes funding for a number of projects involving the retrofits of corporate buildings across the City, enabling the City to lead the way by ensuring that its own facilities meet the latest building standards and ecologically friendly initiatives.

- The 2010 Recommended Capital Budget for previously approved and new/change in scope projects (excluding 2009 carry forward funding into 2010) of $67.587 million is 69% allocated to state of good repair projects at $47.161 million; 14% to service improvement projects at $9.145 million; 8% to growth related projects at $5.478 million; 7% to health and safety projects at $4.616 million; and 2% or $1.187 million to legislated projects.

- Approval of the 2010 Recommended Capital Budget will result in a commitment to future year funding for new/change in scope projects of $32.861 million in 2011; $31.555 million in 2012; $27.848 million in 2013; and $16.886 million in 2014.

- The 2009 summer labour disruption will not significantly impact Facilities and Real Estate's program delivery for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan.

- The 2010 Recommended Capital Budget of $67.587 million provides funding to:

  - Begin the redevelopment of the St. Lawrence Market North ($1.000 million) and commence a study to identify corporate and divisional short, medium and long-term space needs ($0.500 million).

  - Continue to address approximately 11% of the accumulated state of good repair (SOGR) backlog and 100% of the 2010 SOGR identified.

  - Continue large scale projects such as the Nathan Phillips Square Revitalization ($7.009 million), the Yards Consolidation Study ($2.500 million) and the Old City Hall HVAC and Electrical upgrades ($1.077 million).

  - Complete the Bathurst Street Silos ($9.200 million) and Pandemic Flu Storage ($1.000 million) projects.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. Council approve the 2010 Recommended Capital Budget for Facilities and Real Estate with a total project cost of $132.231 million, and 2010 cash flow of $74.246 million and future year commitments of $158.370 million comprised of the following:

   a) New Cash Flow Funding for:

      i) 62 new/change in scope sub-projects with a 2010 total project cost of $132.231 million that requires cash flow of $23.081 million in 2010 and a future year commitment of $32.861 million in 2011; $31.555 million in 2012; $27.848 million in 2013; and $16.886 million in 2014;

      ii) 58 previously approved sub-projects with a 2010 cash flow of $44.506 million and a future year commitment of $22.573 million in 2011; $19.768 million in 2012; $4.242 million in 2013; and $2.637 million in 2014;

   b) 2009 approved cash flow for 15 previously approved sub-projects with carry forward funding from 2009 into 2010 totalling $6.659 million;

2. Council approve new debt service costs of $0.431 million in 2010 and incremental debt costs of $2.286 million in 2011, $2.213 million in 2012, $0.952 million in 2013, $0.497 million in 2014 and $0.383 million in 2015 resulting from the approval of the 2010 Recommended Capital Budget, to be included in the 2010 and future year operating budgets;

3. Council approve the 2011-2019 Recommended Capital Plan for Facilities and Real Estate totalling $311.529 million in project estimates, comprised of $11.043 million in 2011; $16.803 million in 2012; $25.208 million in 2013; $31.814 million in 2014; $36.031 million in 2015; $42.538 million in 2016; $52.272 million in 2017; $63.592 million in 2018; and, $32.228 million in 2019; and,

4. Council consider operating impacts of $0.127 million in 2011; $0.119 million in 2012; $0.003 million in 2013; $0.004 million in 2014; $0.004 million in 2015; and, $0.004 million in 2015 emanating from the approval of the 2010 Recommended Capital Budget for inclusion in the 2010 and future year operating budgets.

PART I: CAPITAL PROGRAM

2009 Capital Variance Review

2009 Budget to Actuals Comparison - Total Gross Expenditures ($000s)					
2009 Approved	Actuals as of Sept. 30th (3rd Qtr Variance)		Projected Actuals at Year End		Balance
$	$	% Spent	$	% Spent	$ Unspent
55,032	9,696	17.6%	44,927	81.6%	10,104

Facilities and Real Estate's 2009 Approved Capital Budget of $55.032 million was 17.6% or $9.696 million spent, as at September 30th, 2009. Actual expenditures by year-end are anticipated to be $44.927 million or 81.6% of the 2009 Approved Capital Budget. This spending is consistent with project schedules for construction as the majority of cash flow funding is typically spent in the third and fourth quarters, after construction is tendered and awarded.

State of Good Repair projects represent 52% or $28.505 million of the 2009 Approved Capital Budget. The projected year-end spending will be approximately 85.9% or $24.496 million which is comparable to last year's rate of 87.8% for SOGR projects. This category of projects consists of approximately one hundred projects in various project groupings that focus on the type of capital maintenance required (structural maintenance, re-roofing, site work etc.) to keep assets in a state of good repair. Significant SOGR projects include:

- The Old City Hall HVAC Upgrade project and other Old City Hall upgrade/retrofit projects ($5.214 million).
- Nathan Phillips Square state of good repair work, including the City Hall's second floor roof repair ($6.742 million).

The funding from 2009 carried forward into 2010 included in the 2010 Recommended Capital Budget is $6.659 million and is lower than the projected unspent actual expenditures of $10.104 million, reflecting construction delays on projects related to the HVAC system at Old City Hall, as well as delayed project timelines caused by the labour dispute, administration issues, and the coordination of multiple projects.

Large projects requiring 2009 carry forward funding in the 2010 Recommended Capital Budget include:

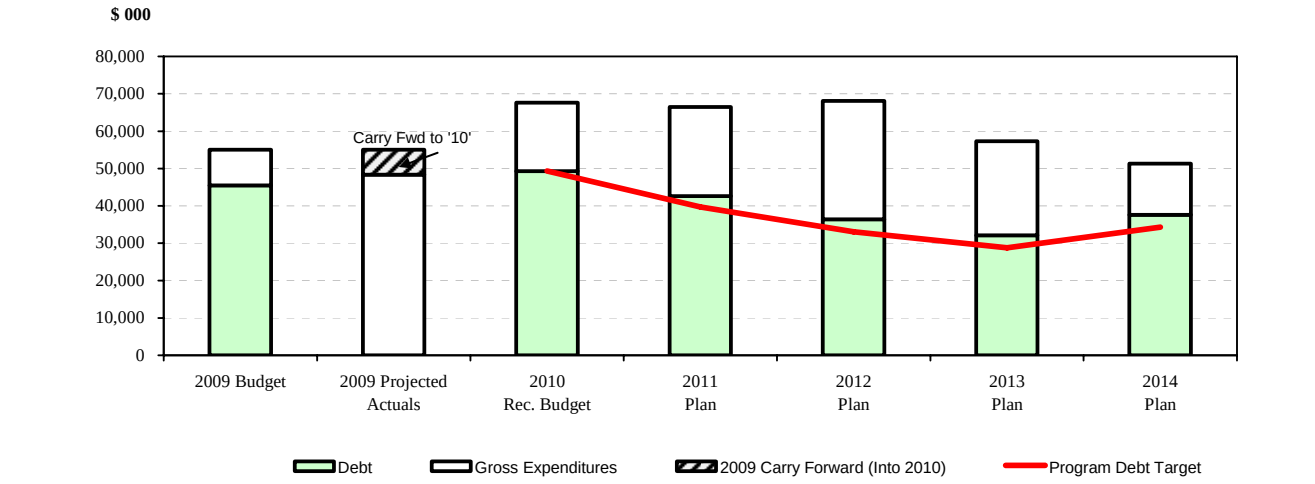
- Bathurst Street Silos ($1.500 million).
- Capital Asset Management Software Systems (CAMS) ($0.759 million).
- St. Lawrence Market North Design Competition ($0.450 million).

- Father Henry Carr High School ($2.600 million).

Although timelines have been pushed back for some projects, it is not expected that the 2009 summer labour disruption will significantly impact Facilities and Real Estate's program delivery.

10-Year Capital Plan

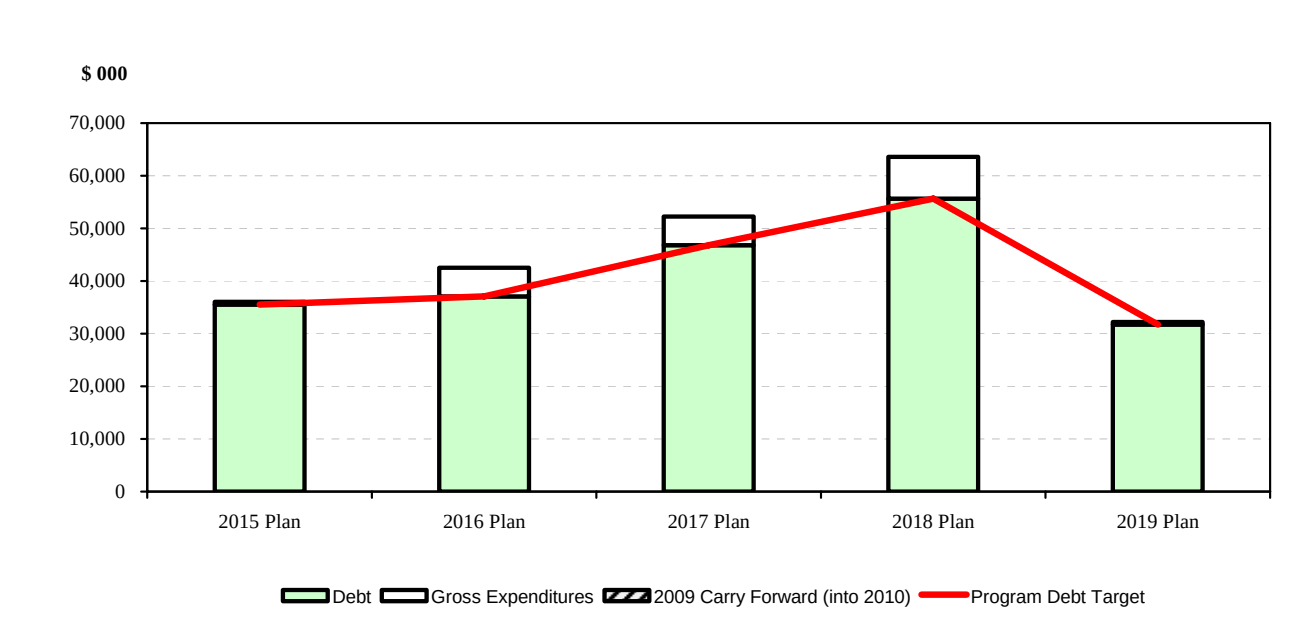
2010 Recommended Capital Budget, 2011-2014 Recommended Capital Plan



	2009		2010 Rec. Budget and 2011-2014 Plan						
	Budget	Projected Actual	2010	2011	2012	2013	2014	2010-2014 Total	Five Year Percent
Gross Expenditures:									
2009 Capital Budget & Approved FY Commitments	55,032	48,373	47,837	27,687	13,514	3,145	1,337	93,520	
Recommended Changes to Approved FY Commitments			(3,331)	(5,114)	6,254	1,097	1,300	206	
2010 New/Change in Scope and FYCommitments			23,081	32,861	31,555	27,848	16,886	132,231	
2011 - 2014 Capital Plan Estimates				11,043	16,803	25,208	31,814	84,868	
1-Year Carry Forward to 2010		6,659	→						
Total Gross Annual Expenditures & Plan	**55,032**	**55,032**	**67,587**	**66,477**	**68,126**	**57,298**	**51,337**	**310,825**	
Program Debt Target			**49,362**	**39,662**	**33,059**	**28,758**	**34,289**	**185,130**	
Financing:									
Recommended Debt	**45,511**		**49,280**	**42,603**	**36,393**	**32,092**	**37,622**	**197,990**	**64%**
Reserves/Reserve Funds	6,606		15,037	9,000	7,852	3,125		35,014	11%
Development Charges									
ISF / RInC			1,298	756				2,054	1%
Provincial/Federal	1,200		472	472	472	472	472	2,360	1%
Recoverable Debt			1,000	13,254	11,909	20,859	13,243	60,265	19%
Other Revenue	1,715		500	392	11,500	750		13,142	4%
Total Financing	**55,032**		**67,587**	**66,477**	**68,126**	**57,298**	**51,337**	**310,825**	**100%**
By Category:									
Health & Safety	5,618		4,616	1,423	3,544	4,409	6,165	20,157	6%
Legislated	1,237		1,187	709	613	500	501	3,510	1%
SOGR	28,505		47,161	46,737	34,839	24,960	27,043	180,740	58%
Service Improvement	16,458		9,145	17,608	29,130	27,395	16,219	99,497	32%
Growth Related	3,213		5,478			34	1,409	6,921	2%
Total By Category	**55,032**		**67,587**	**66,477**	**68,126**	**57,298**	**51,337**	**310,825**	**100%**
Yearly SOGR Backlog Estimate (not addressed by current plan)								0	
Accumulated Backlog Estimate (end of year)		306,434	272,344	248,720	228,619	215,121	200,777	200,777	
Operating Impact on Program Costs				127	119	3	4	253	
Debt Service Costs			431	2,553	3,739	3,285	3,878	13,885	

10-Year Capital Plan

2015-2019 Recommended Capital Plan



	2015-2019 Capital Plan						
	2015	2016	2017	2018	2019	2010-2019 Total	10-Year Total Percent
Gross Expenditures:							
2009 Capital Budget & Approved FY Commitments		206				93,726	
Recommended Changes to Approved FY Commitments		(206)					
2010 New/Change in Scope and FY Commitments						132,231	
2015 - 2019 Capital Forecast Estimates	36,031	42,538	52,272	63,592	32,228	311,529	
Total Gross Annual Expenditures & Plan	**36,031**	**42,538**	**52,272**	**63,592**	**32,228**	**537,486**	
Program Debt Target	**35,559**	**37,066**	**46,800**	**55,620**	**31,756**	**391,931**	
Financing:							
Recommended Debt	**35,559**	**37,066**	**46,800**	**55,620**	**31,756**	**404,791**	**75%**
Reserves/Reserve Funds		5,000	5,000	7,500		52,514	10%
Development Charges							
ISF / RInC						2,054	0.4%
Provincial/Federal	472	472	472	472	472	4,720	1%
Recoverable Debt						60,265	11%
Other Revenue						13,142	2%
Total Financing	**36,031**	**42,538**	**52,272**	**63,592**	**32,228**	**537,486**	**100%**
By Category:							
Health & Safety	6,653	4,247	2,926	2,600	3,553	40,136	7%
Legislated	503	503	1,085	451	2,227	8,279	2%
SOGR	23,508	25,223	26,761	26,741	24,448	307,421	57%
Service Improvement	4,022	12,565	21,500	33,800	2,000	173,384	32%
Growth Related	1,345					8,266	2%
Total By Category	**36,031**	**42,538**	**52,272**	**63,592**	**32,228**	**537,486**	**100%**
Yearly SOGR Backlog Estimate (not addressed by current plan)							
Accumulated Backlog Estimate (end of year)	185,641	173,868	155,447	135,547	120,299	120,299	
Operating Impact on Program Costs	4	4				261	
Debt Service Costs	4,562	4,660	5,062	6,305	6,634	41,109	

10-Year Capital Plan Overview

- Funding for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan focuses on addressing Facilities and Real Estate's core portfolio of state of good repair (SOGR) and essential life cycle replacement projects so that all users of facilities can enjoy safe and functional environments. Facilities and Real Estate is committed to best practices incorporating facility lifecycle planning, health and safety and environmental projects. The first 5 years of the capital program focuses 58% of funding on SOGR work. There is also significant funding assigned to several large scale redevelopment projects such as Nathan Phillips Square, St. Lawrence Market North, Old City Hall and the Yards Rationalization Study.

- The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan for Facilities and Real Estate, excluding carry forward funding, totals $537.486 million of which $404.791 million or 75% is funded by debt. The remaining funding consists of funding from reserves and reserve funds of $52.514 million, recoverable debt of $60.265 million, Provincial funding in the amount of $4.720 million and other sources of revenue, such as Section 37 funding, of $13.142 million. Funding from the federal government's Infrastructure Stimulus Fund (ISF) amounts to $2.054 million.

- The 2009 summer labour disruption will not significantly impact Facilities and Real Estate's program 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 aging and deteriorating infrastructure. Projects that maintain assets in a state of good repair represent 57% or $307.421 million of the total planned cash flow of $537.486 million and include approximately one hundred projects in various project groupings that focus on the type of capital maintenance required (structural maintenance, re-roofing, site work etc.) and significant projects such as Nathan Phillips Square, Bathurst Street Silos and Old City Hall.

  - *Service Improvement projects* represent approximately 32% or $173.384 million of the 10-Year Recommended Capital Plan. Key service improvement projects include the redevelopment of St. Lawrence Market North; the West District Plan for the Etobicoke York Civic Centre; and the Yards Consolidation Study.

  - *Health and Safety projects* account for 7% or $40.136 million of the 10-Year Recommended Capital Plan. The majority of funding addresses emergency capital repairs.

  - *Legislative and Growth projects* account for 4% or $16.545 million of funding in the 10-Year Recommended Capital Plan. Key projects include the development of Father Henry Carr High School which is one of Toronto's 13 priority neighbourhoods and the acquisition of 819 Sheppard Ave West.

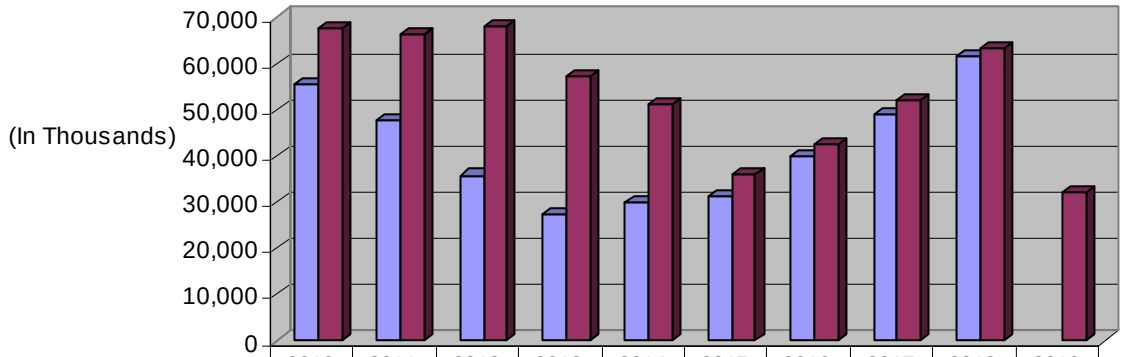
- The corporate facilities portfolio is valued at approximately $2.752 billion and has an estimated $306.434 million in state of good repair (SOGR) backlog. The backlog, as a percentage of total asset value is 11%. The 2010 Recommended Budget and 2011-2019 Recommended Capital Plan

provides sufficient funding to reduce the SOGR backlog by 61% over 10 years to a balance of $120.299 million in 2019, representing 4% of total asset value.

Key Changes to the 2009-2018 Approved Capital Plan

The following highlights the changes from the 2009-2018 Approved Capital Plan with the 2010-2019 Recommended Capital Budget and Plan. As outlined in the table below, the 2010 Recommended Capital Budget of $67.587 million in cash flow represents an increase of 21.9% or $12.157 million compared to 2010 Approved Capital Plan estimate of $55.430 million in 2009. There is a $126.597 million or 33.4% 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



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010-2018 Approved Capital Plan	55,430	47,988	35,872	27,571	30,000	31,300	40,000	49,000	61,500	
2010-2019 Recommended Capital Budget and Plan	67,587	66,477	68,126	57,298	51,337	36,031	42,538	52,272	63,592	32,228

The majority of the increase is due to updating the capital program areas as outlined below:

- The SOGR capital projects for Emergency Management Services (EMS), Fire Services and Planning, Policy, Finance and Administration (PPF&A) have been transferred to Facilities and Real Estate's portfolio ($32.316 million) as per the Corporate Facilities Management Framework. The framework acknowledges that Facilities and Real Estate is the corporate body responsible for setting the standards for ensuring all City-owned facilities are operating and maintained in a manner that meets operating needs and protects these assets into the future.
- Costs for Old City Hall for HVAC and electrical upgrades has increased due to unanticipated complex heritage restoration work that must be done ($13.789 million).
- New funding has been provided for the redevelopment of St. Lawrence Market North ($74.890 million) and for the acquisition of 819 Avenue Sheppard West ($3.889 million).
- Cash flows have been reallocated for Nathan Phillips Square to reflect estimates received from the construction management firm and the Toronto Public Health project (1115 Queen/Lisgar) has been deferred to 2013, as the facility is not yet constructed.

Summary of Project Changes

Key Projects ($000s)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2010 - 2018
Nathan's Phillips Square	(3,647)	(3,155)	6,802							
TPH Office (1115 Queen/Lisgar)	(1,200)		(300)	1,200	300					
EMS SOGR	624	737	1,200	1,200	1,126	1,200	1,200	1,200	1,200	9,687
FIRE SOGR	2,033	2,030	1,315	438	3,137	2,531	1,338	2,415	892	16,129
PPF&A SOGR	1,500	1,000	1,000	1,000	1,000	1,000				6,500
Old City Hall HVAC	1,077	1,101	5,045	3,192	2,954					13,369
Redevelopment of St. Lawrence Mkt North	1,000	13,254	23,409	23,984	13,243					74,890
819 Sheppard Ave West	3,889									3,889

Project Financing

Facilities and Real Estate's 10-Year Recommended Capital Plan is primarily funded from debt. $404.791 million or 75% of the $537.486 million Capital Plan is funded from debt, while $60.265 million or 11% will be funded from recoverable debt, $52.514 million or 10% from reserves and reserve funds, $13.142 million or 2% from Other Revenue, $4.720 million or 1% from Provincial funding and $2.054 million from the Infrastructure Stimulus Fund (ISF).

10-Year Recommended Capital Plan Versus Multi-Year Debt Targets

The 2010-2019 Recommended Capital Plan for Facilities and Real Estate is above the debt affordability target of $391.931 million by $12.860 million or 32% over the ten years of the Capital Plan period. The Recommended Capital Plan is in line with the annual debt targets for the last five years (2015-2019) of the 10-Year Capital Plan but over the debt target in the first five years. In 2010, the Program is under the debt target by $0.082 million and over the debt target in 2011 for $2.941 million, $3.334 million in 2012, $3.334 million in 2013 and $3.333 million in 2014.

- Facilities and Real Estate is over the debt target due to the additional costs associated with the upgrade to the HVAC and Electrical system at Old City Hall ($13.369 million). In 2009, a request for proposal was issued, and the lowest qualified bid received by the City for the HVAC and electrical work was for $32.700 million which exceeded the total 2009 Approved Capital Budget of $21.066 million. The extra costs were directly related to the complex heritage restoration work that needs to be done, which only a few contractors are able to perform. In order for the entire building to be operational and air-conditioned an additional $13.369 million for phase 2 is required. The Province will be vacating Old City Hall in 2016 and there are studies currently being conducted to look at future uses for Old City Hall. Regardless of future use, the HVAC and plaster ceiling needs to be upgraded.

Infrastructure Stimulus Fund (ISF)

The Federal government recently established a new $4.000 billion Infrastructure Stimulus Fund (ISF). The Infrastructure Stimulus Fund complements existing federal and provincial infrastructure funding by focusing on short-term objectives for economic stimulus. The full $4.000 billion has been distributed across Canada for projects over the 2009-2010 and 2010-2011 fiscal years.

Facilities and Real Estate has approved funding in the 10-Year Recommended Capital Plan of $7.054 million with funding from the federal government's ISF program totalling $2.054 million, with $1.298 million in 2010 and $0.756 million in 2011, enabling these projects to proceed with 1/3 federal stimulus funding. As outlined in the table below, funding has been provided for asphalt, recaulking and re-roofing projects. There is also funding for Father Henry Carr High School to help create new

community infrastructure in one of Toronto's 13 priority neighbourhoods. Funding from the ISF program will reduce the debt required by the Program for its capital work.

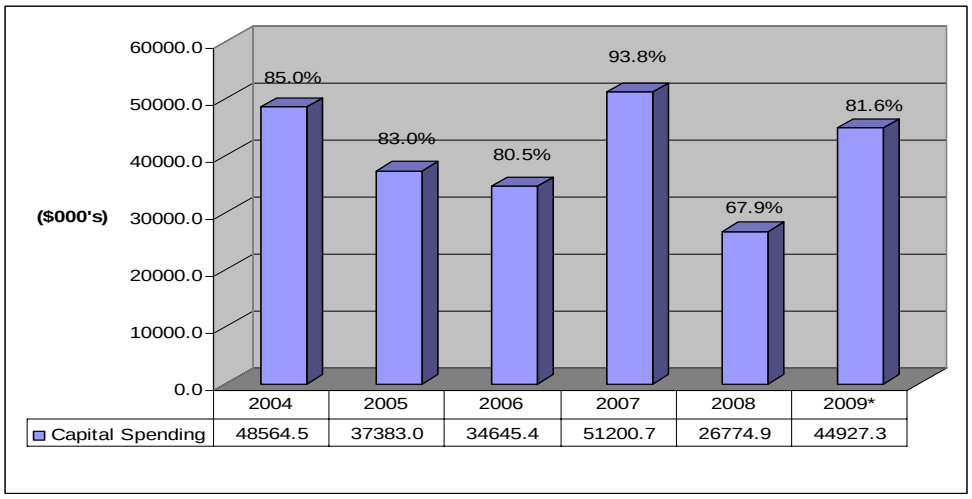
Infrastructure Stimulus Funding 2010-2011

Sub-Project	Total				2009			2010			2011		
	Total	Debt	ISF	Other	Debt	ISF	Other	Debt	ISF	Other	Debt	ISF	Other
18 Cranfield Rd - Re-Roofing	360	240	120					240	120				
40 College St. - Recaulk	335	224	111					17	8		207	103	
150 Disco Rd - Asphalt	1,045	697	348		45	22		317	159		335	167	
150 Disco Rd - Asphalt Phase 2	954	636	318								636	318	
2222 Eglington Ave E - Asphalt	535	356	179					21	11		335	168	
Father Henry Carr High School	4,000	992	1,000	2,200				992	1,000	2,200			
Total	7,229	3,145	2,076	2,200	45	22		1,587	1,298	2,200	1,513	756	

Program Capacity and Readiness to Proceed

The Facilities and Real Estate 2009 Approved Capital Budget of $55.032 million was 17.6% or $9.696 million spent as of September 30th, 2009. Actual expenditures by year-end are anticipated to be $44.927 million or 81.6% of the 2009 Approved Capital Budget. The 2009 projected rate by year-end represents a significant improvement over the Program's 2008 spending rate of 67.9%. The historic five year average spending rate is 82% for the Program. The amount of capital spending fluctuates over the five years and is dependent on many factors such as the amount of unexpected SOGR, the service delivery from contractors, weather for construction and the number of large special projects. Expenditures were $48.564 million in 2004 (85%); $37.383 million in 2005 (83%); $34.545 million in 2006 (80.5%); $51.201 million in 2007 (93.8%); and, $26.775 million in 2008 (67.9%), as outlined in the graph below.

Facilities and Real Estate Capital Budget Spending (2004-2009)



Notes: *2009 Year-End Capital Budget Spending Rate Projection as of Sept 30th, 2009.

The Program is ready to proceed with projects included in the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan. Project costs and scope are validated on an on-going basis and projects are prioritized based on audits completed to date. The Capital Asset Management System project (CAMS) will be fully implemented by 2011 and will help facilitate the control and monitoring of capital projects.

State of Good Repair (SOGR) Backlog

Facilities and Real Estate is responsible for the maintenance of 290 buildings identified as corporate facilities, valued at approximately $2.752 billion. Approximately 20% of City owned buildings are over 50 years old. In 10 years, 35% of the buildings will be over 50 years old.

The 2009 year-end state of good repair backlog is valued at $306.434 million, representing 11% of the total asset value. The SOGR backlog has increased substantially from 2008 as the program completed building condition assessments (BCA) on all buildings and came to a revised backlog figure through reviewing the content and detail. Additionally, the capital facilities SOGR programs for Fire, EMS and PPF&A have been included in the 2010 Capital Budget.

The 10-year Recommended Capital Plan provides funding for Facilities and Real Estate's current SOGR needs and reduces backlog. Within 10 years, at current funding levels (included in this 10-Year Recommended Plan), the SOGR repair backlog will be reduced by approximately $186.135 million to a balance of $120.299 million, representing 4% of total asset values for the Program.

In addition to addressing existing backlog, the 10-Year Recommend Capital Plan includes life cycle replacements of major components that are at the end of their service life. The investment in facilities is at a rate of less than 2% of replacement value. The industry standard for capital maintenance investment ranges from 2%-4% of the replacement value per year. If Facilities and Real Estate were to comply with the minimum industry standard for capital maintenance of 2%, the 10-Year Capital Plan requirements would not be sufficient to address the existing backlog.

Capital Projects Highlights

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan advance the following priority actions outlined in the Mayor's and Council's policy agenda:

A Cleaner and More Beautiful City - Developing a comprehensive public space beautification plan

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan provides $28.258 million in funding for Nathan Phillips Square Revitalization. In June 2007, City Council endorsed the winning design (Plant Architect Inc. and Shore Tribe Irwin and Partners) as well as a contract award to the winning team for architectural and other design related work. The design process is underway and it is anticipated that construction activities will continue in 2010 until 2013. The Square will be revitalized to increase its attractiveness to both residents and visitors and become a public space vital to the city's lifestyle.

Funding of $74.890 million in the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan is provided for the redevelopment of St. Lawrence Market North. The redesign and new building of the north market will allow the building to be better designed and fit in with the heritage buildings in the St. Lawrence Market precinct and surrounding area. The new building will offer more ground floor space and building amenities to the Farmers' Market. It will be a community magnet through the provision of a modest amount of community space on the mezzanine and by revitalizing Market Lane Park to provide an open-air façade on the Market.

Implement the recently approved Toronto Green Building Standard to ensure ecologically friendly buildings

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan includes funding for a number of projects involving the retrofits of corporate buildings across the City, enabling the City to lead the way by ensuring that its own facilities meet the latest building standards and ecologically friendly initiatives. Projects include window and roof replacements at various buildings and updating the HVAC and Electrical System at Old City Hall in order to be connected to Enwave's deep lake water cooling system.

Invest $13 million in Toronto's 13 priority neighbourhoods over the next four years

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan provides funding of $4.189 million (including 2009 carry forward) for development of Father Henry Carr High School in the Rexdale area in one of Toronto's 13 priority neighbourhoods.

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
SOGR Projects (Including Health and Safety and Legislated)	35,636	36,463	20,692	27,292	29,118	28,633	29,135	28,859	29,400	28,700	293,928
New & Expanded Facility Projects											
St. Lawrence Market North Property - Redevelopment	1,000	13,254	23,409	23,984	13,243						74,890
Office Accommodation Plan - Study	500										500
1115 Queen West / 45 Lisgar			200	1,200	300						1,700
Yards Consolidation Study - East District		1,000	1,500								2,500
Yards Consolidation Study - North District	1,500	169									1,669
Yards Consolidation Study - South District	1,000										1,000
West District Plan - Etobicoke Civic Centre	100	100	100	100	1,000	2,300	11,000	20,000	32,500		67,200
Nathan Phillips Square	7,009	9,000	12,249								28,258
Pandemic Flu Storage	1,000										1,000
Bathurst Street Silos	9,200										9,200
IT Projects	804	1,525	810								3,139
Sub-Total	57,749	61,511	58,960	52,576	43,661	30,933	40,135	48,859	61,900	28,700	484,984
Other Major City Initiatives:											
Old City Hall Revitalization - HVAC and Electrical Upgrades	1,077	4,061	4,061	2,085	2,085						13,369
Sub-Total	1,077	4,061	4,061	2,085	2,085	0	0	0	0	0	13,369
Total	58,826	65,572	63,021	54,661	45,746	30,933	40,135	48,859	61,900	28,700	498,353

The main objective of the 10-Year Recommended Capital Plan is to ensure that facilities are maintained in a state of good repair so that all users can enjoy safe and function environments. The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan provides approximately $293.928 million to various project groupings that focus on the types of capital maintenance required – i.e., structural maintenance, re-roofing, site work, etc., to keep assets in a state of good repair.

The 10-Year Recommended Capital Plan provides new/expanded facilities funding of $187.917 million of which $112.527 million is for previously approved projects that include; Nathan Phillips Square; Bathurst Street Silos; and the West District Plan for a new Etobicoke York Civic Centre. New projects have funding of $75.390 million and are briefly described below:

- *Redevelopment of St. Lawrence Market North:* This project will result in a multi-purpose, multi-storey facility containing a public market at grade and compatible ancillary uses on a mezzanine overlooking the market hall, four levels of Provincial Offences Act traffic courts above grade, and three levels of parking below grade. Estimated costs for this project are $74.890 million with funding coming from recoverable debt of $60.265 million, $11.500 million from the Toronto Parking Authority and $3.125 million from the Provincial Courts Stabilization Reserve Fund.

- *Corporate Accommodation Plan:* The study requires cash flow of $0.500 million, funded from debt. It will identify corporate and divisional short, medium and long-term space needs and will provide cost estimates for: (1) leased space, (2) purchased space or (3) new construction. The City's existing office facilities are at capacity and plans are necessary to accommodate new City programs and services. The greatest demand for space is in the downtown area and the plan needs to consider approximately 225,000 square feet of office space.

Recommended funding for information technology projects amounts to $3.139 million over the 2010 to 2019 timeframe. These projects include the implementation of the Facilities Preventive Maintenance System. This system will expand on the existing SAP Plant Maintenance to allow city staff to better manage the workload associated with regularly scheduled maintenance for large buildings.

10-Year Capital Plan: Incremental Operating Impact Summary

(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
2010 Recommended Capital Budget											
Program Costs (Net)		127	119	3	4	4	4				261
Approved Positions			1								1
Debt Service Costs	431	2,286	2,213	952	497	383					6,761
Recommended 10-Year Capital Plan											
Program Costs (Net)											
Approved Positions											
Debt Service Costs		266	1,527	2,333	3,381	4,180	4,660	5,062	6,305	6,634	34,348
Total											
Program Costs (Net)		127	119	3	4	4	4				261
Approved Positions			1								1
Debt Service Costs	431	2,553	3,739	3,285	3,878	4,562	4,660	5,062	6,305	6,634	41,109

Debt Service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% Year 1, and 13% for subsequent years.

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan will result in operating impacts of capital from previously approved and new/change in scope capital projects for 2011 of $0.127 million; 2012 of $0.119 million; 2013 of $0.003 million; and $0.004 million for 2014, 2015 and 2016.

The operating impacts reflect the net operating costs for the implementation of various Information Technology Projects. The incremental net operating costs outlined above include the following:

- $0.048 million net in 2011 for software and server/database maintenance resulting from the implementation of the Custodial Workload Management and Scheduling project;

- $0.079 million net in 2011 for server, database and software maintenance of the Capital Asset Management Software Systems (CAMS). It is increased incrementally by $0.003 million in 2013 and $0.004 million in 2014, 2105 and 2016 to reflect inflation costs.

- $0.116 million net in 2012 for the Facilities Preventive Maintenance System which requires one additional position.

Total 2010 Recommended Cash Flow & Future Year Commitments

	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 2009 C/Fwd)	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total Cost
Expenditures																
Previously Approved		44,506		44,506	6,659	51,165	22,573	19,768	4,242	2,637						100,385
Change in Scope			639	639		639										639
New			22,442	22,442		22,442	32,861	31,555	27,848	16,886						131,592
New w/Future Year																
Total Expenditure		44,506	23,081	67,587	6,659	74,246	55,434	51,323	32,090	19,523						232,616
Financing																
Debt		32,060	17,220	49,280	2,367	51,647	31,952	20,062	7,356	6,280						117,297
Recoverable Debt			1,000	1,000		1,000	13,254	11,909	20,859	13,243						60,265
Other			500	500	1,142	1,642		11,500	750							13,892
Reserves/Res Funds		11,148	3,889	15,037	1,950	16,987	9,000	7,852	3,125							36,964
Development Charges																
ISF		1,298		1,298		1,298	756									2,054
Provincial/Federal			472	472	1,200	1,672	472									2,144
Total Financing		44,506	23,081	67,587	6,659	74,246	55,434	51,323	32,090	19,523						232,616

- Facilities and Real Estate's 2010 Recommended Capital Budget is $74.246 million and provides funding for 2009 projects carried forward into 2010 of $6.659 million; previously approved 2010 commitment funding of $44.506 million; and, $23.081 million for new/change in scope projects.

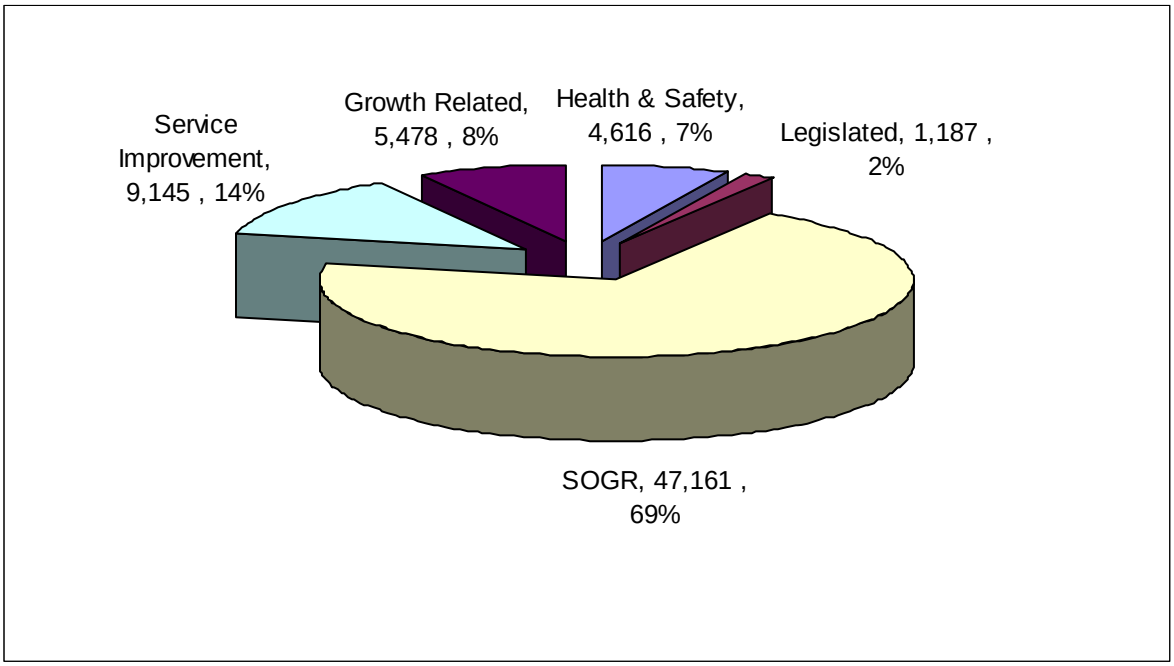
- The 2010 Recommended Capital Budget will be financed by debt of $51.647 million, reserve funds of $16.987 million, Recoverable Debt of $1.000 million, Provincial funding of $1.672 million, and other funding and ISF funding of $1.642 million and $1.298 million respectively.

- Large projects requiring 2009 carry forward funding include the Bathurst Street Silos and Father Henry Carr High School.

- Approval of the 2010 Recommended Capital Budget will result in a commitment to future year funding for new/change in scope projects of $32.861 million in 2011; $31.555 million in 2012; $27.848 million in 2013; and $16.886 million in 2014. The new project commitments are mainly from the redevelopment of St. Lawrence Market North; Old City Hall HVAC and Electric Upgrades; and the Office Accommodation Plan.

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 69% or $47.161 million of the total $67.587 million recommended for 2010. The majority of the funding is allocated to projects that focus on the type of capital maintenance required (structural maintenance, re-roofing, site work etc.) for various corporate facilities and significant projects such as Nathan Phillips Square, Bathurst Street Silos and Old City Hall.

- *Service Improvement projects* represent 14% or $9.145 million of the total new recommended cash flow for 2010. Examples of service improvement projects include the Yards Consolidation Study and the redevelopment of St. Lawrence Market North.

- *Growth projects* account for 8% or $5.478 million of the 2010 Recommended Capital Budget and include the development of Father Henry Carr High School which is part of Toronto's 13 priority neighbourhoods and the acquisition of 819 Sheppard Ave West.

- *Health and Safety projects* account for 7% or $4.616 million of the 2010 Recommended Capital Budget. The largest projects are repairs and structural work at various corporate buildings and leased properties across the City.

- *Legislative projects* account for 2% or $1.187 million of funding and for projects such as designated substances removal and environmental projects at various locations.

2010 Recommended Capital Budget versus Debt Target

The 2010 Recommended Capital Budget requires new 2010 cash flow of $67.587 million with debt funding of $49.280 million. This cash flow combined with funding carried forward of $6.659 million for 2009 projects results in a total 2010 Recommended Capital Budget of $74.246 million. The 2010 Recommended Capital Budget for Facilities and Real Estate is under the 2010 debt affordability target of $49.362 million by $0.082 million.

Capacity and Readiness to Proceed

The 2010 Recommended Capital Budget is ready to proceed. Construction has begun on some large projects and top priority will be given to ISF funded projects to ensure that they are substantially complete by the Federal government's March 31, 2011 deadline.

Facilities and Real Estate historically has had high spending rates. A five year historical average spending experience including the latest projection for 2009 would indicate an average yearly capacity of $47.429 million representing an average spending rate of 82%.

For 2010, the cash flow is set at $67.587 million (without carry forward funding), which is higher than historical spending by $20.158 million or 42%. Part of the increase in funding is from the transfer of SOGR capital programs for EMS, Fire Services and PPF&A which accounts for $5.156 million. However, all projects in the Program's core portfolio are based on building condition audits and Facilities and Real Estate are ready to proceed.

Capital Project Highlights

The 2010 Recommended Capital Budget provides funding for a range of projects that advance priority actions in the Mayor's and Council's policy agenda.

A Cleaner and More Beautiful City - Developing a comprehensive public space beautification plan.

The 2010 Recommended Capital Budget provides funding of $7.009 million in funding for Nathan Phillips Square Revitalization to move into the major construction phase which will revitalize the square in order to increase its attractiveness to both residents and visitors and become a public space vital to the city's lifestyle.

Funding of $1.000 million in the 2010 Recommended Capital Budget is provided to begin the redevelopment of St. Lawrence Market North which will allow the building to be better designed and fit in with the heritage buildings in the St. Lawrence Market precinct and surrounding area as well as offer more ground floor space and building amenities to the Farmers' Market.

Invest $13 million in Toronto's 13 priority neighbourhoods over the next four years

The 2010 Recommended Capital Budget provides funding of $4.189 million (including 2009 carry forward) for the development of Father Henry Carr High School in the Rexdale area to create new community infrastructure.

The 2010 Recommended Capital Budget of $67.587 million provides funding to:

- Begin the redevelopment of the St. Lawrence Market North and commence a study to identify corporate and divisional short, medium and long-term space needs.

- Continue to address approximately 11% of the accumulated state of good repair (SOGR) backlog and 100% of the 2010 SOGR identified.

- Continue large scale projects such as the Nathan Phillips Square Revitalization, the Yards Consolidation Study and the Old City Hall HVAC and Electrical upgrades.

- Complete the Bathurst Street Silos and Pandemic Flu Storage projects.

PART II: ISSUES FOR DISCUSSION

2011-2019 Recommended Capital Plan Issues

10-Year Plan versus Debt Target

The debt target for Facilities and Real Estate's 10-year Capital Plan is $391.931 million. The recommended debt of $404.791 million exceeds the target by $12.860 million. The project that accounts for this overage is for additional costs for the upgrade to the HVAC and Electrical system at Old City Hall ($13.369 million) in order to complete the entire building and accommodate for deep lake water cooling. This causes 2011, 2012, 2013 and 2104 to be over their respective year's targets.

State of Good Repair Backlog

A corporate facilities management and governance review was conducted in 2007 and 2008, to address issues raised by the Auditor General in 2005. This resulted in a Corporate Facilities Management Framework which acknowledges that Facilities and Real Estate is the corporate body responsible for setting the standards for ensuring that all City-owned facilities are operated and maintained in a manner that meets operating needs and protects these assets into the future. The 10-Year Capital Plan has incorporated the state of good repair (SOGR) budgets for EMS, Toronto Fire Service and Policy, Planning, Administration and Finance (PPF&A).

There are still more City Programs' SOGR budgets that will be transferred to Facilities and Real Estate such Children's Services, Transportation Services and Solid Waste Management which will take place either in-year or through the 2011 Capital Budget process. This will result in the amount of SOGR backlog being reported by Facilities and Real Estate to increase. However, prior to transferring the Capital Plans of City Programs, Facilities and Real Estate will need to assess the capital SOGR programs based on a common approach and methodology, which could result in the City-wide SOGR backlog to either increase or decrease.

Bathurst Street Silos

A report is going forward to Executive Committee in November 2009 recommending that City Council direct staff to pursue a two-phased plan for the site of the Bathurst Street Silos. Phase 1 would include improvements to the site to secure safe waterfront access to Ireland Park, dockwall repairs and removal of the structures to the west of the Canada Malting silos. Phase 2 would involve developing a master plan for the site that would incorporate the sale of a portion of the site to permit private development and use of the funds from the development to complete parkland improvements to the entire site and stabilize the 1929 and 1944 Silos.

Funding for Phase 1 is included in the 2010 Recommended Capital Budget. Future improvements to the area would need to be included in the future years Capital Budget processes.

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 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)	Projected Balance as at Dec. 31,	Proposed Withdrawals										
		2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010 - 2019 Total
Land Acquisition Reserve Fund XR1012	119,924.8	(4,363.0)	(4,500.0)	(3,926.0)				(5,000.0)	(5,000.0)	(7,500.0)		**(30,289.0)**
Total Reserve / Reserve Fund	**119,924.8**	**(4,363.0)**	**(4,500.0)**	**(3,926.0)**				**(5,000.0)**	**(5,000.0)**	**(7,500.0)**		**(30,289.0)**

Reserve / Reserve Fund Name (In $Thousands)	Projected Balance as at Dec. 31,	Proposed Withdrawals										
		2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010 - 2019 Total
Capital Financing Reserve Fund XQ0011	121,323.4	(10,674.0)	(4,500.0)	(3,926.0)								**(19,100.0)**
Total Reserve / Reserve Fund	**121,323.4**	**(10,674.0)**	**(4,500.0)**	**(3,926.0)**								**(19,100.0)**

Reserve / Reserve Fund Name (In $Thousands)	Projected Balance as at Dec. 31,	Proposed Withdrawals										
		2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010 - 2019 Total
Provincial Offences Courts Stabilization XQ0704	3,083.4				(3,125.0)							**(3,125.0)**
Total Reserve / Reserve Fund	**3,083.4**				**(3,125.0)**							**(3,125.0)**

Appendix 6

2010 to 2019 New and Expansion Facility Projects

Projects (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
St. Lawrence Market North Property - Redevelopment	1,000	13,254	23,409	23,984	13,243						74,890
Office Accommodation Plan - Study	500										500
1115 Queen West / 45 Lisgar			200	1,200	300						1,700
Yards Consolidation Study - East District		1,000	1,500								2,500
Yards Consolidation Study - North District	1,500	169									1,669
Yards Consolidation Study - South District	1,000										1,000
West District Plan - Etobicoke Civic Centre	100	100	100	100	1,000	2,300	11,000	20,000	32,500		67,200
Nathan Phillips Square	7,009	9,000	12,249								28,258
Pandemic Flu Storage	1,000										1,000
Bathurst Street Silos	9,200										9,200
Total	21,309	23,523	37,458	25,284	14,543	2,300	11,000	20,000	32,500	0	187,917