

November 18, 2005

To: Policy and Finance Committee

From: Budget Advisory Committee

Subject: Capital Variance Report for the Nine-Month Period Ended September 30, 2005

Recommendation:

The Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt staff Recommendations (1), (2) and (4) in the Recommendations Section of the report (November 16, 2005) from the Deputy City Manager and Chief Financial Officer.

Background:

The Budget Advisory Committee on November 18, 2005, considered a report (November 16, 2005) from the Deputy City Manager and Chief Financial Officer providing the City of Toronto Capital Variance Report for the nine-month period ended September 30, 2005 and the projected actual expenditures for the year ending December 31, 2005.

Recommendations:

It is recommended that:

- (1) the technical adjustments outlined in Appendix 2 of this report and having no incremental debt impact be approved;
- (2) the in-year capital adjustments described in Appendix 2 of this report with an incremental debt impact of \$3.777 million be approved;
- (3) this report be forwarded to Policy and Finance Committee for consideration; and

- (4) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

for City Clerk

Merle MacDonald/mh
Item 3

- c. City Manager
Deputy City Manager and Chief Financial Officer

(Communication dated November 16, 2005, addressed to the
Budget Advisory Committee from the Deputy City Manager
And Chief Financial Officer)

Purpose:

The purpose of this report is to provide the City of Toronto Capital Variance Report for the nine-month period ended September 30, 2005 and the projected actual expenditures for the year ending December 31, 2005.

Financial Implications and Impact Statements:

Table 1 Corporate Capital Variance Summary for the Nine-Month Period Ended September 30, 2005 (\$000's)					
	2005 Approved Budget	Actuals to September 30	% Spent	Projected Actual to Y/E	% Spent
Citizen Centred Services - A	148,974	67,209	45.1%	96,771	65.0%
Citizen Centred Services - B	377,125	179,148	47.5%	324,870	86.1%
Internal Services	190,516	113,071	59.3%	152,744	80.2%
Other City Programs	26,200	4,196	16.0%	12,257	46.8%
Special Purpose Bodies	526,352	348,675	66.2%	506,504	96.2%
Rate Supported	391,196	201,623	51.5%	294,564	75.3%

Capital expenditures for Citizen Centred Services 'A' during the nine-month period ended September 30, 2005 totalled \$67.209 million or 45.1 percent the 2005 Council Approved Capital Budget of \$148.974 million, inclusive of carry-forward funding (see Table 1 above and Appendix 1, column a). Citizen Centred Services 'A' projects spending of \$96.771.00 or 65 percent by year end.

As part of the 2005 Capital Budget process, projects were critically reviewed to ensure that only those that were ready to proceed were approved, with a goal to achieve a higher spending performance target. However, the development and implementation of capital projects are typically contingent on a multiplicity of factors, some of which are not entirely within the control of the City. For instance, in accordance with approved financial policies, proceeding with work on cost-shared capital projects is contingent on obtaining funding guarantees from contributing partners for their share of the cost. In several cases, these guarantees were not received as planned. Furthermore, progress on some projects were delayed because of unanticipated legal challenges, discovery of contaminants on project sites; unforeseen delays in finding suitable locations, obtaining site zoning and permits; longer than scheduled delivery of equipment; and protracted OMB hearings.

Citizen Centred Services 'B' spent \$179.148.00 or 47.5 percent of their 2005 Council Approved Capital Budget of \$377.124 million (inclusive of 2005 Carry-forward) during the nine-month period

ended September 30, 2005. The Cluster projects capital expenditures of \$324.870 million or 86.1 percent by year-end. Under-spending is primarily due to certain key activities requiring more time to complete than initially planned, OMB hearings, and delays in filling vacancies.

Internal Services capital expenditures during the nine months ended September 30, 2005 totalled \$113.071 million or 59.3 percent of the 2005 Capital Budget of \$190.516 million (including 2005 Carry-forward). Projected spending to year-end is estimated at \$152.744 million or 80.2 percent. Primary causes of the under-spending include delays in issuing Request for Proposals (RFP), project deferrals, and negotiation of favourable contract prices.

Other City Programs capital expenditures during the nine months ended September 30, 2005 totalled \$4.196 million or 16.0 percent of the 2005 Capital Budget of \$26.200 million (including 2005 Carry-forward). Projected spending to year-end is estimated at \$12.257 million or 46.8 percent. The under-spending was due to late completion of concept designs, unresolved negotiations (i.e., Union Station) and funding issues with cost-sharing partners, and delay in hiring project staff.

Special Purpose Bodies (SPB) capital expenditures during the nine-month period ended September 30, 2005 totalled \$348.675 million or 66.2 percent of the 2005 Approved Capital Budget of \$526.352 million. Projected spending to year-end is estimated at 96.2 percent or \$506.504 million.

Recommendations:

It is recommended that:

- (1) the technical adjustments outlined in Appendix 2 of this report and having no incremental debt impact be approved;
- (2) the in-year capital adjustments described in Appendix 2 of this report with an incremental debt impact of \$3.777 million be approved;
- (3) this report be forwarded to Policy and Finance Committee for its consideration; and
- (4) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Comments:

At its meeting of December 6, 2004, Council approved a 2005 Capital Budget of \$338.5 million for Toronto Water. Later, at its meeting of February 23 to 27, and March 1, 2005, Council approved a 2005 Tax-Supported Capital Budget of \$1.033 billion for the City of Toronto, and a 2005 Rate-Supported Capital Budget of \$32.8 million for the Toronto Parking Authority. After adjusting for 2004 expenditures and associated funds carried-forward to 2005; capital expenditure deferrals requested by Council in order to constrain the City's debt burden; and other technical adjustments that were approved by Council, the 2005 Approved Capital Budget totals \$1.660 billion.

Tax - Supported Programs' actual capital expenditures during the first nine months of 2005 totalled \$712.299 million, or 56.1 percent of the 2005 Approved Capital Budget of \$1.269 billion. It is estimated that Tax - Supported Programs will spend \$1.093 billion by year end (see Appendix 1).

Rate-Supported Programs spent \$201.623 million or 51.5 percent of the 2005 Approved Capital Budget of \$391.196 million. These Programs estimate spending of \$294.564 million by year end.

Citizen Centred Services "A"

City Council, at its meeting of September 28, 29, and 30, 2005, requested "that Deputy City Manager Sue Corke report to Council, through the Policy and Finance Committee, on plans to complete the Capital budget projects by year-end." As part of the capital budget process, Programs forecast conditions that could influence project implementation and their ability to spend during the year. However, successful delivery of even the best plans often depends on the realization of critical assumptions about the future. Programs perform constant monitoring of their capital expenditures and take corrective action to speed up their spending. In accordance with the City's Carry-forward Policy, they also carry-forward their year one unspent budget to the immediate following year through the budget process to complete those projects, after thorough analysis and concurrence with Financial Planning staff.

Overall, actual capital expenditures for the Cluster for the nine-month period totalled \$67.208 million or 45.1 percent of the 2005 Approved Capital Budget of \$148.974 million. Spending of \$96.771 million or 65.0 percent is projected for year-end. The actual and projected actual spending performance varies by Program and depends primarily on program - specific, and in some cases, uncontrollable factors which are discussed below.

Programs within the Citizen Centred Services "A" cluster are looking at various initiatives to boost the capital spending for the upcoming year including the following:

- (1) Improved corporate procurement policies that will enable Programs to achieve their spending plans and performance;
- (2) Council approval of Capital Budget in December will give Programs a full year (compared to seven months in 2005) in which to implement their Capital Budget. This should result in better spending performance; and
- (3) Programs will have a better forecasting model to develop and monitor capital budgets and spending.

Children's Services spent \$2.550 million or 20.7 percent of its 2005 Approved Capital Budget of \$12.332 million. Children's Services projects spending of \$8.512 million or 69.0 percent by year-end. Under-spending is mainly attributed to delay of the New Child Care Centres Project (\$2.5 million) pending co-ordination with planning of the Best Start Initiative; and, delays in work at the Child Care Centre - 118 Enderby (\$0.8 million) due to change in the Ministry of Environment's reporting procedures on ground sites.

Culture spent \$7.139 million or 75.4 percent of its 2005 Approved Capital Budget of \$9.464 million, and projects spending of \$7.695 million or 81.3 percent by year-end. Under-spending is attributed to several factors: unexpected conditions in heritage buildings have led to a change in scope for several projects; the Trinity Bellwoods project was completed at a favourable (lower) cost; the Guild Revitalization project could not proceed without prior Council direction and the conditions of the private donation at the Don Valley Brick Works (based on the agreement, the Donor had to agree to the design details throughout the process before project could be processed) have significantly slowed the approvals process.

Economic Development spent \$3.420 million or 51.8 percent of its 2005 Approved Capital Budget of \$6.608 million. The Program is projecting expenditures of \$5.319 million or 80.5 percent by year-end. The variance is mainly due to delays encountered in design, permits and tendering of projects for the 2005 BIA Streetscape Improvement Program.

Emergency Medical Services (EMS) spent \$3.543 million or 36.7 percent of its 2005 Approved Capital Budget of \$9.644 million. The Program projects spending of \$5.154 million or 53.4 percent of its 2005 Approved Capital Budget by year-end. Under-spending is mainly attributed to delays in construction, ongoing legal contract issues and project deliverables. These projects are anticipated to be completed in 2006.

Homes for the Aged spent \$5.974 million or 50.9 percent of its 2005 Approved Capital Budget of \$11.734 million, and projects spending of \$9.284 million or 79.1 percent by year-end. Under-spending is mainly attributed to the Site Redevelopment project, which has minor mechanical, electrical and site upgrades to complete. Work will be completed over the next several months and into 2006 following facility reconstruction.

Parks and Recreation spent \$39.689 or 46.8 percent of its 2005 Approved Capital Budget of \$84.797 million, and expects to spend \$54.417 million or 64.2 percent by year-end. The under-spending is attributed to several causes including: delay in completing public consultation and obtaining input from users, stakeholders and Councillors have extended timelines for the completion of many projects; delay in obtaining approvals from agencies such as TRCA, Department of Fisheries and Oceans, Coast Guard, and Ministry of Environment; and unexpected constrained third party funding. City policy dictates that a project cannot proceed until 100 percent of third party funding is in place. Many projects remain outstanding reducing completion rates while waiting third party funds to be raised. To address procurement planning and management issues, the Purchasing and Materials Management Division has now hired a dedicated buyer under the terms of a service level agreement with Parks, Forestry and Recreation with anticipated enhanced purchasing processes by year-end. Efforts are underway to facilitate the spending rate of capital projects within the approved budget.

Shelter, Support and Housing Administration spent \$0.932 million or 12.6 percent of its 2005 Approved Capital Budget of \$7.393 million by September 30, 2005. The Program expects to spend \$1.981 million or 26.8 percent by year-end. Under-spending is mainly due to delays in obtaining OMB approvals and selection of Shelter Operators for the Shelter Accommodation Projects. Most of the projects require extensive community consultation. Causes for significant variances are as follows:

- The Christie Ossington and the Metropolitan United Shelter projects will not incur any spending in 2005, as suitable sites have not been identified. Carry forward funding for both of these capital projects have been adjusted in the 2006 to 2010 capital plan to include only \$0.1 million per project for pre-development and site identification assessments. Therefore, a favourable variance of \$1.8 million is anticipated at year-end 2005.
- Eva's Youth Shelter project was delayed awaiting for the OMB approval which was granted in March 2005. The City is still negotiating easement issues as directed by the Committee of Adjustments. Therefore, an under-expenditure of \$0.8 million is anticipated at year-end 2005.
- Bethlehem United Shelter - An operator has been selected for this site and public consultations will commence in November. Project delays are attributed to site zoning and permit approvals. All necessary approvals are now in place and site construction will commence in 2006. Therefore, a favourable variance of \$1.4 million is anticipated at year-end 2005.
- Shelter Management Information System (SMIS) – CARO Systems was selected to develop SMIS. The first operating contract was signed and executed in September. The second contract negotiations were successfully completed in mid October. An under-expenditure of \$0.6 million is anticipated at year-end as a result of protracted contract negotiations.

Social Services spent \$3.962 million or 57.2 percent of its 2005 Approved Capital Budget of \$6.926 million, and projects spending of \$4.335 million or 62.6 percent by year-end. The 2005 under-expenditure results from the difference in computer prices between the original estimate and the City's contract for the Corporate IT Refresh Project. In accordance with the Financial Control By-law, unspent funds will be returned to their original funding source.

Tourism had not incurred any expenditure as at September 30, 2005. However, management is projecting that the 2005 Approved Capital Budget of \$0.075 will be fully spent by year-end.

Citizen Centred Services "B"

Overall, the actual capital expenditures for this Cluster for the nine month period ended September 30, 2005, totalled \$179.148 million or 47.5 percent of the 2005 Approved Capital Budget of \$377.125 million. Collectively, these Programs estimate spending of \$324.870 million or 86.1 percent by year-end.

City Planning Division spent \$2.778 million or 34.4 percent of its 2005 Approved Capital Budget of \$8.076 million during the first nine months of 2005. The Program expects to spend \$5.110 million or 63.3 percent by year-end. For the most part, the following projects contributed to the under-spending:

- New Official Plan – This project spent 15.2 percent of its approved cash flow of \$0.964 million. The delay in spending is a direct result of commencement of the OMB hearing which is anticipated to occur at phased timeframes throughout 2006. The year-end projected spending rate is 48 percent for 2005.

- New Zoning By-law Project – 56 percent of the 2005 Approved Capital Budget of \$1.817 million for this project has been spent and it is estimated that 71.3 percent will be spent by year-end. The New Zoning By-law transition project is projected to be completed in 2005 with the Continued Development of the New Zoning By-law to be completed in 2006. Delays are attributable to position vacancies.
- Toronto Archeological Resources – Spending rate for this project is estimated at 78.8 percent of \$0.142 million approved cash flow in 2005. The Consultant retained to work on the Toronto Archaeological Resources Plan has been requested to perform other archaeological studies for the City which needed to proceed in a timely fashion. Due to limited staff resources, the consultant has had to set aside some of the necessary core work for the Archaeological Resources Plan and this is to be completed in 2006.
- Civic Improvement Projects - Unanticipated changes in the Transportation/Toronto Water Capital Budget has led to delays for the Civic Improvement Projects. The year-end spending rate for the Civic Improvement Projects is projected to be 75 percent.
- Union Station Design Study - As at September 30, 2005, no expenditure was incurred on this project. It is anticipated that spending will approximate 60 percent of the Approved Capital Budget of \$0.500 million by year-end. The overall project requires considerable work to be completed in 2006, which includes final public meetings, preparation of a final report and attendance at an OMB hearing. Spending has been delayed since the contract wasn't approved until the summer. However, work is currently underway and the Program expects to complete approximately 66 percent of the work in 2006.

Cross Divisional Projects (Asset Preservation) capital expenditures for the nine months ended September 30, 2005, totalled \$2.802 million of the 2005 Approved Capital Budget of \$8.055 million. Projected spending to year-end is \$5.631 million or 69.9 percent of the 2005 approved cash flow. Under spending is mainly due to the following projects:

- Toronto Infrastructure Data Standards - The priority has shifted based on Toronto Water priorities to complete conversion work on the data component of the project and deferral of integration with applications supporting future maintenance of the TIADS database. Carry-forward funding of \$0.322 million based on a revised work plan is expected for 2006.
- Development Application Tracking System – This project is behind schedule because of the unanticipated timing delay of work needed for Transportation to improve and accelerate horizontal integration of business systems. An estimated \$0.308 million will be carried forward into 2006.
- Plan/Drawing Database - The project is behind schedule due to delays in approval and purchase of computer equipment needed to store the data. Therefore, carry-forward funding of \$0.318 million into the 2006 budget is required.
- Document Management System - This initiative is dependent upon Information and Technology's selection of a City Document Management standard. It is expected that the

City standard will be selected late in 2005; therefore, it is unlikely a system will be purchased and implemented before 2006. As a result, this project will require estimated carry-forward funding of \$0.345 million into 2006.

- WES IT Implementation - Due to delay in hiring temporary positions to proceed on project, this project will require the full \$0.290 million to be carried-forward into 2006. The project lead will be hired during the fourth quarter of 2005.

Emergency Management Plan – The Program spent \$1.430 million or 64.7 percent of its 2005 Approved Capital Budget of \$2.211 million during the nine month period ended September 30, 2005. Projected spending to year-end is \$1.641 million or 74.2 percent of the 2005 Approved Capital Budget. The decrease in projected year-end spending is mainly attributable to the Emergency Back-up Systems project which has been delayed due to lengthy delivery period in some of necessary equipment. Therefore, \$0.570 million will be carried forward into 2006. Project development work has been re-scheduled to commence in early 2006.

Fire Services spent \$8.466 million or 74.7 percent of its 2005 Approved Capital Budget of \$11.326 million and projects spending of \$9.078 million or 80.2 percent of the 2005 Approved Capital Budget by year-end. The largest project in the program, Computer Aided Dispatch/Record Management System CAD/RMS, represents 41 percent of the 2005 Approved Capital Budget. The 2005 expenditure is the final phase of the implementation of the Record Management System component of the CAD system. The majority of the funds are mainly for contract payments to the system development company upon acceptance testing. Also, included was the purchase and installation of mobile workstations for the system, which have now been rolled out to all heavy fire vehicles scheduled for completion in early 2006. At this time, there is insufficient information to project all components of the Asset Management projects. However, based on historical spending and current commitments, it is expected that approximately 70 percent of the Asset Management project will be completed by year-end. The amount of \$0.299 million in approved funding will be returned to original sources as a result of favorable costs of completed projects and \$1.949 million will be carried forward to 2006.

Solid Waste Management Services has spent \$18.464 million or 51.3 percent of the \$35.987 million 2005 Approved Capital Budget, and forecasts spending of \$28.897 million or 80.3 percent by year-end. The under-spending is mainly attributed to the following projects:

- Diversion Facilities - A large portion of under-spending on the Additional Source Separated Organic Processing Capacity Project, which accounts for \$1.0 million, will be carried over to 2006 to allow for the completion of the Public Facility Planning study, under the direction of the Source Separated Organic sub-committee prior to construction. Under-spending in the Dufferin Container Line Upgrade of Optical Glass Sorter Project, which accounts for \$0.850 million, will be deferred to 2006 to allow sufficient time for commissioning and to monitor the Facility's operation prior to the upgrade. Under-spending in the Covered Bunker project at Commissioners Street of \$0.627 million and in the Automated Vehicle Location Technology project of \$0.412 million, attributable to the lengthy tendering and contract negotiation process respectively, will be carried forward into 2006. The Reuse Centres Project for \$0.450 million will be deferred to 2006 as no acceptable location has been found. The start-up of the Environmental Assessment for the Residual Waste Management

Facilities Project has been delayed due to ongoing development of a public participation model. As a result, \$0.350 million will be deferred to 2006.

- Multi-Unit Residential Containers - Under-spending of \$0.269 million in this project is attributed to the tendering process for the additional purchase of the re-designed containers for multi-residential units. Under-spending of \$0.269 million will be carried forward to 2006.
- Perpetual Care of Landfills - Under-spending of \$1.267 million is attributable mainly to the postponement of investigative and construction work at various old landfills and at the Keele Valley Landfill with respect to its closure due to slower than anticipated investigation, design and approval process. The major under-spent projects are: Old Landfills Remediation Scarborough (\$0.516 million), Old Landfills Survey Scarborough (\$0.489 million), Old Landfills Remediation Metro Sites (\$0.147 million), and Remedial Measures (\$0.081 million).
- Transfer Station Asset Management - Under-spending of \$1.740 million is attributable mainly to the postponement of renovation work at various Transfer Stations including: repairs to tipping floor at the Commissioners Street Transfer Station (\$1.0 million) due to legal proceedings related to the original design of the floor; relocation of Household Hazardous Waste depot at Bermondsey Transfer Station (\$0.250 million) due to the lengthy design specification process, tipping floor repairs at Bermondsey Transfer Station (\$0.220 million) and staff facilities renovation at Ingram Yard (\$0.170 million) due to re-prioritization of projects, and additional work pending legal agreement with the supplier for Geoware enhancements (\$0.100 million).

Transportation Services capital expenditures for the nine months ended September 30, 2005 totalled \$141.895 million or 49.1 percent of the 2005 Approved Cash Flow of \$288.701 million. Projected spending to year-end is \$251.821 million or 87.2 percent of the 2005 approved cash flow. Under spending is mainly due to the following projects:

- Dufferin Street Jog Elimination – The project had expenditures of \$0.260 million or 3 percent of its approved cash flow of \$8.799 million. The 2005 funding was primarily for land acquisition costs; expropriations are pending and expected to occur in 2006. Balance of funding of \$8.538 million will be carried-forward.
- Traffic Control Projects – These projects had expenditure of \$10.124 million or 27.4 percent of its 2005 Approved Capital Budget of \$36.980 million. The Transit Priority project was deferred a year by TTC due to a review of strategies. Third party work was less than projected on both signals and street lighting. Street lighting contracts were delayed/awarded late due to negotiations with Toronto Hydro Street Lighting Inc. re the sale of the street lighting assets. Lengthy delays in filling staffing vacancies reduced our capacity to administer procurement and capital contract project awards. Toronto Hydro Electric System Limited is behind schedule in their invoicing of capital upgrade projects. There were lengthy delays in equipment procurement due to additional requirements of the purchasing process. The staffing and procurement issues are now corrected and program delivery is

expected to catch up in 1st quarter of 2006. This project is estimated to spend 79.4 percent of its approved budget by year-end.

- Infrastructure Enhancements include grade separations, street widening, safety and operational improvements and development related projects. In total, these projects spent \$24.784 million or 25.1 percent of its approved cash flow of \$98.631 million. Each project is unique; some require land acquisitions and co-ordination with other parties which account for delays. The Simcoe Street Underpass project was delayed by the private developer. The Leslie/Sheppard and Ellesmere/Warden widening projects are both delayed and expected to proceed in early 2006. The Morningside/Finch Rail grade Separation project is going to tender in late 2005 or early 2006. Estimated spending rate by year-end is 80.2 percent and any balance in funding for these projects will be carried-forward to 2006.

Waterfront Revitalization Initiative - The capital variance schedule has been updated to reflect the Five-Year Plan/Ten-Year Forecast for the Waterfront Revitalization Initiative that was approved by Council on September 30, 2005. Specifically, the 2005 Capital Budget of \$36.238 million has been decreased by \$14.618 million to \$21.620 million. This reduction has resulted from the negotiation of funding of the Plan with the Federal and Provincial governments. This amount will be required in later years, as the City's overall \$500.0 million commitment to Revitalization remains intact. In addition, a total of \$1.216 million of actual expenditures have been reallocated to correspond to the new budget structure as follows: \$1.159 million from Toronto Waterfront Revitalization corporate costs to Union Station Subway Platform, and \$0.057 million from Precinct Implementation Projects to Sports Fields and Facilities and Parks Development. The proposed restructuring of the cost-sharing among the three levels of governments is the primary reason for the year-to-date variance of \$19.137 million.

Internal Services

For the first nine months of 2005, Internal Services' Programs spent \$113.071 million or 59.3 percent of their 2005 Approved Capital Budget of \$190.516 million. In total, the Internal Services Programs estimate that capital spending will approximate 80.2 percent by year end.

Financial Services spent approximately \$1.350 million of its 2005 Approved Capital Budget of \$5.362 million during the nine - month period ended September 30, 2005. The Program is projecting expenditures of \$2.258 million or 42.1 percent of its Approved Capital Budget by year end.

Under spending is due to delays in issuing RFPs for Document Management and Imaging Initiatives (\$1.406 million) and the Cashiering Upgrade (\$0.340 million). In addition, the TES Replacement project has been delayed, as staff members have concentrated on the implementation of harmonization awards and collective agreements (\$0.600 million). The Program Planning System project was delayed due to a review of SAP functionality and staff availability to work on the project, which has resulted in projected under spending of \$0.339 million.

Facilities and Real Estate spent \$31.929 million or 70.9 percent of the 2005 Approved Capital Budget of \$45.055 million during the first nine months of the year. By year-end, capital spending will increase to \$41.391 million or 91.9 percent of the 2005 Approved Capital Budget. The Council

directed deferral of the City Hall tower and hydraulic elevator renewal is the key reason for the under-spending.

Fleet Services – During the first nine months of 2005, Fleet Services spent \$51.507 million or 76.5 percent of its 2005 Approved Capital Budget of \$67.304 million. The Program is anticipating an 86.0 percent spending rate by year-end. To date, the 2005 emphasis has been on assisting Parks Forestry and Recreation with their Clean and Beautiful City initiative.

Information and Technology spent \$3.919 million or 38.0 percent of its 2005 Approved Capital Budget of \$10.321 million during the first nine months of the year. The Program is projecting a 69.9 percent spending performance by year-end. With the anticipated closure of a number of projects resulting in a projected under-expenditure of approximately \$0.623 million, the projected spending rate would be more accurately restated as 75 percent.

The Technology End of Lease Strategy project (TELS) spent \$24.366 million or 39 percent of the approved cash flow of \$62.474 million with a project spending rate of 70.5 percent by year-end. The under-spending is due to better than anticipated hardware price, and significantly lower than planned requirement for software upgrade/replacement due to extensive product testing and establishment of workarounds to avoid replacement costs. The project will be completed in the first quarter of 2006.

Other City Programs

Other City Programs collectively reported actual expenditures of \$4.196 million or 16.0 percent of their 2005 Approved Capital Budget of \$26.200 million at the end of September. These Programs project capital expenditures by year-end of \$12.257 million or 46.8 percent of the 2005 Approved Capital Budget. The under-expenditure projections to year-end are attributed mainly to Union Station.

City Clerk's Office spent \$0.715 million or 18.0 percent of its 2005 Approved Capital Budget of \$3.978 million during the first nine months of 2005, and projects spending of 70.6 percent by year end. The under expenditure is primarily due to the following projects:

- Programmable Paper Sizer, and Order Picker Records and Archives - These projects will be completed by year-end, at a cost saving of \$0.062 million. The unspent funds will be returned to the Clerk's Equipment Reserve account.
- Council Automation and Meeting Management Phase II - Project deliverables by year-end include: (1) reorganized procedural by-law/procedures training which has been drafted; (2) public consultations conducted in partnership with the City Manager; (3) plain and clear language subproject for which a contract has been awarded; (4) phase 1 upgrade to committee and community council meeting locations completed; and (5) systems design work. The project is expected to be 46.2 percent spent by year-end. The scope of the project has been revised to extend the project into 2007, by deferring certain components such as hardware replacements, meeting rooms upgrades, clear language implementation, in order to smooth out the Capital expenditures, and to await the introduction of the *City of*

Toronto Act, and the completion of the Governing Toronto Panel review, which may have implications for the meeting management process and related-systems.

Energy Retrofit Program (ERP) actual expenditures during the nine months ended September 30, 2005 totalled \$2.109 million or 18.7 percent of the 2005 Approved Capital Budget of \$11.251 million. Projected expenditures to year-end are estimated at \$6.430 million or 57.2 percent of 2005 approved cash flow. The following projects were the principal causes of the under-expenditure:

- Arenas Energy Retrofit Program incurred no expenditures during the first nine months of 2005. The concept report (feasibility study) has been completed and approved and implementation of energy retrofit measures will start in the fall with no more than \$2.500 million of the \$3.880 million approved cash flow expected to be spent this year on the Arenas' project.
- Exhibition Place ERP Tri-Gen - Projects of this type take longer than general construction projects due to the time required to complete the various stages of the process and the need to obtain grant approvals prior to construction. As a result, \$2.200 million of the \$4.400 million 2005 approved cash flow will be spent by year-end.

Union Station - During the first nine months of 2005, Union Station project had expenditures of \$0.152 million or 2 percent of its Approved Capital Budget of \$7.528 million, and spending of 14 percent is estimated by year-end. The under-spending results from the ongoing negotiations with the Union Pearson Group that remains unresolved. Union Station is still in the process of coordinating with GO Transit to complete the York Street Expansion Joint project. Other factors include the need for approval from the Toronto Heritage Group before making any repairs to the interior or exterior of the building and delays in tendering.

Yonge/Dundas Square project spent \$0.895 or 52.5 percent of its approved cash flow of \$1.706 million during the first nine months of 2005. It is projected that by year-end \$1.456 million or 85.3 percent will be spent. Development of the detailed design and tender package for a permanent stage canopy took longer than anticipated.

3-1-1 Project – Spending on this project totalled \$0.325 million or 18.7 percent of the 2005 approved capital flow of \$1.737 million during the nine months ended September 30, 2005. Projected expenditures to year-end is estimated at \$0.522 million or 30.1 percent. Under-spending is due to late approval of the 2005 Approved Capital Budget and unanticipated delay in the hiring process.

Special Purpose Bodies (SPBs)

Collectively, Special Purpose Bodies (SPB) spent \$348.675 million or 66.2 percent of their 2005 Approved Capital Budget of \$526.352 million. Projections to year-end indicate that most of these SPBs will spend in excess of 95 percent of their 2005 Approved Capital Budget. The following programs have contributed to the under-spending:

Toronto Parking Enforcement Unit spent \$0.366 million or 8.1 percent of its 2005 Approved Capital Budget during the first nine months of 2005. This under-expenditure resulted from the unanticipated amount of time required to review all IT requirements to ensure system compatibility before awarding a vendor contract for the Handheld Parking Devices Project. It is anticipated that a contract will be finalized in early November with full implementation of the project by June of 2006. With the delay in implementation (originally scheduled for July 2005), it is estimated at this time that \$1.500 million of the 2005 cash flow will be carried forward to 2006.

Toronto Police Service (TPS) spent \$35.595 million or 52.7 percent of its 2005 Approved Capital Budget of \$67.535 million by the end of September 2005, and projects spending of 74.9 percent by year-end. The 2005 under-spending is attributed to the following projects:

- Police Integration System - This project is intended to create network connections between various systems (internally and externally). At this point, TPS anticipates that \$1.900 million will be carried-forward into 2006 for sub-projects such as Geocoding (statistical systems), Reporting tools and Inventory Asset/Management System. The primary reason for the delay is the Request for Proposal (RFP) evaluation for the Inventory Asset/Management System took longer than originally expected.
- Mobile Data Network Conversion - This project was scheduled to start in 2004; however, it is no longer required since TPS pursued other forms of communication which are efficient without requiring this funding. The amount of \$0.900 Approved Capital Budget has been utilized to complete 43 Division in 2005. Therefore, in accordance with the Financial Control By-law a budget adjustment is requested as part of this report to reallocate the funds from the Mobile Data Network Conversion project to the 43 Division project.
- Jetforms - The cost of replacing this system is currently estimated at \$1.200 million based on information from Adobe (the company that acquired Jetforms). During 2005, Information Technology Services investigated various software solutions and even though a few of them met many of TPS requirements, some of the critical elements were not satisfied. As a result, a Request for Proposal (RFP) will be issued in November and the cost and a vendor will be determined at the beginning of 2006. At this time the Service is projecting no spending in 2005. The entire \$1.200 million will be carried forward into 2006.
- HRMS additional functionality - In late 2004, Peoplesoft was purchased by Oracle. The project was delayed as TPS did not know the ramifications of the Oracle acquisition and therefore, it was not prudent to invest in any enhancements at that time. However, Oracle has indicated that current Tools and Platforms will be supported for the duration of the product support - at least until 2013 for the currently released products. As a result of this delay, TPS will be able to spend only \$0.200 million by year-end. The remaining \$0.300 million for consulting and professional services will be carried forward into 2006.
- Time Resource Management System (TRMS) Additional Functionality - During 2005, TRMS resources were committed to stabilizing the TRMS environment and resolving specific issues related to the initial implementation. Utilization of resources for specific upgrade activities will begin in late 2005 and continue into 2006. The remaining funds will be utilized in 2006 to upgrade the TRMS environment. As a result, the Service will be able

to spend only \$0.200 million to year-end and the remaining \$0.350 million will be carried forward into 2006.

- New Training Facility - This project involves the construction of a new Police College (replacing C.O. Bick), a training facility for Firearm/Defensive Tactics and a Driver Training Track. It is anticipated that only \$1.700 million of \$4.600 million available funding will be utilized during 2005 due to delays in developing a co-ordinated design with the Department of National Defence (DND). Also, there have been some delays in hiring a Construction Manager and the design phase is taking longer than anticipated. An amount of \$2.900 million will be carried forward into 2006.
- 23 Division - Design, drawings and specifications are complete and the Construction Manager has been hired. A sod turning ceremony took place on July 8, 2005, and a building permit application has been filed. At this time, projected expenditures to year-end are estimated at \$5.0 million of the \$7.300 million available funding. The under-spending is due to delays in receiving provisional site plan approval. Through this report, TPS is requesting Council's approval to use \$1.100 million from this project to cover the over-expenditure in the Division 43 project (see Appendix 2 attached). Therefore, only \$1.2 million will be carried-forward to 2006. The reallocated budget of \$1.100 million will be rebudgeted in the 2006 Capital Budget.
- 11 Division – A suitable site at 640 Landsdowne Avenue (a former Toronto Transit Commission (TTC) garage location) has been identified. Environmental and land issues are being reviewed by the Service and City. A report will be forwarded to the Toronto Police Services Board regarding the site prior to any work commencing. As a result, it is unlikely that any of the \$0.5 million allocated in 2005 will be spent and this amount will be carried forward into 2006.
- 43 Division - The purpose of this project is to build a new 43 Division which will be completed this year. TPS actual spending on this project exceeded the Approved Capital Budget by approximately \$2.0 million. To comply with the Financial Control By-law, Council's approval to reallocate \$1.100 million from the 23 Division project and \$0.900 million from the under-spent Mobile Data Network Conversion project is being requested through this report (see Appendix 2).
- 14 Division – City Real Estate, on behalf of the TPS, is pursuing the acquisition of a suitable site. Three potential sites are being investigated and the TPS is awaiting a final decision from the City's Facilities and Real Estate Division. At this time, the TPS is projecting expenditures of only \$0.010 million in 2005. The unspent amount of \$0.740 million will be carried-forward to 2006.

Toronto Public Health - Toronto Public Health spent \$1.604 million or 38.6 percent of its 2005 approved cash flow of \$4.156 million. The Program projects expenditures of \$3.086 million or 74.3 percent of its Approved Capital Budget by year-end. Completion of the TCHIS (Toronto Community Health Info and System) project is delayed until 2006 primarily due to: (i) loss of experienced and skilled technical staff to support the project; (ii) the recruitment process to fill vacancies; and (iii) the RFP process to acquire new enterprise reporting, security, and

communication tools/infrastructures to satisfy unique privacy and security health information requirements. Under-spending of \$1.1 million in 2005 will be carried forward into 2006.

Toronto Public Library (TPL) spent \$11.321 million or 72.2 percent of the 2005 Approved Capital Budget of \$15.669 million during the nine months ended September 30, 2005. TPL will spend 91.4 percent by year-end. Currently, most projects are progressing as planned, with the following exceptions:

- The Jane/Sheppard Neighbourhood Library Relocation has been delayed due to difficulties experienced by co-developer Shelter, Housing and Support.
- The awarding of a contract for the Integrated Library System is delayed to the first quarter of 2006 due to the unanticipated complexity of the system requirements.

Toronto Public Library has determined that two projects will be underspent by a total of \$0.548 million. In accordance with the Financial Control By-law, TPL proposes the following budget adjustment which transfers unused funds from completed projects to offset the over-expenditures (see Appendix 2 attached):

- A reduction in the Public Database Remediation project by \$0.369 million. The final phase of this project had to be cancelled because the estimated length of time required to complete the modifications to the database was too extensive and would have negatively affected the success achieved to date. This project is scheduled for completion by the end of 2005. Savings will be used to offset over-expenditures in other projects identified below.
- A reduction in the McGregor Park Neighbourhood Library project by \$0.179 million. Optimal weather conditions and shared infrastructure with the adjoining community centre will result in overall savings of approximately \$0.179 million on this project which is scheduled for completion in 2005. Savings will be used to offset over-expenditures in other projects identified below.
- An increase in the Malvern District Library project by \$0.186 million. The age and configuration of this building resulted in unanticipated construction over-expenditures of approximately \$0.186 million. This project will be completed by the end of 2005. Over-expenditures will be offset with savings from other projects.
- An increase in the Runnymede Neighbourhood Library by \$0.218 million. This project will be completed in 2005, but it is anticipated that it will be over-spent by approximately \$0.218 million, due to the following unforeseen factors: poor soil conditions required over-sized caissons, the construction of one additional storey over the subway was needed, higher levels than expected of asbestos found.
- An increase in the Bloor/Gladstone District Library by \$0.144 million. The construction costs to restore this historical 1919 building are anticipated to be higher than originally planned. Projected expenditures in 2005 will be approximately \$0.144 million over budget. These over-expenditures will be offset with under-expenditures in other projects.

Toronto Zoo spent \$4.400 million or 77.0 percent of its 2005 Approved Capital Budget of \$5.711 million during the first nine months of 2005 and projects spending of \$4.614 million or 80.8 percent by year-end. The following projects contributed to the under-expenditure:

- Of the approved \$1.435 million, the Quarantine Facility will spend \$0.600 million or 41.8 percent by year-end. This project is currently under construction and is approximately 19 percent complete. The contractor has completed the foundation work and will continue to work towards closing in the building prior to the onset of winter to enable interior work to continue during the winter months. The project is currently scheduled to be completed by mid-2006. The funding for this project is fully committed.
- North Zoo Site Redevelopment will spend \$0.057 million or 67.5 percent of the 2005 Approved Cash Flow by year-end. The project manager position was filled later than anticipated, resulting in cost savings that are expected to be applied against future project commitments.
- Grounds and Visitor Improvements Project – Spending to year end is estimated at \$0.173 million or 53.2 percent of the 2005 Approved Cash Flow. The following sub-projects contributed to the low spending rate:
- Visitor Improvements/Signage, Circulation and Gateways – This sub-project involves signage and circulation improvements at the Malayan Woods Pavilion. As a result of reprioritizing of the Grounds and Visitors projects this project has been delayed. Although the project is at the consultant selection/design stage, completion is scheduled for the first quarter of 2006.
- Waterfall Improvements – This project involved extending the waterfall at the Mayan Temple in order to prevent public contact with the water which is non-potable. The construction phase of the project was cancelled due to revised plans for this area as part of the North Zoo Site Redevelopment Project. The design was completed and minimal fees were paid to the consultant.

Toronto Transit Commission (TTC)

Including Sheppard Subway, TTC spent \$279.100 million or 70.9 percent of its 2005 Approved Capital Budget of \$393.666 million during the nine-month period ended September 30, 2005. The TTC projects capital expenditures of \$396.700 million or 100.8 percent of its Approved Capital Budget by year-end. The over-expenditure results from the unspecified \$48 million 2005 Capital Budget reduction approved by Council; however, staff is continuing to closely monitor capital activities and expenditures in order to ensure that TTC does not exceed its 2005 Council Approved Capital Budget. Progress will be reported each month in the TTC's Chief General Manager's report.

Rate Supported Programs

For the first nine months of 2005, Rate Supported Programs spent \$201.623 million or 51.5 percent of their 2005 Approved Capital Budget of \$391.196 million. Combined, these Programs project spending of \$294.564 million or 75.3 percent by year-end.

Toronto Water - capital expenditures to September 30, 2005, for the combined Water and Wastewater programs totalled \$193.327 million or 54.3 percent of the 2005 Council Approved Capital Budget of \$356.147 million. Toronto Water projects expenditures of \$274.488 million or 77.1 percent of by year-end. Contributing to the delay in implementation of some projects in the 2005 Capital Program are scheduling changes required to integrate projects concurrently running at the treatment plants, coordinating the linear infrastructure replacement program with the roads reconstruction program, and managing project tendering issues that have arisen on some of the Program's larger projects.

Toronto Parking Authority spent \$8.296 million or 23.7 percent of its 2005 Approved Capital Budget of \$35.049 million, and projects spending of \$20.076 million or 57.3 percent by year-end. The under-spending is primarily due to the unavailability of parking sites, and delays in receiving funding from developers.

In-year and Technical Capital Budget Adjustments:

Appendix 2 attached herewith, details technical and in-year adjustments to the 2005 Council Approved Budget. These adjustments are required to provide funds to cover over-expenditure in several projects, in accordance with the Financial Control By-law, and to request an alternative funding source or one project for which the original funding source is now not available.

Toronto Public Library requests authority to reallocate funds among five projects as detailed in the section above wherein the spending performance of this agency is discussed, and summarized in Appendix 2. This reallocation will have no incremental impact on the 2005 Council Approved Capital Budget.

Emergency Medical Services projects a cost overrun in the Headquarters Roofing Project because of higher than anticipated contractor costs due to higher material costs. To offset this cost overrun a cash flow transfer of \$19,000 from the Asset Management Project is proposed. This reallocation will have no incremental impact on the 2005 Council Approved Capital Budget.

Similarly, Toronto Police Service requests a technical adjustment to transfer cash flow from the 23 Division and Mobile Data Network projects to 43 Division. Details of this request are included above in the Toronto Police Service section, and summarized in Appendix 2 attached. This reallocation will have no incremental impact on the 2005 Council Approved Capital Budget.

At its meeting of February 23 to 27, and March 1, 2005, Council requested the Chief Financial Officer to identify 2005 capital projects that could be deferred to future years in order to reduce debt requirements by \$11.0 million. As part of the Capital Variance Report for the Period Ended June 30, 2005, Solid Waste Management offered to defer projects with debt financing of \$3.777 million. This deferral was based on the premise that the projects would not be implemented in 2005. Solid Waste Management has since committed to proceed with implementation of the projects (see Appendix 2 attached) and, therefore, it is recommended that the deferrals be reversed. This

adjustment will reduce the total deferral of capital projects with debt financing to \$19.525 million, well in excess of the \$11 million requested by Council.

Conclusion:

Capital expenditures (including commitments) during the first nine months of 2005 totalled \$913.922 million or 55.0 percent of the 2005 Approved Capital Budget of \$1.660 billion. Tax levy programs spent \$712.299 million or 56.1 percent of their Approved Capital Budget of \$1.269 billion while Rate Supported Programs spent \$201.623 million or 51.5 percent of their 2005 Approved Capital Budget of \$391.196 million. It is anticipated that capital project activities and capital spending will increase by 28.6 percent during the next three months. This is outlined in the year-end projected total capital expenditures as detailed in Appendix 1 and generally reflects anticipated higher capital project completion rates relative to 2004.

In compliance with the Financial Control By-law, several technical and in-year budget adjustments are proposed for consideration in Appendix 2.

Contact Names:

Josie La Vita, Director, Financial Planning Division, Tel: 397-4229, Fax: 397-4465,
Bert Riviere, Manager, Financial Planning Division, Tel: 397-4227, Fax: 392-3649.

List of Attachments:

Appendix 1 - Consolidated 2005 Capital Variance Report
Appendix 2 - Technical and In-Year Capital Budget Adjustments

Insert Table/Map No. 1
Appendices 1 and 2

Insert Table/Map No. 2
Appendices 1 and 2

Insert Table/Map No. 3
Appendices 1 and 2

Insert Table/Map No. 4
Appendices 1 and 2

