

**Consolidated Clause in Policy and Finance Committee Report 8, which was considered by City Council on September 28, 29 and 30, 2005.**

**55****Capital Variance Report - for the Six-Month  
Period Ended June 30, 2005**

*City Council on September 28, 29 and 30, 2005, amended this Clause by adding the following:*

*“That Deputy City Manager Sue Corke be requested to report to Council, through the Policy and Finance Committee, on plans to complete the Capital budget projects by year end.”*

*This Clause, as amended, was adopted by City Council.*

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**The Policy and Finance Committee recommends that City Council adopt the recommendation of the Budget Advisory Committee contained in the Communication (September 16, 2005) from the Budget Advisory Committee.**

Recommendation:

The Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt staff Recommendations (1) to (7) in the Recommendations Section of the report (September 13, 2005) from the Deputy City Manager and Chief Financial Officer.

Background:

The Budget Advisory Committee on September 16, 2005, considered a report (September 13, 2005) from the Deputy City Manager and Chief Financial Officer, providing the City of Toronto Capital Variance Report for the six-month period ended June 30, 2005, and projected actual expenditures for the year ending December 31, 2005.

Recommendations:

- (1) in accordance with a request from Council to identify projects that can be deferred in order to reduce the debt required to finance the 2005 Council Approved Capital Budget, capital projects with a total cash flow of \$29.698 million and debt financing of \$29.698 million (as detailed in Appendix 2) be deferred;
- (2) a 2005 Cash Flow increase of \$150,000.00 for the City Planning Division's Roots Project-Bathurst Street project financed by Development Charges be approved;

- (3) TTC review and revise its spending plans for the second half of the year and in order to ensure that it is not overspent, and to continue to explore opportunities to absorb the Sheppard Subway negotiated claims within its 2005 Approved Capital Budget;
- (4) Toronto Parking Authority review and revise its capital spending plans for the second half of the year so as to ensure that it does not over-spend the 2005 Council Approved Budget of \$35.049 million;
- (5) in accordance with the Financial Control By-law, prior to overspending on the 43 Division and the Investigative Voice Radio System projects, Toronto Police Service obtain Council approvals to increase the capital budget for these projects;
- (6) the technical adjustments detailed in Appendix 3 of this report, with no impact on 2005 debt financing, be approved;
- (7) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto; and
- (8) this report be forwarded to Policy and Finance Committee for consideration.

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(Report dated September 13, 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 six-month period ended June 30, 2005 and projected actual expenditures for the year ending December 31, 2005.

Financial Implications and Impact Statements:

Capital expenditures during the six month period ended June 30, 2005, totalled \$616.012 million or 37.4 percent of the 2005 Approved Capital Budget of \$1.647 billion, which includes 2004 carry-forward funding (see Appendix 1, column a). Projected capital expenditures to year-end are estimated at \$1.466 billion or 89.0 percent of the 2005 Approved cash flow.

| <p>Table 1</p> <p>Corporate Capital Variance Summary</p> <p>For the Six Month Period Ended June 30, 2005</p> <p>(\$000's)</p> |                            |                       |         |                            |         |
|---|----------------------------|-----------------------|---------|----------------------------|---------|
|   | 2005<br>Approved<br>Budget | Actuals to<br>June 30 | % Spent | Projected<br>Actual to Y/E | % Spent |
| Tax Supported   | 1,255,915                  | 490,588               | 39.1%   | 1,158,423                  | 92.2%   |
| Rate Supported  | 391,196                    | 125,424               | 32.1%   | 307,329                    | 78.6%   |
| Total   | 1,647,111                  | 616,012               | 37.4%   | 1,465,752                  | 89.0%   |

While the capital budget was carefully developed with a goal of achieving a 100 percent spending target, this level of performance is 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 dependent on obtaining funding guarantees for their share of the cost from the contributing partners. However, in several cases, these guarantees may not be received as planned. Furthermore, progress on some projects may be 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 extensive OMB hearings.

As part of the first quarter variance report, staff recommended deferral of capital projects with debt financing of \$3.604 million. The recommendation was in response to Council's direction that the "Chief Administrative Officer and Chief Financial Officer ... recommend further Capital Project deferrals [of approximately \$11.0 million] in order to meet the 2005 debt financing guidelines...." This variance report recommends deferral of capital projects with additional debt financing of \$29.698 million as detailed in Appendix 2. The Deputy City Manager and Chief Financial Officer have directed that all City Divisions and Agencies, Boards and Commissions continue to assess their ability to spend and where warranted, identify additional capital projects for deferral as part of the third quarter variance report.

City Council, at its meeting of May 17, 18 and 19, 2005, directed that the "Deputy City Manager and Chief Financial Officer, in consultation with the Toronto Transit Commission (TTC) staff review the additional funding requested resulting from the Sheppard Subway negotiated settlements of claim and report to the Budget Advisory Committee ... on accommodating the additional funding required within the 2005 approved Toronto Transit Commission Capital Budget." The TTC spent \$232.200 million or 60.2 percent of its 2005 Approved Capital Budget of \$385.605 million during the first six months of 2005, and projects year-end capital expenditures of approximately \$406.300 million or 105.4 percent of its 2005 Approved Capital Budget. It is recommended that TTC review its spending plans for the second half of the year so as to ensure that it is not overspent, and to continue to explore opportunities to absorb the Sheppard Subway negotiated claims within its 2005 Approved Capital Budget.

At its meeting of July 19 to 21, 2005, Council approved a recommendation from the Administration Committee which required the Deputy City Manager and Chief Financial Officer “to report to the Budget Advisory Committee in conjunction with the 2005 Second Quarter Capital Variance Report, on areas of under-spending that can be used for 3-1-1 capital requirements.” It has been established that the Technology End of Lease Strategy project (TELS) will be 91.6 percent complete by year end, and will be under-spent by approximately \$5.0 million due to better than anticipated pricing for hardware (Project CIT701-2) and required services. In compliance with the Financial Control By-law, the Deputy City Manager and Chief Financial Officer requests Council approval to reallocate \$1.737 million from the TELS project to finance the 3-1-1 Capital project.

Recommendations:

It is recommended that:

- (1) in accordance with a request from Council to identify projects that can be deferred in order to reduce the debt required to finance the 2005 Council Approved Capital Budget, capital projects with a total cash flow of \$29.698 million and debt financing of \$29.698 million (as detailed in Appendix 2) be deferred;
- (2) a 2005 Cash Flow increase of \$150,000.00 for the City Planning Division’s Roots Project-Bathurst Street project financed by Development Charges be approved;
- (3) the TTC review and revise its spending plans for the second half of the year and in order to ensure that it is not overspent, and to continue to explore opportunities, to absorb the Sheppard Subway negotiated claims within its 2005 Approved Capital Budget;
- (4) the Toronto Parking Authority review and revise its capital spending plans for the second half of the year so as to ensure that it does not over-spend the 2005 Council Approved Budget of \$35.049 million;
- (5) in accordance with the Financial Control By-law, prior to overspending on the 43 Division and the Investigative Voice Radio System projects, Toronto Police Service obtain Council approvals to increase the capital budget for these projects;
- (6) the technical adjustments detailed in Appendix 3 of this report, with no impact on 2005 debt financing, be approved;
- (7) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto; and
- (8) this report be forwarded to Policy and Finance Committee for its consideration.

### Comments:

As at the end of June 2005, the new Organization Structure was not fully implemented in the City's Accounting Structure; therefore, this variance report is presented based on the former structure.

At its meeting of February 21 to 28, 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. At its meeting of December 6, 2005, Council approved a 2005 Capital Budget of \$338.5 million for Toronto Water. After adjusting for capital expenditure deferrals requested by Council in order to constrain the City's debt burden, additional carry-forwards and other technical adjustments that were approved by Council on June 14, 15 and 16 of 2005, the 2005 Adjusted Capital Budget is \$1.647 billion.

Tax Supported Programs' actual capital expenditures during the first six months of 2005 totalled \$490.476 million, or 39.1 percent of the 2005 Capital Budget of \$1.256 billion. It is estimated these Tax Supported Programs will spend \$1.158 billion, or 92.2 percent of their 2005 Approved Capital Budget by year end (see Appendix 1).

Rate-Supported Programs spent \$125.424 million or 32.1 percent of the 2005 Approved Capital Budget of \$391.196 million. These Programs project that spending will increase substantively to \$307.329 million or 78.6 percent of the 2005 Approved Capital Budget.

### Community and Neighbourhood Services (CNS):

In developing their capital budget, Programs carefully assessed the level of spending that would be required and ability to spend during 2005. Despite the best plans, capital projects are subject to conditions that could influence their start and completion dates, and the cost of delivery. Unfortunately due to uncontrollable factors, the former CNS programs are projecting that under-spending will occur. The under-spent amounts will be carried forward to 2006 and future years, based on their new assessment of spending requirements.

Former CNS spent \$9.300 million or 24.1 percent of its \$38.536 million approved cash flow during the first six months of 2005. Overall, the CNS programs project that by year-end, total spending will approximately by \$24.362 million or 63.2 percent of the 2005 Council Approved Capital Budget. Under-spending is mainly attributed to Toronto Shelter and Housing. In accordance with plans, the other CNS programs expect that capital activities will accelerate during the second half of the year.

Children's Services spent \$1.967 million or 15.9 percent of its approved cash flow of \$12.333 million during the six-month period ended June 30, 2005 and is projecting spending of \$9.424 million or 76.4 percent by year-end. Under-spending is mainly attributed to the following projects:

- Health and Safety/Playground Program. – Spending on this project is contingent on Provincial guarantees and approval of subsidies. The Program expects that, contingent

on receipt of the Provincial funding guarantees, implementation of this project will be accelerated during the second half of the year and the budget allocations will be fully spent by year-end.

- New Child Care Centres – Under-spending on this project has resulted because of delays in identifying a suitable site. Children’s Services, in affiliation with Facilities and Real Estate are working towards the acquisition of a suitable site. There is no financial impact on the City’s debt as the project is funded through reserve funds.
- Child Care Centre - 118 Enderby – the Work on this project has begun. Work under the construction contract entails the demolition of an existing building, remediation and clean-up of the contaminated site and the construction of a child care centre. The project which is to take approximately eleven months to be completed is anticipated by the end of June 2006. Based on the current status, the program is projecting to spend 75.2 percent by year-end. The unspent 2005 cash flow will be carried forward to 2006.

Homes for the Aged spent \$3.006 million or 25.6 percent of its approved cash flow of \$11.734 million during the six months ended June 30, 2005, and is projecting spending of \$8.250 million or 70.3 percent of its approved cash flow by year-end. Under-spending is mainly attributed to the Site Redevelopment project due to the need to address deficiencies over the next several months, and the HFA Maintenance Program due to delays in finalizing design and specification requirements. A total of \$2.2 million is expected to be carried forward to 2006.

Shelter, Support and Housing Administration spent \$0.432 million or 5.7 percent of the 2005 approved cash flow of \$7.543 million during the first six months of 2005. The Program estimates that it will spend \$2.353 million or 31.2 percent by year-end. Major project lags include capacity issues, delays in obtaining permits and identifying site location as indicated below:

- Transitional Residence – This project contributes \$3.6 million to the variance due to ongoing discussions with agencies over suitable sites for the Christie Ossington Coed and Metropolitan United sub-projects.
- Bethlehem United Shelter - Delays in awarding the contract due to site zoning and permit approvals.
- Shelter Management Information – The contract negotiations are expected to result in a signed contract in the third quarter. The Program has reviewed its cash flow requirements with an updated forecast reflected in the 2006 capital budget submission.

Social Services has spent \$3.895 million or 56.2 percent of its 2005 approved adjusted cash flow of \$6.926 million. The Program is projecting capital expenditures of \$4.335 million or 62.6 percent by year-end. Under-spending of \$2.591 million is the result of decreases in the price of computers for the IT Refresh Initiative project.

## Works and Emergency Services (WES):

Capital spending in former WES Programs during the six-month period ended June 30, 2005 totalled \$97.453 million or 27.3 percent of the 2005 approved cash flow of \$357.517 million. Spending to year-end is estimated at \$340.399 million or 95.2 percent of the 2005 approved cash flow.

Emergency Medical Services (EMS) spent \$2.192 million or 22.7 percent of its 2005 approved cash flow of \$9.644 million during the six months ended June 30, 2005. It is estimated that \$7.418 million or 76.9 percent of the 2005 approved cash flow will be spent by year-end. The under-expenditure is partly attributed to the Engineering Technology 2004 project and results because of delays in settling legal issues surrounding the Medtronic contract. The purchase for additional Automated External Defibrillators (AED) will be postponed until 2006 as the operational implementation for the Public Access Defibrillators (PAD) has been delayed. As per the request to further review the 2005 Council Approved Capital Budget, the Program has identified that \$0.450 million for Station 19 project be deferred. All of the expenditures except the \$0.450 million are expected to incur during the second half of the year. Management is continuously monitoring the capital expenditures and any projected under-spending will be carried forward to 2006.

Emergency Management Plan - In the March 2005 Variance Report, Emergency Management Plan projected expenditures to year-end of 100 percent of the 2005 Approved Capital Budget. This has been revised to \$1.834 million or 48.2 percent of the approved cash flow of \$3.804 million. The decrease in projected year-end spending is mainly due to a major revision to the HUSAR Facility Project (CPM003). Project design work has been completed; however, construction has been delayed since Federal Government funding approvals were not received on time. Discussions regarding the methodology of funding the building portion of the project are still ongoing. In addition to the above mentioned project, the Emergency Back-up Systems (CPM004) is not on schedule due to long delivery of some equipment. Project development work has been re-scheduled to commence in early 2006.

Fire Services spent \$6.217 million or 54.9 percent of its 2005 approved cash flow of \$11.326 million and spending of \$10.353 million or 91.4 percent of the 2005 approved cash flow is projected by year-end. Forty-one percent of the Program's 2005 Approved Capital Budget is allocated to the Computer Aided Dispatch/Record Management System (CAD/RMS) project. The 2005 cash flow of \$4.632 is required to fund the final phase of the implementation of the record management component of the CAD system.

Solid Waste Management Services has spent \$8.243 million or 22.9 percent of the \$35.987 million 2005 Approved Capital Budget, and forecasts spending of \$30.549 million or 84.9 percent by year-end. The under-spending is mainly due to the following projects:

- CSW004 Diversion Facilities - A large portion of under-spending is attributable to the Dufferin Container Line Upgrade of Optical Glass Sorter Project, which accounts for \$0.850 million. This project will be deferred to 2006 to allow sufficient time for commissioning and to monitor the Facility's operation prior to the upgrade. The under-spending of \$0.500 million of \$1.500 million approved cash flow for the Additional

Source Separated Organic Processing Capacity Project 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. The Reuse Centres Project for \$0.400 million will be deferred to 2006 as no acceptable City location is expected to be found in 2005. The start-up of the Environmental Assessment for the Residual Waste Management Facilities Project has been delayed due to ongoing development of public participation model by a sub-committee of Works Committee. As a result, \$0.350 million will be deferred to 2006.

- CSW005 Multi-Unit Residential Containers - The under-spending is attributable to the tendering process for the additional purchase of the re-designed containers for multi-unit residential units. The under-spending of \$0.269 will be carried forward to 2006.
- CSW305 Perpetual Care of Landfills - The under-spending is attributable mainly to the postponement of investigative and construction work at various old landfills. The major under-spent projects are: Old Landfills Remediation Scarborough (\$0.500 million), Old Landfills Survey Scarborough (\$0.500 million), Old Landfills Remediation Metro Sites (\$0.200 million), and Remedial Measures (\$0.100 million). The Keele Valley Landfill closure project has also been delayed due to slower than plan investigated, design and approval process.
- CSW352 Transfer Station Asset Management - Repair to the tipping floor at the Commissioners Street Transfer Station (\$1.0 million) will be deferred to 2006 due to legal proceedings regarding the original design of the tipping floor. The balance of the under-spending (\$0.500 million) will be used to fund the expenditures of Automated Vehicle Location (AVL) Technology and Radio Frequency Identification Technologies for the Multi-Unit Residential Waste Diversion Levy implementation. This is a new project under the revised implementation plan of the Waste Diversion Levy and was not in the 2005 Approved Capital Budget of Solid Waste Management Services. Hence, the unbudgeted project had been accommodated by deferring some items to future years and/or under-spending in some projects as identified in Solid Waste Management report on the Multi-unit Waste Reduction Levy which was approved by Council on July 19 to 21, 2005. Therefore, the under-spending is attributable mainly to the postponement of renovation work at various Transfer Stations: Dufferin Transfer Station (\$0.200 million), Scarborough Transfer Station (\$0.200 million), and Victoria Transfer Station (\$0.100 million).

Asset Preservation/Strategic IT Projects – The Program's capital expenditures for the six months ended June 30, 2005 totalled \$1.622 million of the approved cash flow of \$8.055 million. Projected spending to year-end is \$6.010 million or 74.6 percent of the 2005 Approved cash flow. Under spending is mainly due to the following projects:

- CWS006 - Toronto Infrastructure Data Standards - The priority has shifted based on Toronto Water priorities to complete conversion work for the data component of the project and defer integration with applications supporting future maintenance of the TIADS database. Therefore, carry forward funding of \$0.322 million based on a revised work plan is expected for 2006.



- CWS013 - Development Application Tracking System - Currently in the Project Tracking Portal (PTP), there are 500 users tracking 3,000 capital projects and development applications. Project work is continuing in order to complete the identified functional requirements in the second quarter of 2005. In late 2004, Transportation Services cost-shared the PTP project work to improve and accelerate horizontal integration of business systems, consolidate reporting and minimize duplication of effort. Because of the unanticipated timing of the work needed for Transportation, a \$0.300 million of \$0.968 million budget is projected to be carried forward into 2006.
- CWS015 - WES IT Disaster Recovery – Staffing issues have delayed the tendering process therefore, implementation of the disaster recovery plan. Staffing issues have now been resolved; however, the RFP probably will not be awarded until December 2005. Assuming that the contract can be awarded in late 2005 or early 2006, the entire project budget will be spent in 2006.
- CWS018 - Plan/Drawing Database - The project is behind schedule due to delays in approval and purchase of computer equipment needed to store the data.
- CWS023 - Document Management System - This initiative is dependent upon Corporate Services and their lead/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/implemented before 2006. As a result, this project will require an estimated carry forward of \$0.300 million into 2006.
- CWS024 - WES IT Implementation - As this project involves heavy staff consultation, the timeline has been expanded to allow for another staff consultation phase in the fall of 2005, to enable feedback from participants who were missed during the summer vacation period. This project will require an estimated \$0.300 million carry forward into 2006.

#### Economic Development, Culture and Tourism (EDCT):

For the first six months of 2005, the former EDCT Programs spent \$36.174 million or 36.3 percent of its 2005 Approved cash flow of \$99.699 million. Except for Parks and Recreation with a year-end projection estimated at 65.0 percent by year end, the other Economic Development, Culture and Tourism Programs estimate that capital spending will accelerate during the third and fourth quarters, and that spending will approximate 88.6 percent of the approved cash flow by year end.

Culture spent \$6.547 million or 69.9 percent of its 2005 Approved Capital Budget of \$9.369 million during the first six months of the year. By year-end, the Program projects spending of \$8.584 million or 91.6 percent of the 2005 Approved cash flow.

Economic Development spent \$1.537 million or 23.3 percent of its 2005 Approved Capital Budget of \$6.608 million during the first six months. The Program projects spending of \$5.567 million or 84.2 percent of the budget by year-end.

Parks and Recreation spent \$28.091 million or 33.6 percent of its 2005 Approved cash flow during the first six months of 2005; and projects spending to year-end of \$54.394 million or 65.0 percent of the 2005 Approved Budget of \$83.647 million. As at the end of June, design studies were in progress and most of the projects were in tender or initial construction phases. Many factors have contributed to the projected under-spending. For instance, some projects have been delayed because third party funding has not been realized as scheduled or because land has not become available for acquisition at this point in calendar year. The Program has experienced delays in planning, design and the tendering process. Steps are now in process to enhance the project management and tendering process in Parks and Recreation to expedite capital projects in 2005 and beyond.

Tourism - In 2005, Council approved \$0.075 million for the Tourism Program. Although there has been no expenditure during the first six months of the year, the funds are expected to be fully spent by year-end. Design is ongoing and estimated to be completed by November 2005.

#### Urban Development Services (UDS):

The former Urban Development Services Programs (including Waterfront Revitalization) spent \$1.864 million or 6.0 percent of the 2005 Approved cash flow of \$30.846 million during the first six months of 2005. The former Program projects spending of \$28.442 million or 92.2 percent of the 2005 Approved cash flow by year-end.

City Planning Division spent \$1.194 million or 14.8 percent of its Approved Capital Budget of \$8.076 million during the first six months of 2005. The Program expects to spend \$5.784 million or 71.6 percent of the cash flow by year-end. Mainly, the following projects attributed to the unfavorable variances:

- New Official Plan: CUR901-2 - The OMB full hearing on the appealed issues commenced in June 2005. The Board has scheduled three weeks in October to hear additional appealed policies of the Official Plan. Additional OMB time is expected to be scheduled in 2005 and will be determined by the OMB at the pre-hearing on September 6, 2005. At this time, the OMB will also be establishing the hearing dates for the remaining appealed matters. It is expected that the Board will have heard the majority of the appealed matters at phased time frames throughout 2006.
- Union Station Design Study: CUR905 - The original plan scheduled work to initiate by May of 2005. However, the consultant selection could not be completed until late June of 2005 which caused the overall work program to be extended into 2006. It is also anticipated that any OMB hearing arising from the conclusion of this work would not be completed until later in 2006 and funding for costs associated with it will be carried forward into the 2006 budget year.
- Toronto Archaeological Studies: CUR034 - This program is new in City Planning for 2005, although it was a multi-year project in Culture Division in previous years. The projected actual to year-end is \$0.111 million with a current 79 percent spending rate. Due to unexpected requirements to undertake a Council-directed, more detailed study of one sub-area of the City, the consultant has been hampered in his progress to complete the full

year's program within the year. Staff will work with the consultant to try to achieve a higher spending rate by year-end. However, it is anticipated that \$0.030 million of the 2005 approved budget may need to be carried forward into the 2006 budget.

New Zoning By-law: CUR904-1 – 22 percent of its approved cash flow of \$1.817 million for this project has been spent and it is estimated that 72.5 percent of its approved budget will be spent by year-end. Spending performance would have been higher if the Program had not experienced challenges in hiring and retaining staff. As a result of being short staffed, it has not been possible to achieve the spending rate for 2005.

- Public Art - All Districts: CUR003 (\$75,000.00) - The artist was selected through an open competition process to work on a public art installation for the Sheppard/Leslie underpass as called by the Sheppard Avenue Corridor Master plan. Since 2000, the artist developed five concepts for the site, all of which were rejected either by Works and Emergency Services or by the local Councillor. By the end of 2004 it had become clear that the project has very little chance of being completed. It was mutually agreed to terminate the artist's contract with the City. Legal Services have advised that the artist be paid for the work undertaken to date. The remaining funds cannot be used for other purposes and will not be re-budgeted.

Toronto Waterfront Revitalization Commission (TWRC) - the City of Toronto approved capital budget for the initiative was 0.3 percent spent by June 30, 2005. An amount of \$2.402 million was released to the TWRC early in July 2005 for the Port Union, Mimico, Harbourfront - Water's Edge, Precinct Planning, Leslie Greening, Martin Goodman Trail, Western Beaches Watercourse, and TWRC Corporate Administration costs.

A staff report on the TWRC Five-Year Plan is to be considered by Council in September 2005, and staff will request that the 2005 Capital Budget of \$36.238 million be decreased by \$14.618 million to \$21.620 million. This reduction has resulted from the negotiation of the funding of the plan with the Federal and Provincial governments. This amount will be required in later years, as the City's overall \$500 million commitment to Revitalization remains intact. It should be noted that decrease of \$14.618 million in 2005 is fully financed by debt and forms part of the \$29.698 million in project deferrals required to be reduced debt funding in this report. The proposed restructuring of the cost-sharing among the three governments is the primary reason for the year-to-date variance. It is expected that the revised Budget will be fully spent by the end of the year. The 2005 funding for the Waterfront Corporation funds the TWRC from April 2005 to March 2006 fiscal year. Normally funds are released in the last half of the City's fiscal year.

#### Corporate Services (CS):

During the first half of 2005, the former Corporate Services Department reported actual expenditures of \$57.664 million or 31 percent of its 2005 Approved cash flow of \$186.155 million. The former Corporate Services projects capital expenditures by year-end of \$164.049 million or 88.1 percent of the 2005 Approved cash flow. The under-expenditure projections to year-end are attributed mainly to Information Technology.

City Clerk's Office - During the first six months of 2005, the City Clerk's Office spent \$0.628 million or 15.8 percent of its 2005 Approved cash flow of \$3.978 million. However, it is projected that 87.7 percent of the 2005 Approved Capital Budget will be spent by end of the year. It is also anticipated that three out of four projects will be completed by year-end, resulting in a surplus of \$0.062 million to be returned to the appropriate reserve account. The Council automation and meeting management is scheduled to continue into late 2006.

Facilities and Real Estate spent \$14.525 million or 34.5 percent of the 2005 Approved Capital Budget of \$42.078 million during the first six months of the year. By year-end, capital spending will increase to \$39.293 million or 93.4 percent of the 2005 Approved Capital Budget.

Fleet Services – During the first six-months of 2005, Fleet services spent \$26.205 million or 38.9 percent of its 2005 Approved cash flow of \$67.304 million. The Program is anticipating an 84.3 percent spending rate by year-end. To date, the 2005 emphasis has been on assisting EDCT with their Clean and Beautiful City initiative.

Information and Technology spent \$2.688 million or 26.0 percent of its 2005 Approved cash flow of \$10.321 million during the first six months of the year. The Program is projecting a 71 percent spending rate by year-end. The reason for the low expenditures is a combination of the timing of approvals, the complexity of the RFPs and the legal negotiations between the City and the selected vendors.

The Technology End of Lease Strategy project (TELS) will be 91.6 percent complete by year end, with an estimated under-expenditure of approximately \$5.0 million due to better than anticipated pricing for hardware and required services. Consistent with the Financial Control By-law, the unspent funds will be returned to the original funding source of the project.

#### Finance:

The former Finance Department spent \$1.491 million or 27.8 percent of its 2005 Approved cash flow of \$5.362 million by the end of June. The former Department projects capital expenditures of \$2.313 million or 43 percent of its 2005 Approved cash flow by year-end.

During the first six of 2005, the Office of the Treasurer spent approximately \$1.274 million of its approved cash flow budget on previously approved projects that are currently underway. At this time, the Office of the Treasurer projects expenditures of \$1.867 million or 41 percent of its approved budget by year-end. Under-spending is mainly due to delays in issuing RFPs for Document Management and Imaging Initiatives (\$1.300 million) and Cashiering Upgrade (\$0.300 million). In addition, the TES Replacement project (\$0.700 million) has been delayed as staff have focused on the implementation of harmonization awards and collective agreements.

The Office of Deputy City Manager and Chief Financial Officer spent \$0.216 million of its 2005 Approved Capital Budget of \$0.785 million. At this time, the spending projection is estimated at \$0.446 million or 57 percent of the 2005 Approved Capital Budget by year-end. The Program Planning System project was delayed due to a review of SAP functionality, which has resulted in projected year-end under spending of \$0.340 million.

## Other Projects:

Other Projects” includes the City’s 2005 Energy Retrofit Program, Union Station and Yonge/Dundas Square.

Energy Retrofit Program (ERP) - As at the end of June 30, 2005, the Energy Retrofit Program projects spent a total of \$0.284 million or 2.5 percent of their 2005 Approved cash flow of \$11.345 million. Projected expenditures to year-end is estimated at \$6.565 million or 57.9 percent. The following projects contributed to the delayed spending performance during the first six-month period:

- Arenas Energy Retrofit Program (CPR150) - The concept report (feasibility study) has just been completed and approved and implementation of energy retrofit measures will start in the beginning of October 2005 with no more than \$2.500 million expected to be spent this year on the Arenas project.
- Exhibition Place ERP Tri-Gen (CEX201) - Although the equipment and the labour work of this project have been tendered, the 2005 spending projection to year-end is expected to be only \$2.200 million due to waiting for NRCan grant (Federal grant program for Energy Retrofit Program) approval before proceeding with construction.

Union Station - During the first six months has spent \$0.117 million or 1.6 percent of its 2005 Approved cash flow of \$7.500 million. The under-expenditure is due to various reasons: repairs to the interior and exterior of the building are awaiting Heritage approval, the need to co-ordinate some of the repairs with Toronto Transit Commission and Go Transit and the request from the Union Pearson Group to defer some of the projects which are still pending the conclusion of the lease agreement negotiations between the City and the Union Pearson Group.

Yonge/Dundas Square Project - Capital spending during the first six months of 2005 totalled \$0.645 million or 37.8 percent of the 2005 Approved Capital Budget of \$1.706 million. Projected capital expenditures to year-end is estimated at \$1.606 million or 94.1 percent of the 2005 Approved cash flow. It is anticipated that the design and fabrication of the canopy over the stage in Yonge/Dundas Square will be completed in 2005 however, the installation will be completed in the spring of 2006. As a result, an amount of \$0.1 million will be carried forward into 2006.

## Special Purpose Bodies (SPBs):

Collectively, Special Purpose Bodies (SPB) have spent \$285.594 million or 55.2 percent of their 2005 Approved cash flow of \$517.221 million. Projections to year end indicate that most of these SPBs will spend in excess of 95 percent of their 2005 Approved Capital Budgets. The following programs have contributed to the under-spending:

Toronto Parking Enforcement Unit spent \$0.342 million or 7.5 percent of its 2005 Approved cash flow during the first six 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 September with full implementation of the project in April 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 Approved cash flow will need to be carried forward to 2006.

Toronto Police Services (TPS) spent \$25.492 million or 37.8 percent of its 2005 Approved Capital Budget of \$67.535 million by the end of June 2005, and projects spending of 79.7 percent by year-end. The 2005 under-spending is attributed to the following projects:

- Police Integration System - This project provides for the creation of network connections between various systems (internally and externally). It provides funding for eight different projects. At this point TPS anticipates \$1.2 million cash carry forward to 2006 for the Geocoding (statistical systems), Reporting tools and Inventory Asset Management System projects. The Primary reason for the delay is that the Request for Proposal (RFP) evaluation for Inventory Asset management took longer than originally expected.
- Mobile Data Network Conversion - This project was scheduled to start in 2004; however, it is currently on hold awaiting a determination of what type of network to be used.
- Jetforms - The cost of replacing this system is currently estimated at \$1.2 million based on information from Adobe (the company that acquired Jetforms); however, a Request for Proposal (RFP) will confirm the cost and determine a vendor. The estimated time to complete this project and convert approximately 600 forms that are used extensively throughout the Service for business, investigative and legal process is 18 months. It is anticipated that \$0.300 million will be spent in 2005 for server hardware and development software licenses and the remaining \$0.900 million will be carried forward to 2006.
- HRMS Additional Functionality - In late 2004, Peoplesoft was purchased by Oracle. The project was delayed as TPS was not aware of 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, the TPS will be able to spend only \$0.150 million to year-end. The remaining \$0.350 million will be carried forward to 2006.
- New Training Facility - This project provides for 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 \$3.600 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). Discussions between TPS, the City and DND have commenced in order to reach a partnership agreement. The environmental assessment process is continuing and all the field work is complete. Shore Tilbe Irwin Architects have been appointed Architect of Record. The Toryork Driver Training Pad work has commenced. The remaining amount of \$0.950 million will be carried forward to 2006.

- 23 Division - Design, working 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, TPS is projecting to spend \$5.300 million of the \$7.300 million available funding in 2005 due to delays in receiving provisional site plan approval. The remaining amount of \$2.0 million will be carried forward to 2006. The delay in receiving the provisional Site Plan approval was due to a number of conditions and requests required by the City's Planning Program. These requests included: changing the location of the building on site, removing the fencing, redesigning the parking area, upgrading the landscaping and building a sidewalk. Negotiating and resolving the above issues took approximately eight months.
- 11 Division - This project provides for building a new 11 Division. A verbal authorization has been received from the Toronto Transit Commission (TTC) to use the land at 640 Landsdowne Avenue and a written confirmation is expected to follow. TPS has requested the City to start the environmental assessment process. TPS will commence the process of selecting the Architect in the fall. At this time, TPS is projecting to spend \$0.300 million of the \$0.500 million available funding in 2005 due to delays in the land transfer from the TTC. The remaining amount will be carried forward to 2006.
- 43 Division - This project provides for building a new 43 Division. This project is almost 70 percent complete and as a result it shows a greater expenditure than planned in 2005; however, the total expenditure remains within the project cost.

Toronto Police Service has estimated that the 43 Division project will be overspent by \$1.000 million and the Investigative Voice Radio System project by \$1.200 million. In accordance with the Financial Control By-law, a budget adjustment is required to increase the cash flow along with a funding for the individual projects for 2005. The TPS has been directed to find identify under-spending in other projects that could be transferred to the 43 Division and Investigative Voice Radio System and to request Council approval as part of the third quarter variance report.

Toronto Public Health (TPH) spent \$1.054 million or 34.2 percent of its 2005 Approved cash flow of \$3.086 million. The Program is projecting to spend 100 percent of its approved cash flow by year-end.

Toronto Transit Commission (TTC):

Including Sheppard Subway, TTC spent \$232.200 million or 60.2 percent of its 2005 Approved Capital Budget of \$385.605 million. The TTC projects capital expenditures of \$406.300 million or 105.4 percent of its approved budget by year-end. In part, the over-expenditure is attributed to an additional \$7.700 million to acquire a new bus garage property at Kennedy Road and McNicoll as approved by City Council at its meeting of July 19, 20, 21, and 26, 2005.

Appendix 4 represents the 2005-2009 TTC Revised Capital Program and Sources of Funding. The recently announced Federal Gas Tax funding totals \$147.640 million in each of 2005 and 2006. It is assumed that the full amounts will be received in the 2005 and 2006. TTC staff will

continue to monitor capital expenditures to ensure that it remains within budget at year end, and will report on a revised spending plan as part of the third quarter variance report.

At its meeting of July 19, 20, 21 and 26, 2005, Council adopted the following recommendations:

- that the TTC report back, in conjunction with the 2005 Second Quarter Variance Report, on the status of the sale of the Tapscott Property and additional funding to be reallocated within the existing 2005 Approved Capital Budget for this project.
- that the TTC report back, in conjunction with the 2005 Second Quarter Variance Report, on the status of the sale of the surplus TTC property, with any/all proceeds from this sale to be committed towards the Land Acquisition Reserve Funds, to be directed towards mitigating the acquisition cost of lands located at Kennedy Road and McNicoll Avenue, for the purpose of constructing a proposed TTC bus garage.

The total acquisition cost of the Tapscott property \$7.700 million will be offset by \$4.300 million in potential revenue being the sum of \$1.800 million from the Land Acquisition Property Reserve Fund and up to \$2.5 million from the potential sale of a portion of another City-owned property located at Tapscott Road and Steeles Avenue East (the "Tapscott Property"). In addition, proceeds from the sale of surplus TTC property in the amount of \$1.600 million are expected to be directed towards the acquisition of this property. Assuming that the above property sales materialize, the result would be an additional funding requirement for this project of \$1.8 million. Any shortfall would have to be funded by reallocating the approved 2005 TTC Capital Budget.

#### Rate Supported Programs:

For the first six months of 2005, Rate Supported Programs spent \$125.424 million or 32.1 percent of the 2005 Approved cash flow of \$391.196 million. Combined, these Programs project spending of a total of \$307.326 million or 78.6 percent of their 2005 Approved cash flow by year-end.

Toronto Water - The capital expenditures to June 30, 2005, for the combined Water and Wastewater programs, are \$121.538 million, which is 34.1 percent of the net 2005 Approved Capital Budget of \$356.147 million. Toronto Water projects expenditures of \$269.467 or 75.7 percent of its 2005 Approved Capital Budget 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 \$3.886 million or 11.1 percent of its 2005 Approved cash flow of \$35.049 million, and projects spending \$37.862 million, \$2.900 million over its approved 2005 cash flow by year-end. The under-spending is primarily due to the unavailability of parking sites that have resulted in projects being delayed. Some other projects are yet to receive funding from developers, thus delaying project implementation. The program has been asked to



review its spending plans to ensure that it does not over-spend the 2005 Council Approved Budget of \$35.049 million.

#### Deferral of Approved 2005 Capital Projects to Reduce Debt:

At its meeting of February 21 to 28, 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. Included in the 1st Quarter Capital Variance Report was a recommendation to defer specified projects with debt financing of \$3 million, leaving a shortfall of \$8.0 million.

Listed in Appendix 2 attached are additional capital projects that have been identified for deferral. For the most part, deferring these projects will have no adverse effect on the delivery of services, will not create any health and safety issues and will not negatively impact the state of good repair of the City's capital assets. Cash flow deferral associated with these projects totals \$29.698 million gross, with debt financing of \$29.698 million.

#### Funding of 311 Capital Project:

At its meeting of July 19, 20, 21 and 26, 2005, Council approved a recommendation from the Administration Committee requiring the Deputy City Manager and Chief Financial Officer to report to the Budget Advisory Committee in conjunction with the 2005 Second Quarter Capital Variance Report, on areas of under-spending that can be used for 3-1-1 capital requirements. It has been established that the Technology End of Lease Strategy project (TELS) will be 91.6 percent complete by year-end, and will be under-spent by approximately \$5.0 million due to better than anticipated pricing for hardware (Project CIT701-2) and required services. In compliance with the Financial Control By-law, Council can utilize the unspent amount to finance the 3-1-1 Capital project. A separate report addressing areas of under-spending to be used for the 3-1-1 Customer Service Strategy capital requirements will recommend a funding source for Council approval.

#### Technical Adjustment:

Two technical adjustments are submitted for Council approval (see Appendix 3). Exhibition Place requests authority to reallocate funds from various maintenance projects to enable it to proceed with emergency replacement of air conditioning chillers in its Queen Elizabeth Building due to failure of existing equipment. The cost of the replacement is \$500,000.00. No significant health and safety risks will result from postponement of those projects that are being deferred.

The second technical adjustment request 2004 carry-forward cash flow reduction for the Emergency Medical Services Station 19 (York Weston Area) – 2002 project by \$450,000.00. These funds will are not required in 2005. Council's approval of these technical adjustments is requested.

Conclusions:

Capital expenditures (including commitments) during the first six months of 2005 totalled \$616.012 million or 37.4 percent of the 2005 Approved cash flow of \$1.647 billion. Tax levy programs spent \$490.588 million or 39.1 percent of their approved cash flow of \$1.255.915 billion while Rate Supported Programs spent \$125.424 million or 32.1 percent of their approved cash flow of \$391.196 million. It is anticipated that capital project activities and capital spending will increase significantly during the next six months. This is reflected in the year-end projected total capital expenditures of \$1.466 billion or 89.0percent of the approved cash flow as represented in Appendix 1.

To reduce the amount of debt required to finance the 2005 Approved Capital Budget, additional cash flow deferrals totalling \$29.698 million in gross expenditures with debt financing of \$29.698 million is proposed. It has been established that there are no health and safety risks associated with this deferral nor will the state of good repair of the relevant capital assets be compromised.

The Technology End of Lease Project will be completed with an estimated under-expenditure of \$5.0 million. Favourable prices for hardware and required services (Project CIT701-2) were the principal reasons for the savings. The DCM and CFO recommends that \$1.737 million of this savings be reallocated to the 311 Capital project.

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List of Attachments:

Appendix 1 - Consolidated 2005 Capital Variance Report  
Appendix 2 – 2005 Capital Budget - Deferral of 2005 Cash Flow  
Appendix 3 – 2005 Capital Budget - Technical Adjustments  
Appendix 4 – TTC 2005 – 2009 Capital Program and Sources of Funding

Insert Table/Map No. 1  
app. 2-deferral of