TORONTO

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June 16, 2006

To: Policy and Finance Committee

From: Budget Advisory Committee

Subject: City of Toronto 2007-2010 Capital Plan and Debt Service Guideline

Recommendations:

The Budget Advisory Committee recommended to the Policy and Finance Committee that City Council:

(1) adopt the staff recommendations in the Recommendations Section of the report (June 13, 2006) from the City Manager and the Deputy City Manager and Chief Financial Officer, subject to the following amendments:

(a) amending Recommendation (26) by deleting the words "in principle", so that the recommendation now reads:

"**Print Shop**

(26) the 2007-2010 Capital Plan for Print Shop Relocation totalling $5.215 million in project estimates, comprised of $2.770 million in 2007 and $2.445 million in 2008, be approved;";

(b) deleting the words "approve in principle" wherever they appear in the balance of the staff recommendations, and inserting instead the words "be submitted to the Budget Advisory Committee for a detailed review as part of the 2007 Capital Budget process";

(c) deleting Recommendation (44) and inserting instead the following:

"Toronto Public Library

(44) that the adjustments to the 2007-2010 Capital Plan for Toronto Public Library, as outlined in the June 13, 2006 Briefing Note from the City Librarian, be adopted to meet the Debt Affordability Guidelines;";

(d) adopting the following recommendations contained in the report dated June 13, 2006, addressed to the Chair and Board Members, Toronto Police Services Board, from the Chief of Police:

"(1) the Board approve a Radio Replacement project to begin in 2006 at a total amount of $35.5 million;

(2) the Board approve the borrowing of an estimated amount of $4 million in 2008 and $2 million in 2009 from the Toronto Police Service Vehicle and Equipment Reserve for Radio Replacement purchases as reflected in Attachment C of this report, to be repaid to the reserve over the estimated life of the equipment (15 years);

(3) the Board approve a transfer of $6.8 million from the 11 Division project, $0.75 million from the 14 Division project, $0.3 million from the Smartzone project and $0.58 million from the Centracom project, for a total of $8.43 million to fund the Radio Replacement project in 2006;

(4) the Board approve the strategy of funding future Information Technology equipment lifecycle replacements from the Toronto Police Service Vehicle and Equipment Reserve, as reflected in Attachment C of this report; and

(5) the Board approve the changes in the cost estimates for the projects outlined in Attachment B of this report, and a revised 2006-2020 Capital Program at a total net expenditure of $168.2 million for 2006-2010, and a $35 million average annual net expenditure for the years 2007-2010, as reflected in Attachment C of this report;";

(2) request the Province to commit $392 million in funding over the 2007-2010 period as soon as possible to address the negative impact of the recent change in funding policy related to the OTVP and VFP provincial programs; and further, that City staff report back to the July 7, 2006 meeting of Budget Advisory Committee related to the City's request of the Province;

(3) request the Toronto Transit Commission to proceed to place orders to rebuild all 196 CLRV cars so as to ensure that the additional costs associated with splitting the rebuild order into two or more parts is avoided;

Transportation Capital

(4) adopt the following recommendations with respect to Transportation Capital:

(a) the City undertake $2 million in 2006 to public realm enhancements for the St. Clair Row Project, such as hydro undergrounding, funded from within the 2006 Transportation Capital Budget without affecting other projects;

(b) any request for additional funds for the Row enhancements be subject to further discussions with Toronto Hydro and any other funding sources and analysis as part of the 2007 Capital Budget Process, including an analysis of which projects would be affected if such funds were to be provided from existing Transportation Capital budgets;

(c) staff be requested to report directly to City Council on June 27, 2006, on the amount of work that can be completed for the $2 Million in 2006;

(d) Toronto Hydro be requested to provide a response directly to City Council on June 27, 2006, on its financial commitment to the undergrounding of Hydro poles on St. Clair Avenue West;

(5) adopt the following staff Recommendations (1), (2), (3) and (5) in the Recommendations Section of the report (May 2, 2006) from the Medical Officer of Health, as recommended by the Board of Health:

"It is recommended that:

(1) that the revised 2006–2010 Toronto Public Heath Capital Budget and Plan totalling $16,601.4 thousand as detailed in Appendix 1, "Toronto Public Heath 2006–2010 Revised Capital Budget & Plan" be endorsed;

(2) eight Information and Technology sub-projects for 2007-2010 with total project costs of $13,950.4 thousand, including future year commitments of $3,463 thousand for 2007, $3,489.9 thousand for 2008, $3,499.0 thousand for 2009, and $3,498.5 thousand for 2010 be approved;

(3) operating impacts of $489.6 thousand for 2007, $326.3 thousand for 2008, $158.7 thousand for 2009 and $1,262.6 thousand for 2010, totalling $2,237.2 thousand as detailed in Appendix 2, "Toronto Public Health 2006-2010 revised Operating Impact of Capital" be considered within the overall scope of Toronto Public Heath 2007 and future years' operating budget submissions; and

(5) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto."; and

(6) adopt the following recommendations contained in the communication (June 9, 2006) from the Administration Committee:

"(1) that City Council adopt the staff recommendations in the Recommendations Section of the confidential report (May 26, 2006) from the City Clerk and Chief Corporate Officer regarding the potential acquisition of 53-61 Ontario Street and 101-104 Berkeley Street for the relocation of the City's Offset Printing Facility and for other purposes; and

(2) because the report relates to the proposed or pending acquisition of land for municipal purposes under the *Municipal Act, 2001*, discussions about this report be held in camera.”.

Action taken by the Committee:

The Budget Advisory Committee:

(a) requested the Deputy City Manager and Chief Financial Officer to report to the Budget Advisory Committee as part of the 2007 Capital Budget on the backlog of State of Good Repair by program;

(b) referred the communication (June 12, 2006) from Councillor Suzan Hall regarding the Albion Library Capital Budget, to the Toronto Public Library Board for consideration with the 2007-2010 Capital Budget; and

(c) received the following reports and communications:

(i) communication (May 3, 2006) from the Works Committee [(Item 1(a)];

(ii) various communications received regarding the St. Clair West Transit Improvement Project [Re: Item 1(a)]; and

(iii) report (June 8, 2006) from Deputy City Manager and Chief Financial Officer Joe Pennachetti, and Deputy City Manager Fareed Amin; [Item 1(b)].

Background:

The Budget Advisory Committee on June 16, 2006, considered a report (June 13, 2006) from the City Manager and the Deputy City Manager and Chief Financial Officer, presenting the 2007-2010 Capital Plan, together with the 2006 Council Approved Capital Budget, which constitutes the City’s first five-year Capital Plan as part of Council’s approval of the long-term fiscal plan principles of City asset sustainability; and seeking Council approval for a strategy for financing tax-supported capital expenditures, including adoption of a new guideline on the ratio of debt service charges to property tax revenues in order to support the City’s efforts to deal with significant SOGR requirements, and to further enhance its fiscal sustainability and credit worthiness.

Recommendations:

Corporate Recommendations:

It is recommended that:

(1) the 2007–2010 Capital Plan excluding TTC, totalling $2.828 billion in project commitments and estimates comprised of $0.699 billion in 2007, $0.709 billion in 2008, $0.732 billion in 2009, $0.688 billion in 2010, as detailed in Appendix 1, be approved in principle;

(2) adjustments to the 2006 Council Approved Current and Future Year Commitments as adjusted to the 2007–2010 Capital Plan, totalling a net reduction of $35.525 million, financed by reductions in debt of ($42.2 million), developmental charges ($22.564 million), and increases in reserve/reserve funds and other sources of $17.928 million and $11.311 million, respectively, as detailed in Appendix 4, be approved;

(3) unallocated capital funds resulting from under-spent completed and/or closed projects totalling $84.9 million be used to fund the 2007–2008 Capital Plan expenditures (exclusive of the TTC) in order to reduce the debt pressure inherent in the Capital Plan;

(4) financing sources for the 2007–2010 Capital Plan excluding TTC comprised of $383.436 million from Reserves and Reserve Funds, $496.688 million of Capital from Current funding, $218.828 million of Developmental Charge funding, $304.445 million from other sources, $26.463 million from Provincial Grants and Subsidies, $3.278 million Federal Subsidies and debt of $1.394 billion (as detailed in Appendix 3) be approved in principle;

(5) the City Manager and Deputy City Manager and Chief Financial Officer work with the other Deputy City Managers and Heads of Agencies, Boards and Commissions (exclusive of TTC), to mitigate the unfunded pressure of $100.533 million included in the latter years of the 2007–2010 Capital Plan and that funding strategies include the maximization of reserve and reserve fund draws, increased use of Development Charges where applicable, cost--shared partnership arrangements, maximization of subsidies from the Federal and Provincial Governments and/or expenditure reductions to meet the debt guideline;

(6) staff be directed to prepare the 2007 Capital Budget based on the 2007–2010 Capital Plan (exclusive of TTC);

(7) the Acting Chief General Manager of the Toronto Transit Commission, in consultation with the Deputy City Manager and Chief Financial Officer, report back to the Budget Advisory Committee during the 2007 Capital Budget process regarding any potential increases to Provincial and Federal funding sources, as well as projects that may be deferred and/or deleted, to meet the 2007–2011 Council-approved debt targets;

(8) for 2011, the new debt target be set at $285 million and a minimum capital from current financing target at $124.172 million, and that the Deputy City Manager and Chief Financial Officer allocate debt and capital from current targets for the year 2011, to each of the City’s Programs and ABCs consistent with the 2006-2010 Capital Plan;

(9) the maximum limit of debt service charges as a percentage of total property tax levy be established at 15 percent as a benchmark for evaluating capital plan expenditure levels;

(10) the Deputy City Manager and Chief Financial Officer report back to the Budget Advisory Committee during the 2007 Capital Budget process on capital financing strategies, including but not limited to, public/private partnerships and innovative revenue initiatives that will provide the City with options to meet its future capital needs within its debt affordability limits; and

(11) the appropriate City officials be authorized and directed to take the necessary actions to give effect thereto.

Program Recommendations:

Citizen Centred Services "A"

Children's Services

(1) the 2007-2010 Capital Plan for Children's Services totalling $26.254 million in project commitments and estimates, comprised of $5.000 million in 2007; $6.600 million in 2008; $7.600 million in 2009; and $7.054 million in 2010, be approved in principle.

Court Services

(2) the 2007-2010 Capital Plan for Court Services totalling $8.700 million in project commitments and estimates, comprised of $4.800 million in 2007; $2.250 million in 2008; $0.700 million in 2009; and $0.950 million in 2010, be approved in principle.

Culture

(3) the 2007-2010 Capital Plan for Culture totalling $28.430 million in project commitments and estimates, comprised of $8.125 million in 2007; $4.930 million in 2008; $7.550 million in 2009; and $7.825 million in 2010, be approved in principle.

Economic Development

(4) the 2007-2010 Capital Plan for Economic Development totalling $17.823 million in project commitments and estimates, comprised of $4.868 million in 2007; $4.814 million in 2008; $4.060 million in 2009; and $4.081 million in 2010, be approved in principle.

Emergency Medical Services

(5) the 2007-2010 Capital Plan for Emergency Medical Services totalling $23.088 million in project commitments and estimates, comprised of $4.772 million in 2007; $5.472 million in 2008; $6.172 million in 2009; and $6.672 million in 2010, be approved in principle.

Homes for the Aged

(6) the 2007-2010 Capital Plan for Homes for the Aged totalling $31.800 million in project commitments and estimates, comprised of $8.000 million in 2007; $8.400 million in 2008; $6.600 million in 2009; and $8.800 million in 2010, be approved in principle.

Parks, Forestry and Recreation

(7) the 2007-2010 Capital Plan for Parks, Forestry and Recreation totalling $174.147 million in project commitments and estimates, comprised of $42.655 million in 2007; $40.113 million in 2008; $44.550 million in 2009; and $46.829 million in 2010, be approved in principle.

Shelter, Support and Housing Administration

(8) the 2007-2010 Capital Plan for Shelter, Support and Housing Administration totalling $20.534 million in project commitments and estimates, comprised of $9.959 million in 2007; $4.125 million in 2008; $3.300 million in 2009; and $3.150 million in 2010, be approved in principle.

Social Services

(9) the 2007-2010 Capital Plan for Social Services totalling $6.700 million in project commitments and estimates, comprised of $1.700 million in 2007; $1.700 in 2008; $1.700 million in 2009; and $1.600 million in 2010, be approved in principle.

Tourism

(10) the 2007-2010 Capital Plan for Tourism totalling $0.740 in project estimates, comprised of $0.500 million in 2007; $0.080 million in 2008; $0.080 million in 2009; and $0.080 in 2010, be approved in principle.

Citizen Centred Services "B"

City Planning

(11) the 2007-2010 Capital Plan for City Planning totalling $19.244 million in project commitments and estimates, comprised of $4.751 million in 2007; $4.804 million in 2008; $4.842 million in 2009; and $4.847 million in 2010, be approved in principle.

Fire Services

(12) the 2007-2010 Capital Plan for Fire Services totalling $24.860 million in project commitments and estimates, comprised of $9.038 million in 2007; $7.722 million in 2008; $4.050 million in 2009; and $4.050 million in 2010; be approved in principle; and

(13) the Deputy City Manager responsible for Fire Services and the Fire Chief report back to Community Services Committee as part of the 2007 Capital Budget process on the impact of facility requirements contained in the updated Master Fire Plan and options for any mitigating strategies such as joint facilities with other emergency services and/or other opportunities for efficiencies.

Policy, Planning, Finance and Administration

(14) the 2007-2010 Capital Plan for Policy, Planning, Finance and Administration (PPF&A) totalling $15.706 million in project commitments and estimates, comprised of $4.906 million in 2007; $3.600 million in 2008; $3.600 million in 2009; and $3.600 million in 2010, be approved in principle.

Solid Waste Management Services

(15) the 2007-2010 Capital Plan for Solid Waste Management Services totalling $142.566 million in project commitments and estimates, comprised of $26.569 million in 2007; $26.163 million in 2008; $45.122 million in 2009; and $44.712 million in 2010, be approved in principle; and

(16) the Deputy City Manager responsible for Solid Waste Management Services, in consultation with the Deputy City Manager and Chief Financial Officer, be authorized to explore and report back to the Works Committee during the 2007 Capital Budget process, on various strategies including private/public sector partnerships and innovative revenue initiatives including an environmental levy, or a combination of both which would enable the City to build the additional four Diversion Facilities required to meet the City’s diversion targets, and address the affordability and timelines of the revised Capital Plan.

Transportation Services

(17) the 2007-2010 Capital Plan for Transportation Services totalling $1,049.962 million in project commitments and estimates, comprised of $257.248 million in 2007; $271.760 million in 2008; $261.071 million in 2009; and $259.883 million in 2010, be approved in principle; and

(18) the Deputy City Manager responsible for Transportation Services report back to the Budget Advisory Committee as part of the 2007 Capital Budget process on how the following projects may be accommodated within the 2007-2010 Revised Capital Plan:

(a) roadways and structures that require imminent temporary repairs as a result of the storm of August 2005; and

(b) the extensive backlog of work on the western Gardiner Expressway.

Waterfront Revitalization Initiative

(19) the 2007-2010 Capital Plan for Waterfront Revitalization Initiative totalling $151.811 million in project commitments and estimates, comprised of $44.310 million in 2007; $51.131 million in 2008; $30.354 million in 2009; and $26.016 million in 2010, be approved in principle.

Internal Services

Facilities and Real Estate

(20) the 2007-2010 Capital Plan for Facilities and Real Estate totalling $122.638 million In project commitments and estimates, comprised of $31.300 million in 2007; $31.200 million in 2008; $30.175 million in 2009; and $29.963 million in 2010, be approved in principle.

Financial Services

(21) the 2007-2010 Capital Plan for Financial Services totalling $21.910 million in project commitments and estimates, comprised of $6.878 million in 2007; $6.362 million in 2008; $4.845 million in 2009; and $3.825 million in 2010, be approved in principle.

Fleet Services

(22) the 2007-2010 Capital Plan for Fleet Services totalling $114.047 million in project commitments and estimates, comprised of $27.497 million in 2007; $28.589 million in 2008; $29.039 million in 2009; and $28.922 million in 2010, be approved in principle.

Information and Technology - Development

(23) the 2007-2010 Capital Plan for Information and Technology - Development totalling $51.146 million in project commitments and estimates, comprised of $14.146 million in 2007; $14.448 million in 2008; $11.430 million in 2009; and $11.122 million in 2010, be approved in principle.

Information and Technology - Sustainment

(24) the 2007-2010 Capital Plan for Information and Technology - Sustainment totalling $77.132 million in project commitments and estimates, comprised of $13.443 million in 2007; $16.210 million in 2008; $24.693 million in 2009; and $22.786 million in 2010, be approved in principle.

Other City Programs

City Clerk's Office

(25) the 2007-2010 Capital Plan for City Clerk's Office totalling $5.395 million in project commitments and estimates, comprised of $1.510 million in 2007; $1.060 million in 2008; $1.318 million in 2009; and $1.507 million in 2010, be approved in principle.

Print Shop

(26) the 2007-2010 Capital Plan for Print Shop Relocation totalling $5.215 million in project estimates, comprised of $2.770 million in 2007 and $2.445 million in 2008, be approved in principle.

Energy Retrofit Program

(27) the 2007-2010 Capital Plan for Energy Retrofit Program totalling $14.103 million in project commitments and estimates, comprised of $7.103 million in 2007; $5.000 million in 2008; $2.000 million in 2009, be approved in principle.

Other Council Priorities

3-1-1 Customer Service Initiative

(28) the 2007-2010 Capital Plan for 3-1-1 Customer Service Strategy totalling $18.451 million in project commitments and estimates, comprised of $11.311 million in 2007; $6.722 million in 2008; and $0.418 million in 2009, be approved in principle; and

(29) the 2006 Approved Operating Budget for the 3-1-1 Customer Service Strategy be increased by $3.103 million gross, $0 net, to be fully recovered by capital funding from the 2006 Approved Capital Budget for the 3-1-1 Customer Service Strategy to reflect an increase of 29 temporary positions to support the capital program.

Nathan Phillips Square

(30) the 2007-2010 Capital Plan for Nathan Phillips Square totalling $13.134 million in project commitments and estimates, comprised of $1.275 million in 2007; $3.953 million in 2008; $3.953 million in 2009; and $3.953 million in 2010, be approved in principle.

Union Station

(31) the 2007-2010 Capital Plan for Union Station totalling $16.667 million in project commitments and estimates, comprised of $3.643 million in 2007; $5.683 million in 2008; $3.338 million in 2009; and $4.003 million in 2010, be approved in principle.

Union Station - District Plan

(32) the 2007-2010 Capital Plan for Union Station – District Plan totalling $6.000 million in project estimates, comprised of $3.000 million in 2007 and $3.000 million in 2008, be approved in principle.

Radio Communication System Replacement

(33) the Deputy City Manager responsible for Fire Services and the Deputy City Manager responsible for Emergency Medical Services, in consultation with the Chiefs of Toronto Police Service, Fire Services and Emergency Medical Services, report to the Budget Advisory Committee by September 2006, on the history and current status of the capital project for the replacement of the joint Radio Communication System including, but not limited to:

(a) detailing functionality and improvements contained in the $70 million cost of infrastructure;

(b) identifying if there are additional enhancements required for use in the subway and Path system;

(c) identifying if the current suggested configuration is sufficient in light of new and emergent threats;

(d) evaluating whether the scope of the project can be reduced without compromising essential functionality;

(e) confirming the obsolescence date of the current system with Motorola, with the review to possibly staggering project cash flows;

(f) identifying alternate possible suppliers for the system as part of an RFP process;

(g) identifying whether the current estimate includes any provision for growth, and if not, what the estimates would be; and

(h) examining options for funding including possible one-time funding from the federal or provincial governments, and any possible joint procurement with other municipalities.

Agencies, Boards and Commissions

Exhibition Place

(34) the 2007-2010 Capital Plan for Exhibition Place totalling $20.400 million in project commitments and estimates, comprised of $4.800 million in 2007; $5.000 million in 2008; $5.300 million in 2009; and $5.300 million in 2010, be approved in principle; and

(35) Exhibition Place explore the feasibility of adding a surcharge to user fees to establish and maintain a Capital Improvement Fund or other options to create additional sources of revenue to fund state-of-good-repair work and report back with its 2007 Capital Budget submission.

Toronto and Region Conservation Authority

(36) the 2007-2010 Capital Plan for Toronto and Region Conservation Authority (TRCA) totalling $24.586 million in project commitments and estimates, comprised of $5.914 million in 2007; $5.876 million in 2008; $6.204 million in 2009; and $6.591 million in 2010, be approved in principle;

(37) TRCA explore options to bring its 2007-2010 Capital Plan in line with the debt target of $10.0 million and report back with its 2007 Capital Budget submission; and,

(38) the Chief Administrative Officer of TRCA and the General Manager of Toronto Water, in consultation with the Deputy City Manager and Chief Financial Officer, confirm the water reserve funding in of the TRCA 2007-2010 Capital Plan as part of the 2007 Capital Budget submission.

Toronto Parking Enforcement Unit

(39) the 2007-2010 Capital Plan for Toronto Parking Enforcement Unit totalling $1.736 million in project commitments and estimates, comprised of $0.434 million in 2007; $0.434 million in 2008; $0.434 million in 2009; and $0.434 million in 2010, be approved in principle.

Toronto Police Service

(40) the 2007-2010 Capital Plan for Toronto Police Service totalling $199.143 million in project commitments and estimates, comprised of $52.260 million in 2007; $52.801 million in 2008; $50.598 million in 2009; and $43.484 million in 2010, be approved in principle; and

(41) the Toronto Police Services Board be requested to explore options to reduce the 2007-2010 Capital Plan and report back to the Budget Advisory Committee with the 2007 Capital budget submission for Toronto Police Service.

Toronto Public Health

(42) the 2007-2010 Capital Plan for Toronto Public Health totalling $13.951 million in project commitments and estimates, comprised of $3.463 million in 2007; $3.489 million in 2008; $3.500 million in 2009; and $3.499 million in 2010, be approved in principle.

Toronto Public Library

(43) the 2007-2010 Capital Plan for Toronto Public Library totalling $71.271 million in project commitments and estimates, comprised of $18.328 million in 2007; $15.286 million in 2008; $17.634 million in 2009; and $20.023 million in 2010, be approved in principle; and

(44) the Toronto Public Library be requested to report to Budget Advisory Committee in June 2006, on reduction options totalling $2.0 million for the four-year period (2007-2010), to achieve the annual debt target of $10.0 million.

Toronto Transit Commission

(45) the 2007-2010 Capital Plan for Toronto Transit Commission totalling $2,726.642 million in project commitments and estimates, comprised of $716.545 million in 2007; $630.764 million in 2008; $719.658 million in 2009; and $659.675 million in 2010, be received;

Toronto Zoo

(46) the 2007-2010 Capital Plan for Toronto Zoo totalling $30.865 million in project commitments and estimates, comprised of $8.190 million in 2007; $5.450 million in 2008; $5.500 million in 2009; and $11.725 million in 2010, be approved in principle; and,

(47) the General Manager and CEO of the Toronto Zoo report back to the Budget Advisory Committee prior to the 2008 Capital Budget process on the status of its capital fundraising campaign.

Yonge-Dundas Square

(48) the 2007-2010 Capital Plan for Yonge-Dundas Square totalling $0.200 million in project estimates, comprised of $0.100 million in 2008; $0.050 million in 2009; and $0.050 million in 2010, be approved in principle.

Toronto Parking Authority

(49) the 2007-2010 Capital Plan for Toronto Parking Authority totalling $104.267 million in project commitments and estimates, comprised of $21.536 million in 2007; $28.531 million in 2008; $33.500 million in 2009; and $20.700 million in 2010, be approved in principle.

The Budget Advisory Committee also considered the following:

(a) communication (May 3, 2006) from the Works Committee, entitled “St. Clair Avenue West Transit Improvement Project”, advising that the Works Committee on May 3, 2006:

(1) recommended to the Budget Advisory Committee and Policy and Finance Committee that City Council reaffirm its commitment that all parts of St. Clair Avenue West between Yonge Street and Gunns Road be treated equally in terms of funding and in relation to the appearance of streetscape features, such as transit shelters and platforms, trees and landscaping, decorative lighting, street furniture and public art; and

(2) supports in principle the additional design elements for St. Clair Avenue West totalling $11.6 million; and that the matter be referred to the Budget Advisory Committee with a request that the Deputy City Manager and Chief Financial Officer and Deputy City Manager Fareed Amin, in consultation with the appropriate City Agencies, Boards and Commissions, report to the Budget Advisory Committee on possible funding mechanisms;

(b) report (June 8, 2006) from Joseph Pennachetti, Deputy City Manager and Chief Financial Officer and Fareed Amin, Deputy City Manager, entitled "St. Clair Avenue West Transit Improvement Project Funding Options for Incremental Design Elements", reporting back on possible funding mechanisms to cover the cost of implementing additional design elements in the total amount of $11.6 million for the St. Clair Avenue West Transit Improvement Project;

Recommendations:

It is recommended that this report be received for information.

(c) communication (May 16, 2006) from the Board of Health, entitled "Revised Five-Year 2006-2010 Capital Budget and Plan for Toronto Public Health", advising that the Board on May 15, 2006 recommended to the Budget Advisory Committee and the Policy and Finance Committee that City Council adopt staff Recommendations (1), (2), (3) and (5) in the Recommendations Section of the report (May 2, 2006) from the Medical Officer of Health:

"It is recommended that:

(1) that the revised 2006–2010 Toronto Public Heath Capital Budget and Plan totalling $16,601.4 thousand as detailed in Appendix 1, "Toronto Public Heath 2006–2010 Revised Capital Budget and Plan" be endorsed;

(2) eight Information and Technology sub-projects for 2007-2010 with total project costs of $13,950.4 thousand, including future year commitments of $3,463 thousand for 2007, $3,489.9 thousand for 2008, $3,499.0 thousand for 2009, and $3,498.5 thousand for 2010 be approved;

(3) operating impacts of $489.6 thousand for 2007, $326.3 thousand for 2008, $158.7 thousand for 2009 and $1,262.6 thousand for 2010, totalling $2,237.2 thousand as detailed in Appendix 2, "Toronto Public Health 2006-2010 revised Operating Impact of Capital" be considered within the overall scope of Toronto Public Heath 2007 and future years' operating budget submissions; and

(5) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.";

(d) communication (June 9, 2006) from the Administration Committee, entitled "Potential Acquisition of 53-61 Ontario Street and 102-104 Berkeley Street for the Relocation of the City's Offset Printing Facility and for Other Purposes", advising that on June 6, 2006, the Administration Committee recommended to the Budget Advisory Committee:

(1) that City Council adopt the staff recommendations in the Recommendations Section of the confidential report (May 26, 2006) from the City Clerk and Chief Corporate Officer regarding the potential acquisition of 53-61 Ontario Street and 101-104 Berkeley Street for the relocation of the City's Offset Printing Facility and for other purposes; and

(2) because the report relates to the proposed or pending acquisition of land for municipal purposes under the *Municipal Act, 2001*, discussions about this report be held in camera;

(e) communication (June 12, 2006) from Councillor Suzan Hall, Ward 1 Etobicoke North, asking that the Budget Advisory Committee in consultation with the Toronto Public Library Board authorize staff to move up the Albion Library renovation and look into the feasibility and costs of a community theatre for the Library as part of the 2007-2010 Capital Budget;

(f) communication (June 15, 2006) from Alok Mukherjee, Chair, Toronto Police Services Board, forwarding a report (June 13, 2006) addressed to the Chair and Board Members, Toronto Police Services Board, from the Chief of Police with regard to the revised Toronto Police Service 2006-2010 Capital Program Submission.

<u>Recommendations</u>:

It is recommended that:

(1) the Board approve a Radio Replacement project to begin in 2006 at a total amount of $35.5 million;

(2) the Board approve the borrowing of an estimated amount of $4 million in 2008 and $2 million in 2009 from the Toronto Police Service Vehicle and Equipment Reserve for Radio Replacement purchases as reflected in Attachment C of this report, to be repaid to the reserve over the estimated life of the equipment (15 years);

(3) the Board approve a transfer of $6.8 million from the 11 Division project, $0.75 million from the 14 Division project, $0.3 million from the Smartzone project and $0.58 million from the Centracom project, for a total of $8.43 million to fund the Radio Replacement project in 2006;

(4) the Board approve the strategy of funding future Information Technology equipment lifecycle replacements from the Toronto Police Service Vehicle and Equipment Reserve, as reflected in Attachment C of this report;

(5) the Board approve the changes in the cost estimates for the projects outlined in Attachment B of this report, and a revised 2006-2020 Capital Program at a total net expenditure of $168.2 million for 2006-2010, and a $35 million average annual net expenditure for the years 2007-2010, as reflected in Attachment C of this report; and

(6) the Board forward this report to the Deputy City Manager and Chief Financial Officer and to the City Budget Advisory Committee for consideration at its meeting on June 16, 2006; and

(g) Briefing Note (June 13, 2006) from the City Librarian, entitled “2007-2010 Reduced Capital Plan”.

for City Clerk

Merle MacDonald/mh
Item 1

(Report dated June 13, 2006 addressed to the Budget Advisory Committee
from the City Manager and the Deputy City Manager and Chief Financial Officer)

Purpose:

At its meeting of December 8, 9 and 12, 2005, City Council adopted a motion requiring the Deputy City Manager and Chief Financial Officer to "report through the Budget Advisory Committee to the Policy and Finance Committee and Council by June 2006 on a recommended 2007 – 2010 Capital Plan in accordance with the Council approved debt guidelines." In response to that request, this report presents the 2007 – 2010 Capital Plan, that together with the 2006 Council Approved Capital Budget, constitutes the City's first five-year Capital Plan as part of Council's approval of the long-term fiscal plan principles of City asset sustainability.

Further, the report seeks Council approval for a strategy for financing tax-supported capital expenditures, including adoption of a new guideline on the ratio of debt service charges to property tax revenues in order to support the City's efforts to deal with significant SOGR requirements, and to further enhance its fiscal sustainability and credit worthiness.

Financial Implications and Impact Statement:

Overview

Excluding TTC, the 2007 – 2010 Capital Plan exceeds the Council approved debt and capital from current (CFC) guideline/targets by $185.433 million. Although most City Operations achieved their assigned targets, they were still over-target by $50.428 million. This was primarily due to Solid Waste Management Services' need to develop a Source Separated Organics (SSO) processing facility to achieve waste diversion targets, estimated at a cost of $45 million. Further, Council priority projects such as the 3-1-1 Customer Service Strategy, Nathan Phillips Square total $97.198 million and, ABCs' capital plans include $37.807 million in incremental debt. Most ABCs did not meet their debt targets, primarily driven by Toronto Police Service. Assessment of capital needs confirmed that the debt guideline limits approved by Council will stabilize but not reduce the State of Good Repair backlog.

Table 1
City of Toronto
2007-2010 Capital Plan - Excluding TTC
Funding Pressures - Debt / CFC ($Millions)

Program / ABCs (In $000's)	Over/(Under) Target 2007	2008	2009	2010	Total 2007 - 2010
Citizen Centred Services "A"	-	1.018	-	(1.018)	-
Citizen Centred Services "B"	1.000	4.213	20.000	20.000	45.213
Internal Services	-	-	-	-	-
Other City Programs	2.770	2.445	-	-	5.215
Total - City Programs before Other Corpor	**3.770**	**7.676**	**20.000**	**18.982**	**50.428**
Other Corporate Priorities:					
3-1-1 Customer Service Initiative	11.311	6.722	0.418	-	18.451
Nathan Phillips Square	1.275	3.953	3.953	3.953	13.134
Union Station - District Plan	3.000	3.000		-	6.000
Additional Growth Related Pressure	17.465	20.710	5.579	15.859	59.613
Total - Other Corporate Priorities	**33.051**	**34.385**	**9.950**	**19.812**	**97.198**
Total - City Operations	**36.821**	**42.061**	**29.950**	**38.794**	**147.626**
Agencies, Boards & Commissions	**7.656**	**8.949**	**10.503**	**10.699**	**37.807**
Funding Pressure -- Over-target	**44.477**	**51.010**	**40.453**	**49.493**	**185.433**

OTHER ADJUSTMENTS:	
Funding Pressure - Over-target	**185.433**
Less: Unallocated Capital Funds	**(84.900)**
Net Pressure	**100.533**

2007-2010 Capital Financing Pressure:

There continues to be pressure for service improvement and growth projects to meet expanding service demands to satisfy moderate growth demands and therefore, the CM and DCM/CFO propose an increase of $59.613 million over the debt targets approved by Council for the 2007 – 2010 period. In reviewing closed out projects and unallocated capital financing at year-end 2005, the DCM/CFO has identified $84.9 million in available funding to fund the 2007 – 2010 Capital Plan, thereby reducing the funding pressure to $100.533 million.

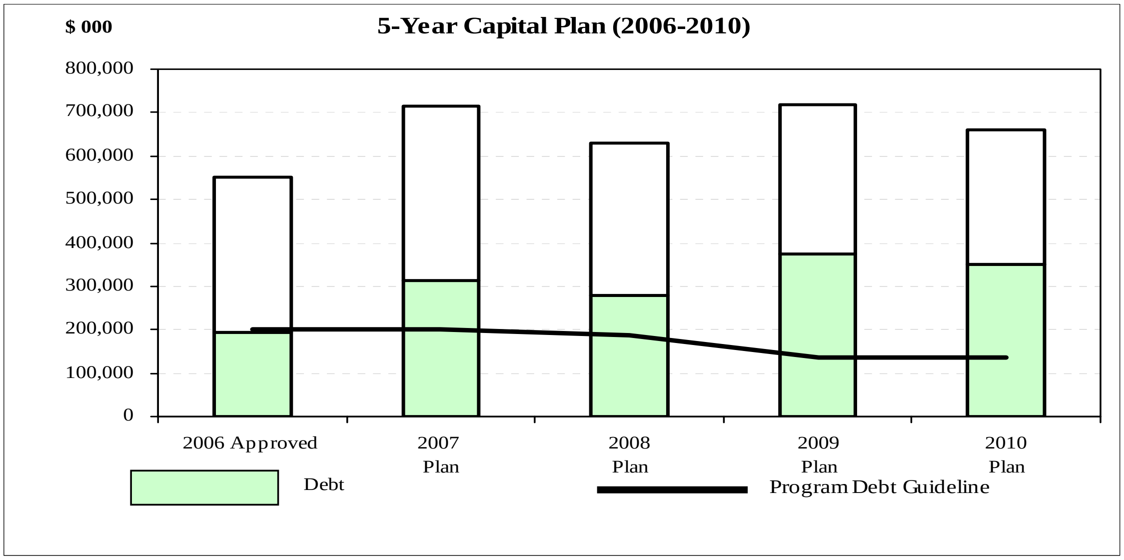
Most ABCs did not meet their assigned debt targets. As a result, they have been asked to review project priorities to help reduce reliance on City debt.

Toronto Transit Commission

The TTC’s 2007–2010 Capital Plan totals $2.727 billion and exceeds the Council approved debt target by $657.642 million (see Chart 1 below). The original TTC plan was about $279 million above guideline due to the uncertainty of additional Federal gas tax funding which ends in 2006 (additional 1 cent). Approximately $331 million of the additional debt pressure results from recent policy changes to the Ontario Transit Vehicle Program which excludes funding for subway and street car replacement and rehabilitation. To mitigate the resultant burden on the City, the TTC must reconsider the 2007–2010 level of expenditures as negotiations with the Provincial and Federal Governments continue. Staff will report to Council on a revised TTC Capital Plan as part of the 2007 Capital Budget process.

Chart 1

Toronto Transit Commission



	5 Year Plan					
	2006 Approved	2007	2008	2009	2010	2007-2010
Gross Expenditures:						
Approved Capital Budget & Future Year Commitments	552,435	565,318	257,116	195,390	184,970	1,202,794
Proposed Changes to Commitments	0					0
New Plan Estimates		151,227	373,648	524,268	474,705	1,523,848
1-Year Carry Forward to 2006						
Sub-Total Gross Expenditure & Total Plan	**552,435**	**716,545**	**630,764**	**719,658**	**659,675**	**2,726,642**
Program Debt Target	**200,000**	**200,000**	**186,000**	**135,000**	**135,000**	**656,000**
Financing:						
Proposed Debt	193,935	311,545	279,464	373,258	349,375	1,313,642
Other Financing Sources:						
Reserves/Reserve Funds						0
Development Charges						0
Federal	206,600	183,300	164,000	194,400	172,900	714,600
Provincial	132,200	202,300	168,900	135,600	122,700	629,500
Other Revenue	19,700	19,400	18,400	16,400	14,700	68,900
Total Financing	**552,435**	**716,545**	**630,764**	**719,658**	**659,675**	**2,726,642**

Debt Guidelines versus Plan:

When the TTC Capital Plan is combined with City Operations and other ABCs, total 2007–2010 expenditures exceed debt guidelines by approximately $758.142 million of which $657.6 million pertains to TTC and the balance of $100.5 million to all other City Programs and ABCs. To address the remaining pressure, the CM and DCM/CFO will work with the Deputy City Managers (DCM) and Heads of ABCs to maximize reserve funds, further pursue partnership arrangements and other funding strategies, and/or to adjust expenditures in the 2007–2010 Capital Plan in order to meet the Council approved debt targets.

It must be noted that funding sources have not yet been established for other significant Solid Waste initiatives that are required to meet Council diversion targets; the Radio Replacement project, jointly shared by the Emergency Medical Services (EMS), Toronto Police Services and Fire Service; and the EMS Centralized Book-on Station (CBOS) project for which the project cost is still to be determined. These projects will be addressed as part of the 2007 Capital Budget process.

2007–2010 Capital Plan

Table 2 below outlines the 2007 – 2010 Capital Plan by Cluster and Agency, Board and Commission (ABC). Capital project estimates and commitments for each of the four years of the Capital Plan for tax and rate supported programs excluding Toronto Water total $5.555 billion. On average, the annual Tax Supported commitments and estimates approximate $1.363 billion. Excluding the TTC, the 2007 – 2010 Tax Supported Capital Plan is $2.724 billion. (It should be noted that the Toronto Water Capital Plan is presented to Council separately and that the 2006–2010 Capital Plan was approved in December of 2005).

Table 2
CAPITAL PLAN
2006 - 2010 Current & Future Year Projections (in $000)

	Approved 2005	Approved 2006	Capital Forecast				2007 - 2010
			2007	2008	2009	2010	
Citizen Centred Services - A	103,425	111,970	90,379	78,484	82,312	87,041	338,216
Citizen Centred Services - B	295,858	329,953	346,822	365,180	349,039	343,108	1,404,149
Internal Services	124,678	123,728	93,264	96,809	100,182	96,618	386,873
Other City Programs	19,822	22,432	11,383	8,505	3,318	1,507	24,713
Other Corporate Priorities		550	19,229	19,358	54,376	31,289	124,252
Special Purpose Bodies	81,341	86,142	93,389	88,436	89,220	91,105	362,150
Total Tax Supported Programs (Excl. Transit	625,124	674,775	654,466	656,772	678,447	650,668	2,640,353
GO Transit	19,437	20,000	20,000	20,300	18,400	15,200	73,900
Toronto Port Authority	3,000	3,000	3,000	3,000	1,700	1,700	9,400
Toronto Transit Commission	385,605	552,435	716,545	630,764	719,658	659,675	2,726,642
Total Tax Supported Programs (Incl. Transit	1,033,166	1,250,210	1,394,011	1,310,836	1,418,205	1,327,243	5,450,295
Toronto Parking Authority	24,191	33,796	21,536	28,531	33,500	20,700	104,267
Total City	1,057,357	1,284,006	1,415,547	1,339,367	1,451,705	1,347,943	5,554,562

In preparing the 2007 – 2010 Capital Plan, City Programs and ABCs were faced with the difficult challenge of balancing infrastructure maintenance, rehabilitation and growth demands against fiscal responsibility. Available finances were significantly less than identified needs requiring project prioritization strategies that would mitigate reliance on debt, and utilization of other financing sources to maximize capital expenditures. In order to ensure the most effective use of available resources, programs have had to realign previously approved project cash flow requirements resulting in changes to commitments – both in current and future years. The significant discrepancy between needs and available funds for City Programs has resulted in increased backlog which will accumulate to $662.627 million by 2010. City Operations physical asset inventory is valued at approximately $15.5 billion (exclusive of Water and Waste Water and TTC assets). Significantly, an increase in City Programs' SOGR spending of $66 million or 20 percent over current SOGR spending levels would be required to reduce the current and known backlog to zero over a ten-year period.

In the interest of maximizing City investments in capital assets, Council must consider a more comprehensive prioritization of all capital projects. A well-developed and coordinated approach would ensure that the City maximizes available funding for new projects while minimizing the state of good repair backlog and/or operating budget impacts associated with these assets.

Table 3
2007 - 2010 Capital Plan - By Category
($Millions)

Category	2006	% Of Total	Capital Plan 2007	2008	2009	2010	TOTAL 2007-2010	% of Total
Health & Safety	48	3.8%	44	40	34	36	153	2.8%
Legislated/City Policy	59	4.7%	69	64	93	92	318	5.7%
State of Good Repair	838	66.5%	978	892	1,036	962	3,868	69.6%
Sub-total	**945**	**75.0%**	**1,091**	**996**	**1,162**	**1,090**	**4,339**	**78.1%**
Service Improvement and Enhancement	147	11.7%	148	94	81	76	399	7.2%
Growth Related	167	13.3%	176	249	209	182	816	14.7%
Sub-total	**314**	**25.0%**	**324**	**343**	**290**	**258**	**1,215**	**21.9%**
Total	**1,259**	**100.0%**	**1,415**	**1,339**	**1,452**	**1,348**	**5,554**	**100.0%**

Financing the 2007–2010 Capital Plan

Debt constitutes the largest financing source for the 2007–2010 Capital Plan. Five years of debt affordability targets were approved by Council at its meeting of May 28, 29 and 30, 2005. These targets were based on the condition of the City's infrastructure, availability of non-debt funding, and assessment of how much new debt the City could reasonably afford without significantly increasing the debt service cost burden on the operating budget and negatively impacting the City's credit rating. Since 2001, debt as a funding source has averaged 39 percent of the annual capital budget. Table 4 shows the Council approved debt targets for the five years 2006 to 2010, inclusive. The 2006 Capital Budget approved by Council at its meeting of December 8, 9 and 12, 2005 achieved the debt target of $485 million for that year. For the four years 2007 to 2010, the total debt target is $1.796 billion. New debt included in the four year target totals $1.256 billion, with $656 million or 52 percent allocated to TTC and $600 million or 48 percent allocated to City Programs and other tax supported ABCs.

Table 4
2006 - 2010 Tax Supported Capital Budget and Plan
- Debt Targets (in $Millions)

Source of Financing	**2006**	**2007**	**2008**	**2009**	**2010**	**Total 2007 - 2010**
Baseline Debt (Retire / Reissue)	135	135	135	135	135	540
New Debt:						
TTC	200	200	186	135	135	656
City	150	150	150	150	150	600
Total Affordable New Debt	**350**	**350**	**336**	**285**	**285**	**1,256**
						-
Total Debt	**485**	**485**	**471**	**420**	**420**	**1,796**

Debt financing totalling $2.708 million or 48.8 percent of the total Capital Plan is recommended. Other significant funding sources include Reserves / Reserve Funds of $383.436 million, Capital from Current funding of $497 million, and Development Charges of $225.315 million.

Table 5
2007 - 2010 Capital Plan - By Funding Source
($Millions)

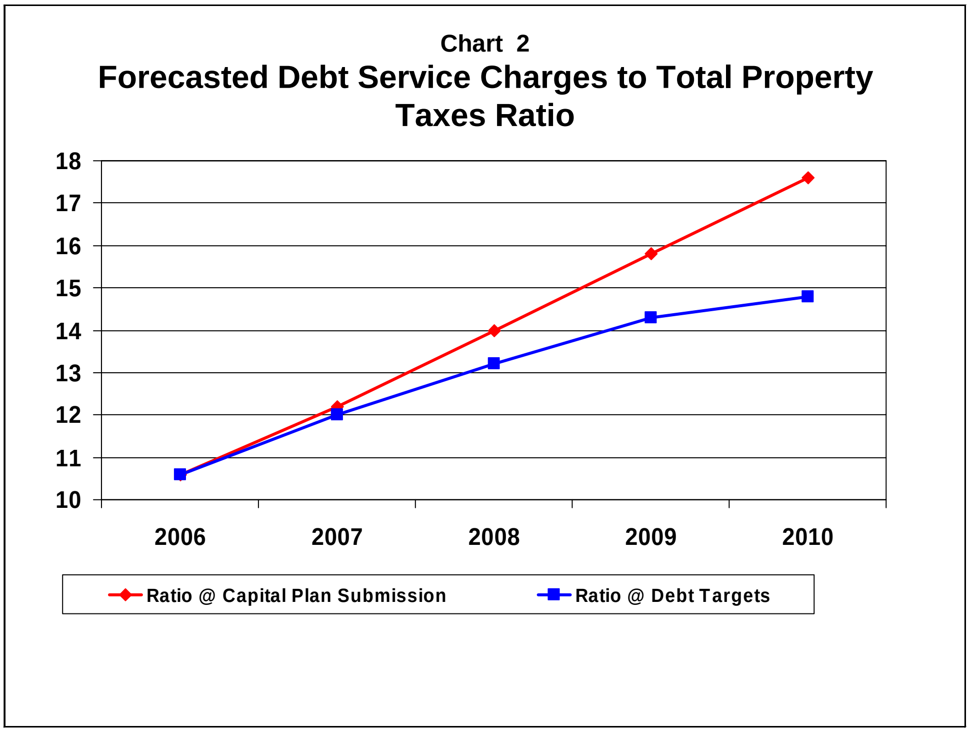
	2006	**2007**	**2008**	**2009**	**2010**	**Total 2007 - 2010**
Financing Sources:						
Federal Grants/Subsidies	211.0	184.5	165.3	194.9	173.2	**717.9**
Provincial Grants/Subidies	137.4	209.2	176.1	141.9	128.8	**656.0**
Developmental Charges	49.4	49.7	61.9	57.7	56.0	**225.3**
Reserves/Reserve Funds	131.1	100.1	91.7	95.6	96.0	**383.4**
Others Sources of Funding	87.6	107.2	102.1	89.9	67.6	**366.8**
CFC	124.2	124.2	124.2	124.2	124.2	**496.8**
Debt	517.7	640.6	618.1	747.5	702.1	**2,708.3**
Total Financing Sources	**1,258.4**	**1,415.5**	**1,339.4**	**1,451.7**	**1,347.9**	**5,554.5**

The Capital Plan represents a long-term framework for planning capital activities and funding requirements, and the basis for developing the annual capital budget. Council approval of the 2007-2010 Capital Plan does not constitute spending approval which only is achieved through the approval of the annual capital budget.

Guideline on Debt Ratio to Property Tax Revenues

Under the City's debt/CFC capital targets, the debt service ratio remains below 15 percent through to 2010. Debt service would increase from $333 million in 2006 to $514 million in 2010, and net debt would rise to $3.0 billion from $2.2 billion. The 5 percent increase in the debt service ratio from 2005–2010 is comprised of approximately 4 percent for TTC funding and 1 percent for all other City Programs and ABCs.

The following chart illustrates the debt ratio under the Programs and TTC capital plan submission versus the Council approved debt guideline.



Significant SOGR requirements and changes to the Provincial Ontario Transit Vehicle Program for TTC drive the ratio above the recommended guideline.

Under the Capital Plan as requested by Programs and the TTC, the debt service ratio would grow to 17.5 percent by 2010, exceeding the proposed debt guideline. Further expenditure reductions and/or increased funding will be considered through the 2007 Capital Budget process in order to achieve the debt targets and within the recommended debt service ratio guideline.

A key assumption in these forecasts is that any new strategic infrastructure projects are not debt financed and therefore do not increase debt, debt service costs or the debt service ratio.

Summary

In summary, the 2007–2010 Capital Plan of $5.555 billion generally satisfies the City's objective of maintaining its infrastructure and other capital assets in a reasonable State of Good Repair. The

City's needs to fund its asset maintenance backlog to address service gaps in its neighbourhoods and to take advantage of opportunities that advance city building objectives, while not exceeding its debt affordability. Thus the City requires a capital financing strategy that provides Council with alternate funding options it may utilize to fund its capital works. The DCM/CFO will report back to the Budget Advisory Committee during the 2007 Capital Budget process with a set of capital financing strategies combined with a more comprehensive framework for capital project prioritization for Committee and Council consideration.

Recommendations:

Corporate Recommendations:

It is recommended that:

(1) the 2007–2010 Capital Plan excluding TTC, totalling $2.828 billion in project commitments and estimates comprised of $0.699 billion in 2007, $0.709 billion in 2008, $0.732 billion in 2009, $0.688 billion in 2010, as detailed in Appendix 1, be approved in principle;

(2) adjustments to the 2006 Council Approved Current and Future Year Commitments as adjusted to the 2007–2010 Capital Plan, totalling a net reduction of $35.525 million, financed by reductions in debt of ($42.2 million), developmental charges ($22.564 million), and increases in reserve/reserve funds and other sources of $17.928 million and $11.311 million, respectively, as detailed in Appendix 4, be approved;

(3) unallocated capital funds resulting from under-spent completed and/or closed projects totalling $84.9 million be used to fund the 2007–2008 Capital Plan expenditures (exclusive of the TTC) in order to reduce the debt pressure inherent in the Capital Plan;

(4) financing sources for the 2007–2010 Capital Plan excluding TTC comprised of $383.436 million from Reserves and Reserve Funds, $496.688 million of Capital from Current funding, $218.828 million of Developmental Charge funding, $304.445 million from other sources, $26.463 million from Provincial Grants and Subsidies, $3.278 million Federal Subsidies and debt of $1.394 billion (as detailed in Appendix 3) be approved in principle;

(5) the City Manager and Deputy City Manager and Chief Financial Officer work with the other Deputy City Managers and Heads of Agencies, Boards and Commissions (exclusive of TTC), to mitigate the unfunded pressure of $100.533 million included in the latter years of the 2007–2010 Capital Plan and that funding strategies include the maximization of reserve and reserve fund draws, increased use of Development Charges where applicable, cost-shared partnership arrangements, maximization of subsidies from the Federal and Provincial Governments and/or expenditure reductions to meet the debt guideline;

(6) staff be directed to prepare the 2007 Capital Budget based on the 2007–2010 Capital Plan (exclusive of TTC);

(7) the Acting Chief General Manager of Toronto Transit Commission, in consultation with the Deputy City Manager and Chief Financial Officer, report back to the Budget Advisory Committee during the 2007 Capital Budget process regarding any potential increases to Provincial and Federal funding sources, as well as projects that may be deferred and/or deleted, to meet the 2007–2011 Council-approved debt targets;

(8) for 2011, the new debt target be set at $285 million and a minimum capital from current financing target at $124.172 million, and that the Deputy City Manager and Chief Financial Officer allocate debt and capital from current targets for the year 2011, to each of the City's Programs and ABCs consistent with the 2006–2010 Capital Plan;

(9) the maximum limit of debt service charges as a percentage of total property tax levy be established at 15 percent as a benchmark for evaluating capital plan expenditure levels;

(10) the Deputy City Manager and Chief Financial Officer report back to the Budget Advisory Committee during the 2007 Capital Budget process on capital financing strategies, including but not limited to, public/private partnerships and innovative revenue initiatives that will provide the City with options to meet its future capital needs within its debt affordability limits; and

(11) the appropriate City officials be authorized and directed to take the necessary actions to give effect thereto.

Program Recommendations:

Citizen Centred Services "A"

Children's Services

(1) the 2007-2010 Capital Plan for Children's Services totaling $26.254 million in project commitments and estimates, comprised of $5.000 million in 2007; $6.600 million in 2008; $7.600 million in 2009; and $7.054 million in 2010, be approved in principle.

Court Services

(2) the 2007-2010 Capital Plan for Court Services totaling $8.700 million in project commitments and estimates, comprised of $4.800 million in 2007; $2.250 million in 2008; $0.700 million in 2009; and $0.950 million in 2010, be approved in principle.

Culture

(3) the 2007-2010 Capital Plan for Culture totaling $28.430 million in project commitments and estimates, comprised of $8.125 million in 2007; $4.930 million in 2008; $7.550 million in 2009; and $7.825 million in 2010, be approved in principle.

Economic Development

(4) the 2007-2010 Capital Plan for Economic Development totaling $17.823 million in project commitments and estimates, comprised of $4.868 million in 2007; $4.814 million in 2008; $4.060 million in 2009; and $4.081 million in 2010, be approved in principle.

Emergency Medical Services

(5) the 2007-2010 Capital Plan for Emergency Medical Services totaling $23.088 million in project commitments and estimates, comprised of $4.772 million in 2007; $5.472 million in 2008; $6.172 million in 2009; and $6.672 million in 2010, be approved in principle.

Homes for the Aged

(6) the 2007-2010 Capital Plan for Homes for the Aged totaling $31.800 million in project commitments and estimates, comprised of $8.000 million in 2007; $8.400 million in 2008; $6.600 million in 2009; and $8.800 million in 2010, be approved in principle.

Parks, Forestry and Recreation

(7) the 2007-2010 Capital Plan for Parks, Forestry and Recreation totaling $174.147 million in project commitments and estimates, comprised of $42.655 million in 2007; $40.113 million in 2008; $44.550 million in 2009; and $46.829 million in 2010, be approved in principle.

Shelter, Support and Housing Administration

(8) the 2007-2010 Capital Plan for Shelter, Support and Housing Administration totaling $20.534 million in project commitments and estimates, comprised of $9.959 million in 2007; $4.125 million in 2008; $3.300 million in 2009; and $3.150 million in 2010, be approved in principle.

Social Services

(9) the 2007-2010 Capital Plan for Social Services totaling $6.700 million in project commitments and estimates, comprised of $1.700 million in 2007; $1.700 in 2008; $1.700 million in 2009; and $1.600 million in 2010, be approved in principle.

Tourism

(10) the 2007-2010 Capital Plan for Tourism totaling $0.740 in project estimates, comprised of $0.500 million in 2007; $0.080 million in 2008; $0.080 million in 2009; and $0.080 in 2010, be approved in principle.

Citizen Centred Services “B”

City Planning

(11) the 2007-2010 Capital Plan for City Planning totaling $19.244 million in project commitments and estimates, comprised of $4.751 million in 2007; $4.804 million in 2008; $4.842 million in 2009; and $4.847 million in 2010, be approved in principle.

Fire Services

(12) the 2007-2010 Capital Plan for Fire Services totaling $24.860 million in project commitments and estimates, comprised of $9.038 million in 2007; $7.722 million in 2008; $4.050 million in 2009; and $4.050 million in 2010; be approved in principle; and,

(13) the Deputy City Manager responsible for Fire Services and the Fire Chief report back to Community Services Committee as part of the 2007 Capital Budget process on the impact of facility requirements contained in the updated Master Fire Plan and options for any mitigating strategies such as joint facilities with other emergency services and/or other opportunities for efficiencies.

Policy, Planning, Finance and Administration

(14) the 2007-2010 Capital Plan for Policy, Planning, Finance and Administration (PPF&A) totaling $15.706 million in project commitments and estimates, comprised of $4.906 million in 2007; $3.600 million in 2008; $3.600 million in 2009; and $3.600 million in 2010, be approved in principle.

Solid Waste Management Services

(15) the 2007-2010 Capital Plan for Solid Waste Management Services totaling $142.566 million in project commitments and estimates, comprised of $26.569 million in 2007; $26.163 million in 2008; $45.122 million in 2009; and $44.712 million in 2010, be approved in principle; and,

(16) the Deputy City Manager responsible for Solid Waste Management Services, in consultation with the Deputy City Manager and Chief Financial Officer, be authorized to explore and report back to the Works Committee during the 2007 Capital Budget process, on various strategies including private/public sector partnerships and innovative revenue initiatives including an environmental levy, or a combination of both which would enable the City to build the additional 4 Diversion Facilities required to meet the City’s diversion targets, and address the affordability and timelines of the revised Capital Plan.

Transportation Services

(17) the 2007-2010 Capital Plan for Transportation Services totaling $1,049.962 million in project commitments and estimates, comprised of $257.248 million in 2007; $271.760 million in 2008; $261.071 million in 2009; and $259.883 million in 2010, be approved in principle; and,

(18) the Deputy City Manager responsible for Transportation Services report back to the Budget Advisory Committee as part of the 2007 Capital Budget process on how the following projects may be accommodated within the 2007-2010 Revised Capital Plan:

(a) roadways and structures that require imminent temporary repairs as a result of the storm of August 2005; and,

(b) the extensive backlog of work on the western Gardiner Expressway.

Waterfront Revitalization Initiative

(19) the 2007-2010 Capital Plan for Waterfront Revitalization Initiative totaling $151.811 million in project commitments and estimates, comprised of $44.310 million in 2007; $51.131 million in 2008; $30.354 million in 2009; and $26.016 million in 2010, be approved in principle.

Internal Services

Facilities and Real Estate

(20) the 2007-2010 Capital Plan for Facilities and Real Estate totaling $122.638 million in project commitments and estimates, comprised of $31.300 million in 2007; $31.200 million in 2008; $30.175 million in 2009; and $29.963 million in 2010, be approved in principle.

Financial Services

(21) the 2007-2010 Capital Plan for Financial Services totaling $21.910 million in project commitments and estimates, comprised of $6.878 million in 2007; $6.362 million in 2008; $4.845 million in 2009; and $3.825 million in 2010, be approved in principle.

Fleet Services

(22) the 2007-2010 Capital Plan for Fleet Services totaling $114.047 million in project commitments and estimates, comprised of $27.497 million in 2007; $28.589 million in 2008; $29.039 million in 2009; and $28.922 million in 2010, be approved in principle.

Information and Technology - Development

(23) the 2007-2010 Capital Plan for Information and Technology - Development totaling $51.146 million in project commitments and estimates, comprised of $14.146 million in 2007; $14.448 million in 2008; $11.430 million in 2009; and $11.122 million in 2010, be approved in principle.

Information and Technology - Sustainment

(24) the 2007-2010 Capital Plan for Information and Technology - Sustainment totaling $77.132 million in project commitments and estimates, comprised of $13.443 million in

2007; $16.210 million in 2008; $24.693 million in 2009; and $22.786 million in 2010, be approved in principle.

Other City Programs

City Clerk's Office

(25) the 2007-2010 Capital Plan for City Clerk's Office totaling $5.395 million in project commitments and estimates, comprised of $1.510 million in 2007; $1.060 million in 2008; $1.318 million in 2009; and $1.507 million in 2010, be approved in principle.

Print Shop

(26) the 2007-2010 Capital Plan for Print Shop Relocation totaling $5.215 million in project estimates, comprised of $2.770 million in 2007 and $2.445 million in 2008, be approved in principle.

Energy Retrofit Program

(27) the 2007-2010 Capital Plan for Energy Retrofit Program totaling $14.103 million in project commitments and estimates, comprised of $7.103 million in 2007; $5.000 million in 2008; $2.000 million in 2009, be approved in principle.

Other Council Priorities

3-1-1 Customer Service Initiative

(28) the 2007-2010 Capital Plan for 3-1-1 Customer Service Strategy totaling $18.451 million in project commitments and estimates, comprised of $11.311 million in 2007; $6.722 million in 2008; and $0.418 million in 2009, be approved in principle; and,

(29) the 2006 Approved Operating Budget for the 3-1-1 Customer Service Strategy be increased by $3.103 million gross, $0 net, to be fully recovered by capital funding from the 2006 Approved Capital Budget for the 3-1-1 Customer Service Strategy to reflect an increase of 29 temporary positions to support the capital program.

Nathan Phillips Square

(30) the 2007-2010 Capital Plan for Nathan Phillips Square totaling $13.134 million in project commitments and estimates, comprised of $1.275 million in 2007; $3.953 million in 2008; $3.953 million in 2009; and $3.953 million in 2010, be approved in principle.

Union Station

(31) the 2007-2010 Capital Plan for Union Station totaling $16.667 million in project commitments and estimates, comprised of $3.643 million in 2007; $5.683 million in 2008; $3.338 million in 2009; and $4.003 million in 2010, be approved in principle.

Union Station - District Plan

(32) the 2007-2010 Capital Plan for Union Station – District Plan totaling $6.000 million in project estimates, comprised of $3.000 million in 2007 and $3.000 million in 2008, be approved in principle.

Radio Communication System Replacement

(33) the Deputy City Manager responsible for Fire Services and the Deputy City Manager responsible for Emergency Medical Services, in consultation with the Chiefs of Toronto Police Service, Fire Services and Emergency Medical Services, report to the Budget Advisory Committee by September 2006, on the history and current status of the capital project for the replacement of the joint Radio Communication System including, but not limited to:

(a) detailing functionality and improvements contained in the $70 million cost of infrastructure;

(b) identifying if there are additional enhancements required for use in the subway and Path system;

(c) identifying if the current suggested configuration is sufficient in light of new and emergent threats;

(d) evaluating whether the scope of the project can be reduced without compromising essential functionality;

(e) confirming the obsolescence date of the current system with Motorola, with the review to possibly staggering project cash flows;

(f) identifying alternate possible suppliers for the system as part of an RFP process;

(g) identifying whether the current estimate includes any provision for growth, and if not, what the estimates would be; and,

(h) examining options for funding including possible one-time funding from the federal or provincial governments, and any possible joint procurement with other municipalities.

Agencies, Boards and Commissions

Exhibition Place

(34) the 2007-2010 Capital Plan for Exhibition Place totaling $20.400 million in project commitments and estimates, comprised of $4.800 million in 2007; $5.000 million in 2008; $5.300 million in 2009; and $5.300 million in 2010, be approved in principle; and

(35) Exhibition Place explore the feasibility of adding a surcharge to user fees to establish and maintain a Capital Improvement Fund or other options to create additional sources of revenue to fund state-of-good-repair work and report back with its 2007 Capital Budget submission.

Toronto and Region Conservation Authority

(36) the 2007-2010 Capital Plan for Toronto and Region Conservation Authority totaling $24.586 million in project commitments and estimates, comprised of $5.914 million in 2007; $5.876 million in 2008; $6.204 million in 2009; and $6.591 million in 2010, be approved in principle;

(37) TRCA explore options to bring its 2007-2010 Capital Plan in line with the debt target of $10.0 million and report back with its 2007 Capital Budget submission; and

(38) the Chief Administrative Officer of TRCA and the General Manager of Toronto Water, in consultation with the Deputy City Manager and Chief Financial Officer, confirm the water reserve funding in of the TRCA 2007-2010 Capital Plan as part of the 2007 Capital Budget submission.

Toronto Parking Enforcement Unit

(39) the 2007-2010 Capital Plan for Toronto Parking Enforcement Unit totaling $1.736 million in project commitments and estimates, comprised of $0.434 million in 2007; $0.434 million in 2008; $0.434 million in 2009; and $0.434 million in 2010, be approved in principle.

Toronto Police Service

(40) the 2007-2010 Capital Plan for Toronto Police Service totaling $199.143 million in project commitments and estimates, comprised of $52.260 million in 2007; $52.801 million in 2008; $50.598 million in 2009; and $43.484 million in 2010, be approved in principle; and

(41) the Police Service Board be requested to explore options to reduce the 2007 – 2010 Capital Plan and report back to the Budget Advisory Committee with the 2007 Capital budget submission for Toronto Police Service.

Toronto Public Health

(42) the 2007-2010 Capital Plan for Toronto Public Health totaling $13.951 million in project commitments and estimates, comprised of $3.463 million in 2007; $3.489 million in 2008; $3.500 million in 2009; and $3.499 million in 2010, be approved in principle.

Toronto Public Library

(43) the 2007-2010 Capital Plan for Toronto Public Library totaling $71.271 million in project commitments and estimates, comprised of $18.328 million in 2007; $15.286 million in 2008; $17.634 million in 2009; and $20.023 million in 2010, be approved in principle; and

(44) the Toronto Public Library be requested to report to Budget Advisory Committee in June 2006, on reduction options totalling $2.0 million for the four year period (2007-2010), to achieve the annual debt target of $10.0 million.

Toronto Transit Commission

(45) the 2007-2010 Capital Plan for Toronto Transit Commission totaling $2,726.642 million in project commitments and estimates, comprised of $716.545 million in 2007; $630.764 million in 2008; $719.658 million in 2009; and $659.675 million in 2010, be received.

Toronto Zoo

(46) the 2007-2010 Capital Plan for Toronto Zoo totaling $30.865 million in project commitments and estimates, comprised of $8.190 million in 2007; $5.450 million in 2008; $5.500 million in 2009; and $11.725 million in 2010, be approved in principle; and

(47) the CEO of the Toronto Zoo report back to the Budget Advisory Committee prior to the 2008 Capital Budget process on the status of its capital fundraising campaign.

Yonge-Dundas Square

(48) the 2007-2010 Capital Plan for Yonge-Dundas Square totaling $0.200 million in project estimates, comprised of $0.100 million in 2008; $0.050 million in 2009; and $0.050 million in 2010, be approved in principle.

Toronto Parking Authority

(49) the 2007-2010 Capital Plan for Toronto Parking Authority totaling $104.267 million in project commitments and estimates, comprised of $21.536 million in 2007; $28.531 million in 2008; $33.500 million in 2009; and $20.700 million in 2010, be approved in principle.

<u>Background</u>:

Capital Plan Directions, Policies and Guidelines

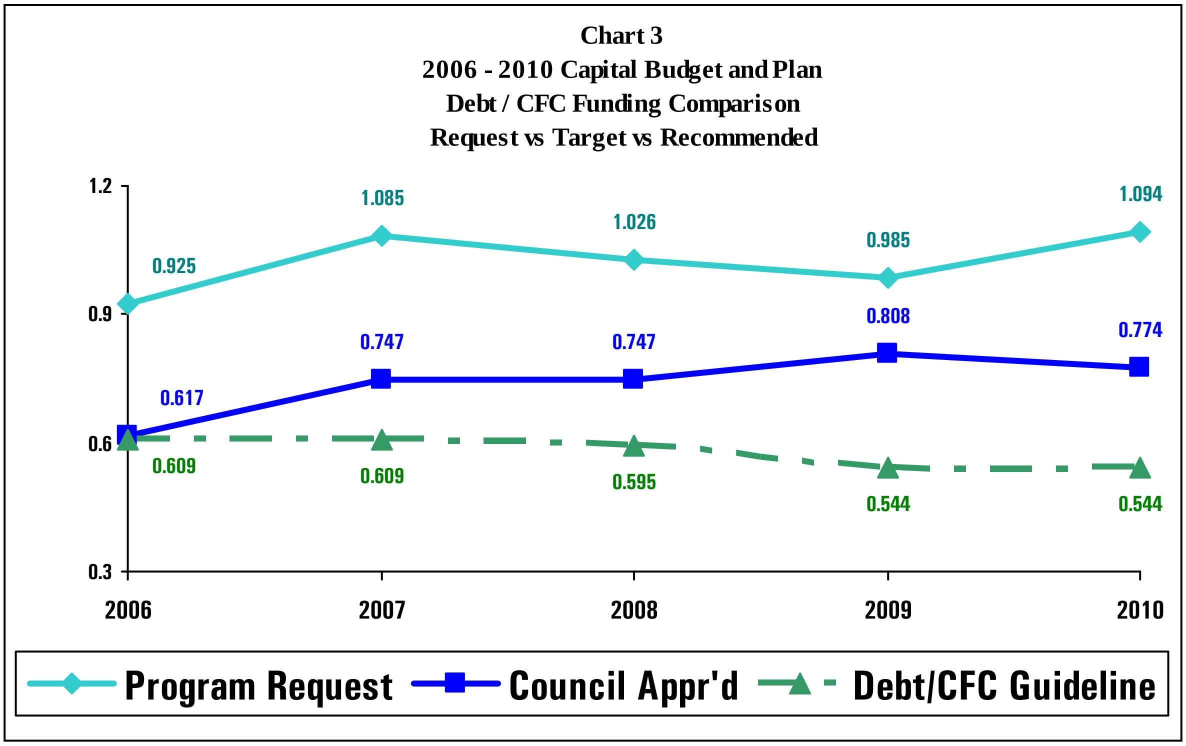
The City of Toronto 2006 Budget Process, Directions and Guidelines which were approved by Council at its meeting of May 28, 29 and 30, 2005, emphasized the need for a long-term financial planning perspective, and development of five-year capital plans based on directions and targets approved by Council. In each subsequent year, a new fifth year is to be added and where warranted, changes to the plan may be considered. The City has a considerable investment in infrastructure and capital assets with varying useful lives, replacement and maintenance schedules. On average, since 2001 the annual Tax-Supported Capital Budget approximates $1 billion of which debt as a financing source has been $408 million or 39 percent. Capital spending needs of City Programs and ABCs have traditionally exceeded affordable funding, therefore making it necessary to carefully select among competing capital projects in order to optimize benefits from the City's capital investments. To better manage its capital expenditures, a long-term planning horizon is essential. In this regard, beginning in 2006, Council policy is to approve firm five-year capital plans to better manage its capital expenditures and scarce financial resources.

Once established, the 5-year Capital Plan will set the framework for developing the annual capital budget. To ensure the integrity of the five-year plans, projects are to be firmly placed in the year in which they will be implemented or developed and the funding requirement must not change without approval. However, flexibility is provided by enabling acceleration or deferral of projects but only with the approval of Council. Furthermore, programs must ensure that any change in funding associated with acceleration or deferral of a project in any year, must be fully compensated for by shifting another project or projects with equal value.

Chart 3 below summarizes the 2006–2010 Capital Budget and Plan that was approved by to Council at its meeting of December 8, 9 and 12, 2005. Evident is that the debt reflected in the requests from Programs and ABCs for funding in 2007 to 2010 significantly exceeded the Council approved debt targets. While significant progress was made to reduce the debt requests, debt and CFC in the 2007–2010 Preliminary Capital Plan presented to Council still exceeded the approved targets by $784 million. This gap was made up of $506 million for City Operations and ABCs exclusive of the TTC and $278 million for the TTC.

The significant gap between capital spending needs and affordable debt, as well as the accelerated capital budget process made it difficult to achieve a balanced capital plan in time for the December 2005 meeting. It was acknowledged that more time was needed to re-prioritize projects and strategies to meet the overarching goal of rehabilitating and maintaining existing infrastructure in a state of good repair, within the available funding limits. Therefore, Council required the Deputy City Manager and Chief Financial Officer, "to report through the Budget Advisory Committee to the Policy and Finance Committee and Council by June 2006 on a recommended 2007–2010 Capital Plan in accordance with the Council approved debt guidelines."

Council, at its meeting on April 12, 13 and 14, 2005, approved in principle a $10 million minimum annual increase to capital from current contributions (CFC) in order to maintain progress toward sustainable funding of capital programs. However, no increase in CFC was deemed affordable during the 2006 Budget deliberations.



In a briefing note to the Budget Advisory Committee, dated December 1, 2005, it was noted that the City's tax-supported debt charges guideline of 10 percent of the municipal property tax levy as established in 1998 was posing a significant challenge due to increasing capital funding requirements in 2006-2010, primarily for the renewal of the City's aging infrastructure. It was further noted that the ratio was poised to exceed the threshold and reach 17.6 percent in 2010. The Deputy City Manager and Chief Financial Officer was requested to provide a report to the Policy and Finance Committee in June 2006 with an update to this guideline which is addressed in this report.

Comments:

Capital Debt and CFC Target Allocation

To produce a recommended 2007–2010 Capital Plan in accordance with the Council approved debt guidelines, it was necessary to re-examine the allocation of affordable debt and CFC funds to City Programs and ABCs. As discussed above, in 2006 Council approved multi-year capital from current and debt targets for the 2006 to 2010 Capital Budget and Plan. The annual debt target reflects the maximum that could be borrowed without negatively impacting the City's credit rating. Council specifically allotted debt targets to the TTC and asked staff to allocate the remaining amounts to City Operations and the other ABCs. Council directed that, "in allocating available capital funds … priority be given first to previously approved projects already in progress or within six months of being started, then to new Legislated, Health and Safety, and State of Good Repair projects." The significant disparity between forecast needs and available funds, as well as low to medium spending performances during the past several years engendered further restrictions including the following:

- that consideration be given to new Service Improvement and Growth Projects only if they fulfill Council's Highest Priorities; and,
- that Programs be funded based on their ability to spend as evidenced in their actual spending performance during the period 2002 – 2005 inclusive.

Table 6
2007 - 2010 Debt and CFC Target ($ Million)

	2007	2008	2009	2010	2007 - 2010
Citizen Centred Services - A	49.1	52.7	56.5	63.6	221.9
Citizen Centred Services - B	246.9	246.8	236.9	244.9	975.4
Internal Services	46.7	49.7	47.3	47.0	190.7
Other City Programs	6.0	4.8	2.3	0.8	13.8
Total City Operations	**348.7**	**353.9**	**342.9**	**356.2**	**1,401.7**
ABCs Excluding TTC	77.3	76.1	71.8	68.6	293.8
Total - Tax Supported Excl. TTC	**425.9**	**430.0**	**414.7**	**424.8**	**1,695.4**
Less: Debt/CFC Target	**408.5**	**409.3**	**409.1**	**408.9**	**1,635.8**
Over/(Under) Target	17.5	20.7	5.6	15.9	59.6
TTC Target	200.0	186.0	135.0	135.0	656.0

After careful analysis, the available debt and CFC funds were allocated as illustrated in Table 6 below. To enable the Deputy City Managers (DCMs) to leverage their capital programs, the targets were allotted on a Cluster basis, thus, enabling them to target spending on projects that fulfil their long-term objectives, service delivery goals and citizen expectations, while complying with Council's priorities and directions. As the Capital Budget and Plans are reviewed in detail annually (beginning with the 2007 Capital Budget period) it is expected that program debt allocation may be adjusted by the DCM within the cluster total, in each of the Capital Plan years.

Guidelines for Developing the 2007 – 2010 Capital Plan

Guidelines for the 2006 – 2010 Capital Budget and Plan mandated City Programs and ABCs to prioritize their requests within the same categories prescribed in fiscal 2005. These guidelines were applied in developing the 2007 – 2010 Capital Plan. Because of the sizable investment in the City's facilities and infrastructure, and the importance of these assets in ensuring the effective and uninterrupted delivery of services, Council's highest priorities continued to be centred on maintaining and renewing/rehabilitating these assets. In ranked order, Council priorities are as follows:

1. Health and Safety: projects that alleviate existing health and safety hazard.
2. Legislated: projects that satisfy legislative requirements or Council By-law mandates.

3. State of Good Repair: projects that are critical to repair or renew the structural integrity of existing facilities and infrastructure or that protect capital assets from significant structural deterioration.

4. Service Improvement and Enhancement: projects that improve service delivery above the current Council approved standard or provide the introduction of new services.

5. Growth Related: projects that support growth and development across the City.

Notwithstanding the need to invest in infrastructure expansion to satisfy growing population and service demands, staff were directed to carefully balance expansion needs against the goal of maximizing the utility of existing capital assets and infrastructure. Staff were advised that their allotted debt target should be utilized to reflect the optimal capital plan. Further, in order to ensure that the capital plans could realistically be achieved, annual requested cash flow should reflect the following:

- project planning milestones – needs assessment, feasibility, design, construction set-up;
- procurement planning timeframes;
- third party approvals; and
- coordination/alignment with other parties/Programs.

Finally, staff were encouraged to find ways to maximize partnerships in order to minimize debt, and to ensure that historical spending trends were utilized as part of the analysis and justification for their capital plans. All capital budgeting principles and policies approved by Council were to apply in developing the 2007–2010 Capital Plan. In particular, capital projects included in the plan were to conform to the following specific principles and policies:

- Useful Life: Capital expenditures must relate to items with a useful life that matches or exceeds the standard debenture term of 10 years. The exception being fleet and related equipment covered under a separate policy where the useful life has a threshold of five years. Assets consumed or fully depreciated during the fiscal year and costs to maintain an asset in its original state are to be funded from operating sources.

- Physical Characteristics: Expenditures must be reasonably related to the acquisition, betterment, or replacement of a physical asset with a multi-year life. Betterment is defined as enhancing the service potential or extending the useful life of the asset.

- Expenditure Thresholds: The gross expenditure threshold for defining a capital item is a sub-project that has a minimum expenditure level of $50,000.00.

- Timing: The capital budget must include only those projects that can reasonably be completed during the timeframe proposed in the business case.

- External Funding: Capital projects funded by external sources such as donations or grants shall not be started until and unless all external funding sources are received or guaranteed.

Carry forward Policy: funding is approved for two fiscal years after which time any funding required to complete projects must form part of debt affordability targets.

A critical element of the new budget process is the approval of ‘firm’ five-year Capital Plan. While the plan does not provide spending authority, it constitutes the framework for developing the capital budget which is to be approved annually. In effect, the firm five-year Capital Plan provides staff with the opportunity to detail their capital needs to fulfill council’s strategic priorities well in advance of actual spending. It helps the City to anticipate and manage its fiscal needs and challenges with a long-term perspective.

To ensure the integrity of the five-year Capital Plan, the new budget process requires that any change must be approved by Council. The intent is not to deny flexibility but instead, to support good capital planning while ensuring fiscal sustainability through multi-year debt management. The new budget process will allow acceleration of projects only if another project(s) with equal value is deferred. Further, movements within the five-year Capital Plan must not increase the debt levels in any year except with Council’s approval.

City Manager and Chief Financial Officer Review

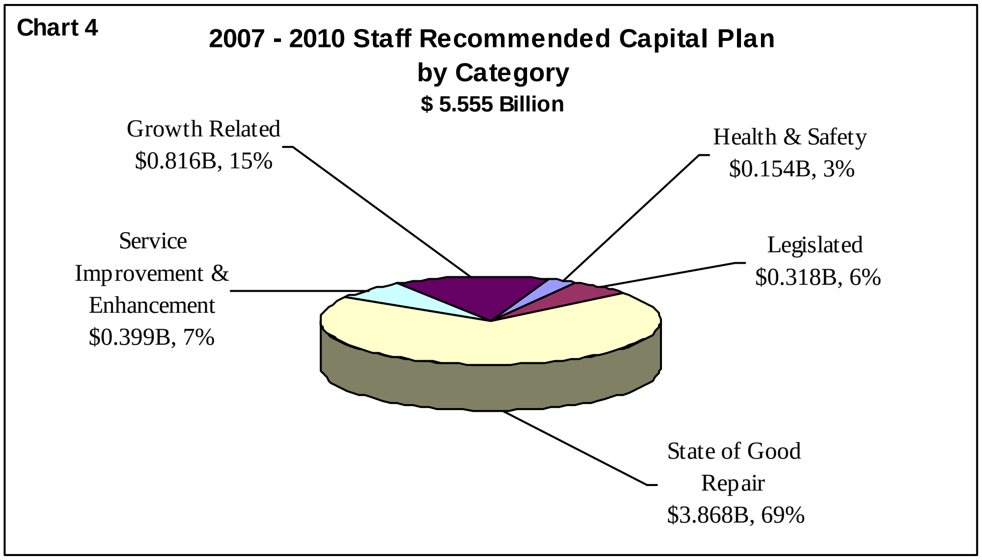
To ensure compliance with capital and financial policies, Council guidelines and direction and achievement of the debt targets, the CM and CFO reviewed the capital plan submissions from City Programs and ABCs. Specifically, the reviews focused on the following:

- The extent to which assigned targets have been met;
- Whether the capital plans achieved the objective of maintaining existing assets in a state of good repair (SOGR) while ensuring that reasonable service improvement and growth demands that achieves Council priorities were addressed;
- The impact on SOGR backlog and risks associated therewith;
- Major assumptions and rationale used to determine whether projects included in the capital plan were based on existing Council commitments, needs analysis and ability to spend;
- The extent to which projects included in the capital plan were ready to proceed and reflect;
- The degree to which cost shared partnerships have been explored in order to leverage your capital program; and,
- Any major challenges or impairment to achieving services and / or service levels.

In general, City Programs and ABCs exercised due diligence in developing their capital plan. Despite the major challenges that confronted them, they achieved their debt and CFC targets while, to the extent possible, minimizing negative impacts and without compromising health and safety.

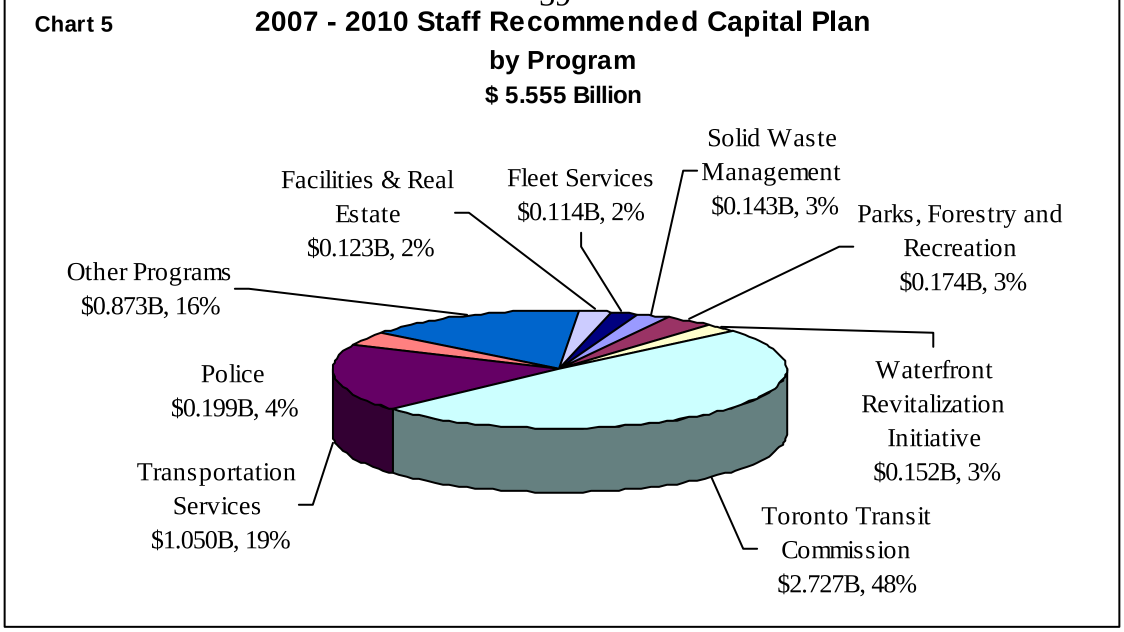
2007 – 2010 Capital Plan by Category

Chart 4 below shows the 2007–2010 Capital Plan by category. Consistent with Council priorities, $3,868 million or 69.6 percent of the 2007–2010 Capital Plan is committed to SOGR. As has been the case in prior years, the three highest priorities constitute 78.1 percent of the Capital Plan. This is congruent with Council direction to give the highest priority to rehabilitation and maintenance of existing infrastructure and capital assets.



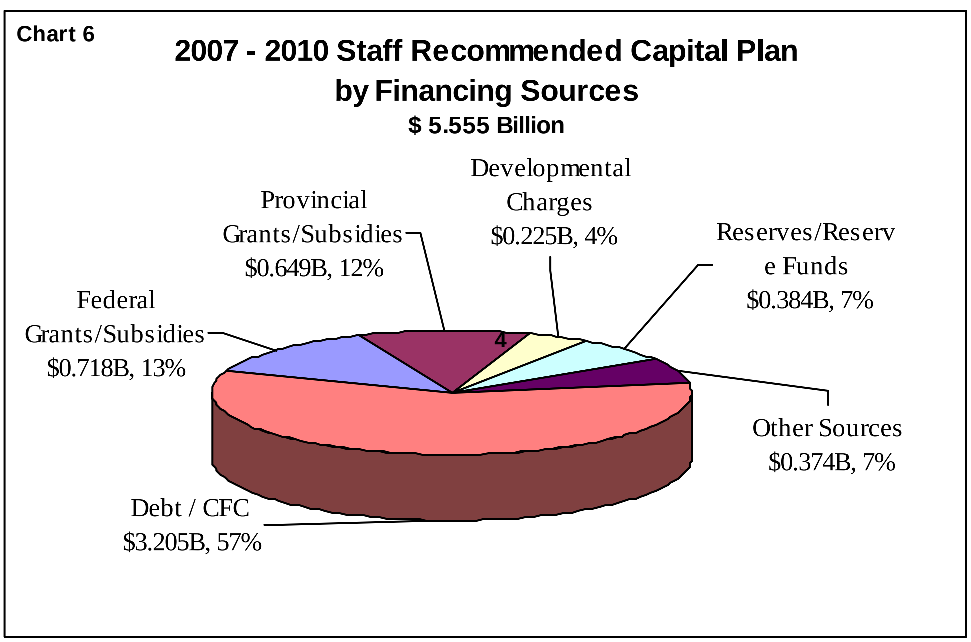
2007 – 2010 Capital Plan by Major Program

Chart 5 below illustrates the 2007–2010 Capital Plan of $5.555 billion by major Program. TTC alone accounts for $2.727 billion or 49.1 percent of the Capital Plan. All other City Programs and ABCs combined represent $2.817 billion or 50.7 percent. This is allocated mainly to Transportation Services, $1.050 billion or 19 percent and Police of $199 million or 4 percent and Parks, Forestry and Recreation of $174 million or 3 percent.



2007-2010 Capital Plan – Commitments and Estimates by Funding Source

Capital expenditures included in the 2007– 2010 Capital Plan total $5.555 billion of which $1.792 is required for future year commitments for previously approved projects and $3.763 for estimated new project costs. Debt represents the largest funding source, approximating 48.75 percent or $2.708 billion, followed by Reserve/Reserve Funds of $383.436 million or 6.9 percent, Developmental Charges of $225.315 million or 4 percent, Other Sources including Provincial and Federal Grants and Subsidies of $1.741 billion or 31.3 percent (see chart 2 below).



Annually, Tax Supported capital expenditures approximate $1.363 billion, with debt financing of $677 million. Details of the 2007 – 2010 Capital Plan Commitments and Estimates by Program are attached herewith as Appendix 1 and for Funding Source as Appendix 3.

Significantly, the 2007 – 2010 Capital Plan required a debt reduction of $963 million or 23 percent from the *needs* established in the 2006–2010 Budget and Plan submissions from City Programs and ABCs. For the most part, this was achieved by deferring SOGR projects to 2011 and beyond, and cancellation or deferral of Service Improvement and Growth Related projects. As will be discussed later, this has resulted in a backlog of capital projects. Debt as a proportion of gross Tax Supported Program expenditures represented in the 2007–2010 Capital Plan has increased considerably to 59 percent compared to 39 percent on average from 2001 to 2006. This is reflective of the fact that the City's non-debt funding sources have been depleting.

The 2007–2010 Capital Plan addresses the City's health and safety, legislated and state of good repair needs in an optimal way. While priority was given to these three categories, the Capital Plan fulfils the short-term need for growth in Council directed priority areas and for service expansion in priority programs in order to accommodate demands and expectations of constituents.

Service Improvement and Growth Related investments are proposed in the following key areas:

- major development-related road projects including road widening and improving, grade separations, streetcar track replacement and transit priority projects;
- major transit infrastructure repairs and timely scheduled preventive maintenance to roads, bridges, expressways and transportation infrastructure and systems. Establishment of a Print Shop to replace currently leased premises;
- traffic plant, signage and safety improvement projects and cycling initiatives;
- continuation of the 311 Customer Service Initiative;
- community centre expansion (Jenner Jean-Marie) and new development (York, Warden Corridor);
- the continued expansion of Toronto's Bike Plan;
- the St. Clair Transit Improvement, the Morningside /Finch Ave. Grade Separation and the Simcoe Street Underpass;
- four new child care centres;
- construction / completion of new facilities including fire and police stations, and a police training facility; and

- Business Sustainment and other strategic IT projects, to support management requirements to ensure integration between systems to improve business processes and services to the public.

Challenges and Issues

(i) Backlog / Deferred Maintenance

Table 7 shows the accumulated backlog estimates for City Programs and in total, the backlog will approximate $662.627 million at the end of 2010, which represents a moderate decrease of $35 million or 5 percent from 2007 to 2010. To eliminate the Backlog over a 10-year period would require a 20 percent increase in current SOGR spending levels.

While Fleet Services proposes major gains, Facilities and Real Estate staff estimate a significant deferred maintenance increased from $8.148 million in 2007 to $51.245 million in 2010. This is especially problematic and reinforces the need for better asset management and the development of a strategy for addressing the City's SOGR needs of this program.

Consistent with the Common Grounds Strategic Plan, increased investment in Parks, Forestry and Recreation is represented in the 2007–2010 Capital Plan. This has resulted in a $79.925 million or 31 percent reduction in backlog. Nevertheless, the estimated backlog at the end of 2010 is still significant at $179.534 million. It is noted that the Program anticipates that SOGR is likely to double since a significant number of asset classes are yet to be audited.

Table 7
City Programs
2007 - 2010 SOGR Backlog Summary

PROGRAM	ACCUMULATED BACKLOG ESTIMATE (END OF YEAR)			
	2007	2008	2009	2010
Citizen Centred Services - A				
Emergency Medical Services	15,764	16,764	17,764	18,764
Parks, Forestry and Recreation	259,459	233,884	207,209	179,534
Shelter, Support and Housing Administration	733	1,066	1,399	1,732
Total Cluster A	**275,956**	**251,714**	**226,372**	**200,030**
Citizen Centred Services - B				
City Planning	0	50	100	150
Fire Services	5,347	6,689	6,553	6,001
Policy, Planning, Finance and Administration	5,561	5,242	4,927	5,284
Transportation Services	348,973	359,891	360,382	369,055
Total Cluster B	**359,881**	**371,872**	**371,962**	**380,490**
Internal Services				
Facilities and Real Estate	8,148	23,063	35,865	51,245
Fleet Services	32,500	26,500	20,500	14,500
Information and Technology	16,362	16,362	16,362	16,362
Total Internal Services	**57,010**	**65,925**	**72,727**	**82,107**
Total City Operations	**692,847**	**689,511**	**671,061**	**662,627**

Transportation Services backlog will increase slightly by $20.082 million during the four-year period 2007 to 2010. Although the four-year debt allocation was increased for this Program, Transportation Services backlog continues to remain well over $340 million in every year of the capital plan and will reach $369.055 million by 2010. The Program has indicated that the time required to eliminate backlog will extend from nine to 13 years. It must be noted that major grade separations such as Sheppard and Steeles/Kennedy, road widening of Steeles Avenue, work for Highway 27, Port Union Road and Scarlett/St. Clair/Dundas have been deferred to 2011.

(ii) Other Challenges and Issues

Through the 2006 Capital Budget process, Council requested the Deputy City Manager and Chief Financial Officer to report on the capital implications of the Toronto Strong Neighbourhoods strategy, how the projects are to be financed and the funding projections over five and 10 years. Given the constrained fiscal environment, there is no dedicated capital plan related to the Toronto Strong Neighbourhood Strategy. Through the 2006 Capital Budget process and in developing the Five-Year Capital Plan, Divisions have considered the Strong Neighbourhoods Strategy, and in particular any new investment in the 13 priority neighbourhoods as one priority consideration.

Growing demands for projects to satisfy new City Building objectives continue to place a burden on limited resources. For instance, included in this Capital Plan are Other Council Priorities that are not part of the base capital program such as Union Station, the Bloor Street Transformation and the Nathan Phillips Square projects. Typically, these projects are fully debt funded and tend to reduce funds available for maintenance and repair of existing infrastructure and capital assets.

Table 8 below summarizes changes to the 2006 Council Approved Current and Future Year Commitments. In total, these current and future year commitments decreased by $35.525 million mainly attributed to the Waterfront Revitalization Initiative, Transportation Services and Toronto Police Service. This change in commitments results in a concomitant increase (or decrease) in 2006 Capital Budget Financing as follows: debt ($42.3 million), Developmental Charges ($22.6 million), Reserve/Reserve Fund increase of $17.9 million and Other Sources increase of $11.4 million. Details of commitment changes by City Program and ABC are provided in Appendix 4 attached.

Table 8
2006 Council Approved Current and Future Year Commitment Adjustments
($Millions)

	2006	2007	2008	2009	2010	Total
Council Approved	1,284.0	864.4	435.2	279.0	230.2	**3,092.8**
Staff Recommended	1,265.3	834.8	427.9	292.3	237.0	**3,057.3**
Commitment Change	**(18.7)**	**(29.6)**	**(7.3)**	**13.3**	**6.8**	**(35.5)**
Financing Sources:						
Federal Grants/Subsidies						**0.0**
Provincial Grants/Subidies						**0.0**
Developmental Charges	(1.9)	(5.0)	(12.9)	(2.8)		**(22.6)**
Reserves/Reserve Funds	6.0	6.9	2.8	1.1	1.1	**17.9**
Others Sources of Funding	(16.1)	26.0	1.9	(0.4)		**11.4**
Debt/CFC	(6.7)	(57.5)	0.9	15.3	5.7	**(42.3)**
Total Financing Sources	**(18.7)**	**(29.6)**	**(7.3)**	**13.3**	**6.8**	**(35.5)**

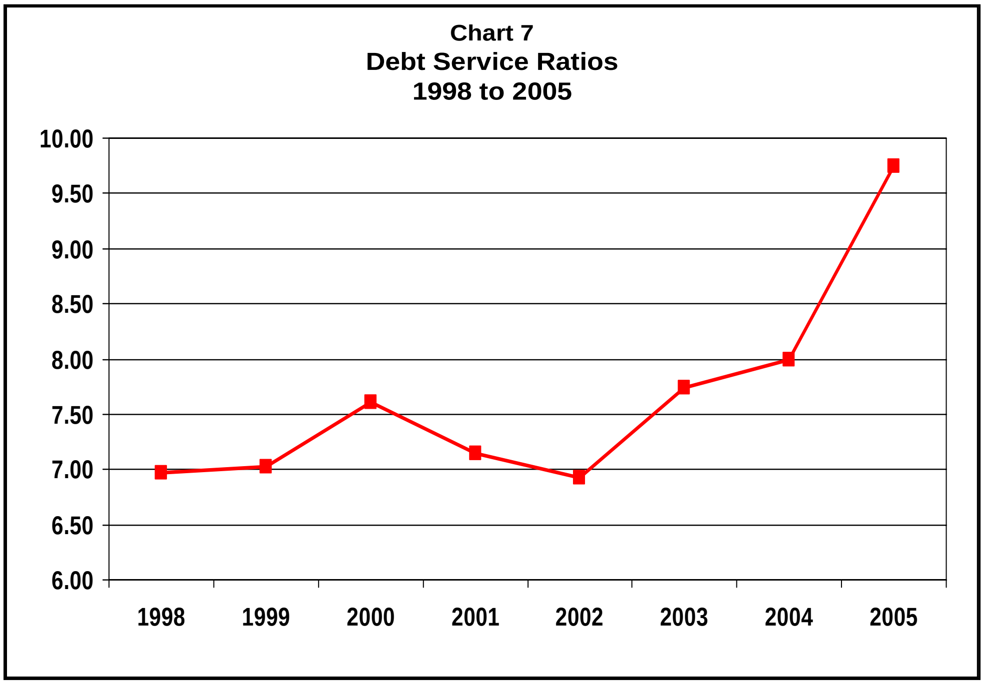
Financing Capital Expenditures and Debt Service Charge to Property Tax Ratio

The goal of setting capital financing policies is to set reasonable benchmarks/guidelines for capital spending so as to limit increases in debt and debt service costs to manageable levels in terms of annual budget impacts, sustainable access to capital markets, and relative share of budgetary expenditures.

In this regard, capital five-year debt targets were established by Council based on setting combined debt/CFC funding limits by Program. Programs were to establish their capital plans for the 2007-2010 period based on these targets. Nevertheless, a number of factors have resulted in these targets being exceeded in aggregate in the revised Five-Year Capital Plan. The challenge remains to continue to work toward meeting the targets, through expenditure rationalization and deferral were appropriate and persistent efforts to establish reasonable and reliable cost sharing of major programs, such as transit, with the other orders of government.

The inability of City Programs and ABCs to meet the specified affordability targets for the capital program is a reflection of the City's fiscal imbalance as identified in a May 2005 Conference Board of Canada study, entitled "Measuring Toronto's Fiscal Capacity: An Executive Summary". That study quantified the City's combined operating and capital imbalance between revenues and expenditure responsibilities at $1.1 billion annually in 2006. The objective, therefore, is to seek the means to rectify this imbalance and reduce the City's reliance on stop gap or one-time measures to meet its budget pressures.

In terms of the City's capital program, this means that current contributions, such as capital from current or cost sharing, are too low to sustain required program spending without debt levels rising beyond manageable levels. However, City policy objectives such as the uploading of income redistributive programs, obtaining a share of growth revenues from the other orders of government (as articulated in a joint communiqué from the FCM Big City Mayors' Caucus on June 1), and obtaining fair and reasonable cost sharing for urban transit costs, are designed to provide the means to address these issues, in part by permitting increases to CFC per Council direction.



Neither the timing nor full achievement of these policy objectives is certain. The City requires strategies to help it manage in the absence of resolution of these objectives. Therefore, in regard to the capital program, it is recommended that the City consider and adopt a revised and reasonable threshold for debt service as a portion of property taxes. At existing capital target debt/CFC levels, the average annual increase in debt service charges ($45 million) over the next 4-years would consume the equivalent of the first 2.5 percent of any residential property tax increases (with corresponding non-residential increase) during the same period.

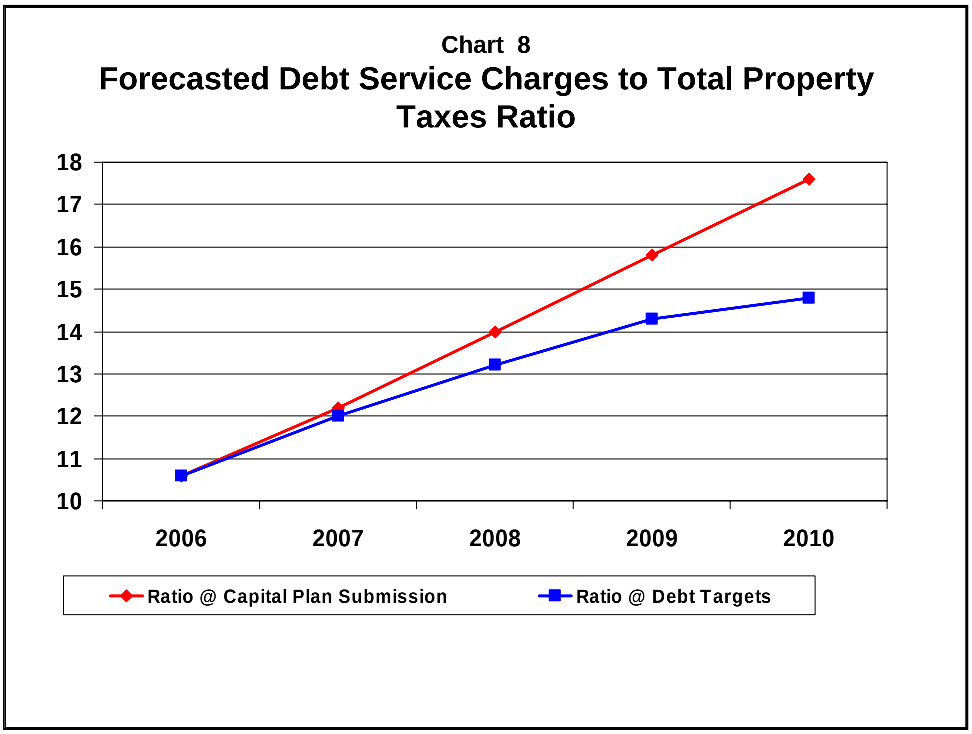
It should be noted that the consequences of going beyond the capital targets and the proposed debt service ratio guideline are that additional property tax revenues will increasingly be diverted from service delivery to fund debt service costs.

(A) Debt service to property tax ratio

Council has previously adopted a guideline for the maximum debt service to property tax ratio of 10 percent. This figure was first established as a guideline in 1998 by City Council, and intended to represent a long term limit on debt financing and the resulting allocation of the operating budget toward financing capital expenditures. However, significant increases in the capital expenditure levels due to aging infrastructure, particularly in major capital program areas such as transit and transportation, coupled with the phased elimination of capital subsidies in these areas in the late 1990s, has led to the rise in this ratio to the point where in 2006, it is estimated to be 10.6 percent.

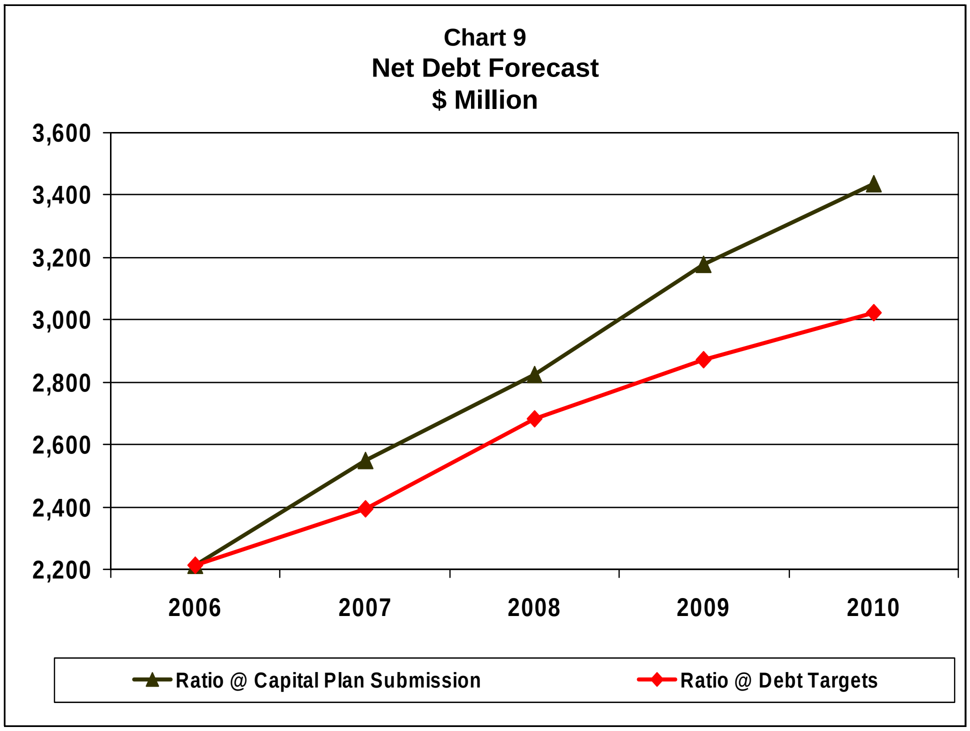
Note: For every $100 million in additional debt beyond this level, debt service charges would increase by approximately $14 million and the debt service ratio by approximately 0.5 percent.

Even though the Federal and Provincial governments have both begun funding municipal capital programs in a significant way again, the required expenditure levels are continuing to drive the debt service ratio higher. In a briefing note to the Budget Advisory Committee, dated December 1, 2005, it was noted that the City's tax-supported debt charges guideline of 10 percent of the municipal property tax levy was posing a significant challenge due to increasing capital funding requirements in 2006-2010 and was projected to increase to about 15 percent, primarily for the renewal of the City's aging infrastructure.

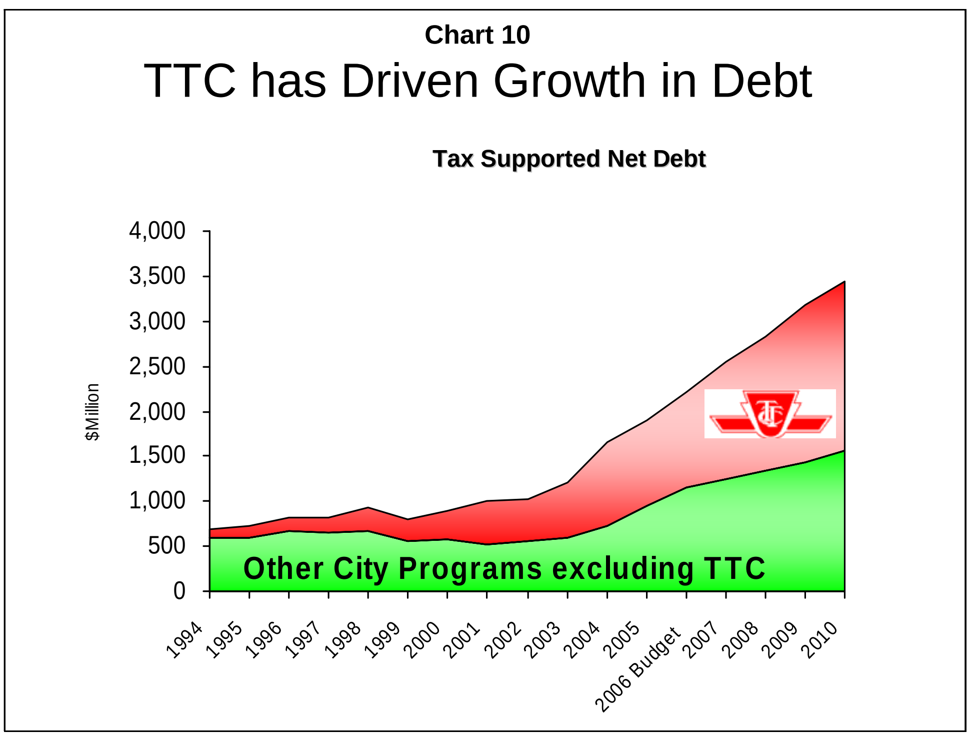


As shown above, the 15 percent guideline is reflects the Council-approved debt targets over the 2006–2010 period (ranging from 10.6 percent in 2006 to 14.8 percent in 2010). It must be emphasized that the recent 2006 credit rating reviews, which were based on the above lower debt service ratio targets, confirmed that these levels of debt are sustainable only if stabilization occurs from 2011 and beyond.

As illustrated in the Chart below, net debt would rise to $3.0 billion in 2010 from $2.2 billion in 2006. In order to keep debt at prudent levels and limit debt service impact in the operating budget, it is recommended that the City adopt the 15 percent debt service ratio guideline/benchmark



The following chart indicates TTC's increasing burden on the City's overall debt position based on TTC request.



The City's needs to fund its asset maintenance backlog to address service gaps in its neighbourhoods and to take advantage of opportunities that advance city building objectives, while not exceeding its debt affordability. The City is faced with the challenge of ensuring its existing facilities are maintained in a state of good repair to support existing service delivery while trying to address both service improvement and growth pressures to improve service-deficient areas. Furthermore, there is increasing demand to invest in strategic infrastructure projects that improve or promote quality of life for residents in Toronto. Concurrently, the City's need to stabilize its debt levels to ensure that debt service impacts do not adversely impact on the Operating Budget, result in the deferral of capital work.

In order to make progress on these fronts, Council must examine all funding options as its increasing reliance on debt is not sustainable for the City in the mid to long term. The City requires a capital financing strategy that provides Council with alternate funding options it may utilize to fund its capital works. The Deputy City Manager and Chief Financial Officer will report back to the Budget Advisory Committee during the 2007 Capital Budget process with a comprehensive framework for capital project prioritization for Committee and Council consideration.

Conclusions:

The 2007–2010 Capital Plan will result in the following commitments and estimates: $1.416 billion in 2007; $1.339 billion in 2008; $1.452 billion in 2009 and $1.347 billion in 2010, for a total of $5.555 billion, as outlined in Appendix 1. Excluding TTC, the Tax Supported commitments and estimates over four years total $2.724 billion; while Rate Supported Programs total $104.267 million. The TTC requested Capital Plan is $ 2.727 billion.

Primarily, the 2007–2010 Capital Plan addresses the City's health and safety, legislated and state of good repair needs in an optimal way. Excluding TTC, approximately 63.9 percent of the total commitments and estimates is allocated to these priority categories. However, the Capital Plan recognizes the need for growth in strategic areas and for service expansion in key Program areas to accommodate demands and expectations of the public. Commitments and estimates for growth related projects total $677.663 million and for service improvement $344.022 million.

It is noted that Council's approval of the 2007–2010 Capital Plan does not constitute spending authority. In accordance with the Financial Control By-law, spending authority is granted through the approval of the annual capital budget process. The Capital Plan represents a long-term framework for planning capital activities and funding requirement, and the basis for developing the annual capital budget.

The City's current debt service ratio will continue to climb in the foreseeable future. However, over the last few years and including the five-year capital plan before Council, it is recognized that it is necessary to actively manage the debt service ratio. It is important that this ratio remains below 15 percent up to and beyond 2010. This report therefore recommends a maximum debt ratio of 15 percent.

In summary, the 2007–2010 Capital Plan of $5.555 billion generally satisfies the City's objective of maintaining its infrastructure and other capital assets in a reasonable State of Good Repair. This notwithstanding, the discrepancy between request identified by City Programs and ABCs (most significantly the TTC) and available funding suggest that staff must continue to pursue funding partnerships and other financing sources to minimize the gap between the debt guideline and capital plan requirements.

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List of Attachments:

Appendix 1 2007–2010 Capital Plan – Commitments and Estimates, by Program
Appendix 2 2007–2010 Capital Plan – by Category/Program
Appendix 3 2007–2010 Financing Sources, by Program
Appendix 4 Changes to 2006 Council Approved Commitments – by Program

Insert Table/Map No. 1
Appendices 1-4 (2007-2010 Capital Plan and Debt Service Guideline)

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Appendices 1-4 (2007-2010 Capital Plan and Debt Service Guideline)

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Appendices 1-4 (2007-2010 Capital Plan and Debt Service Guideline)

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Appendices 1-4 (2007-2010 Capital Plan & Debt Service Guideline)

(Communication dated May 3, 2006, addressed to the Budget Advisory Committee
from the Work Committee)

Recommendations:

The Works Committee:

(1) recommended to the Budget Advisory Committee and Policy and Finance Committee that City Council reaffirm its commitment that all parts of St. Clair Avenue West between Yonge Street and Gunns Road be treated equally in terms of funding and in relation to the appearance of streetscape features, such as transit shelters and platforms, trees and landscaping, decorative lighting, street furniture and public art;

(2) supports in principle the additional design elements for St. Clair Avenue West totalling $11.6 million; and that the matter be referred to the Budget Advisory Committee with a request that the Deputy City Manager and Chief Financial Officer and Deputy City Manager Fareed Amin, in consultation with the appropriate City Agencies, Boards and Commissions, report to the Budget Advisory Committee on possible funding mechanisms.

Background:

The Works Committee on May 3, 2006, considered the following:

(ii) communication (April 20, 2006) from the General Secretary, Toronto Transit Commission, advising that the Commission on April 19, 2006, considered a report (April 5, 2006), entitled "St. Clair Streetcar Project: Status Report" and approved the following recommendations contained in the report:

"It is recommended that the Commission:

(1) receive this report for information, noting that:

- the previous legal obstacle to this project was successfully resolved when the Ontario Superior Court dismissed the application for judicial review of the project;

- the projected costs for this project, as defined in the environmental assessment report, remain unchanged from the $65 million reported in the November 28, 2005, report to the Commission;

- upon successful conclusion of negotiations with the contractors and subsequent approval by the City of Toronto, construction on the project will resume on June 5, 2006, for the section between Yonge Street and Vaughan Road;

- community consultation is continuing through the two forums established by the Minister of the Environment and the City of Toronto; and

- there are ongoing discussions, led by City Transportation Services, regarding the feasibility of, and funding for, the out-of-scope, but desirable, features of burying all hydro wires underground, reconstructing the sidewalks, resurfacing the roadway, and installing new decorative street lighting at mid-block locations along St. Clair Avenue West; and

(2) forward this report to the City of Toronto for information.";

(ii) report (April 27, 2006) from the General Manager, Transportation Services and the Executive Director, Technical Services responding to a request by City Council on December 8, 9 and 12, 2005, to provide information on additional design elements beyond those identified in the Class Environmental Assessment Study Report along St. Clair Avenue West between Yonge Street and Gunns Road (located immediately west of Keele Street) including streetlighting improvements, hydro wire undergrounding, full road resurfacing, and full sidewalk reconstruction.

Recommendations:

It is recommended that:

(1) this report be received for information, and

(2) this report be forwarded to the Budget Advisory Committee for information;

(iii) report (May 2, 2006) from the Executive Director, Technical Services and the General Manager, Transportation Services clarifying costs associated with the Judicial Review of the St. Clair Avenue West Transit Improvement Plan.

Recommendation:

It is recommended that this report be received for information; and

(iv) communications from the following with respect to the St. Clair Avenue West Transit Improvement Project:

(i) (May 2, 2006) from Peter B. Mosher;

(ii) (May 2, 2006) from Kathryn Walter;

(iii) (May 2, 2006) from Nelda Rodger;

(iv) (May 2, 2006) from Gary Gannage;

(v) (May 2, 2006) from Paul Antze;

(vi) (May 2, 2006) from Mary Li;

(vii) (May 2, 2006) from Vid Ingelevics;

(viii) (May 2, 2006) from Claude Bergeron;

(ix) (May 2, 2006) from Jody Berland;

(x) (May 2, 2006) from Ricki Wortzman;

(xi) (May 2, 2006) from Elizabeth Cinello;

(xii) (May 2, 2006) from Sylvia Bergeron;

(xiii) (May 2, 2006) from Anton H. Turrittin;

(xiv) (May 2, 2006) from David Rapaport;

(xv) (May 2, 2006) from Peggy Iampotang and Randy Johnson;

(xvi) (May 2, 2006) from Nik Luka;

(xvii) (May 2, 2006) from Elizabeth Greisman;

(xviii) (May 2, 2006) from Schuster Gindin;

(xix) (May 3, 2006) from Nadia Bove;

(xx) (May 3, 2006) from John Sweeney, St. Clair West Revitalization Committee's Community Safety Committee Chair; and

(xxi) (May 3, 2006) from Alejandra Bravo, Chair of the St. Clair West Village Residents Association.

The following persons addressed the Works Committee:

- Jeff Gillan, Chair, Corso Italiano BIA;
- Dan Panos, Chair, St. Clair Gardens BIA;
- Elizabeth Cinello, and also read the written submission from Alejandra Bravo, Chair, St. Clair West Village Residents Association;
- Councillor Joe Mihevc, Ward 21, St. Paul's; and
- Councillor Frances Nunziata, Ward 11, York South-Weston.

(Communication dated April 20, 2006, addressed to the
Works Committee from the General Secretary, Toronto Transit Commission)

At its meeting on Wednesday, April 19, 2006, the Commission considered the attached report entitled, "St. Clair Streetcar Project: Status Report."

The Commission approved the Recommendation contained in the report, as listed below:

"It is recommended that the Commission:

(1) Receive this report for information, noting that:

- the previous legal obstacle to this project was successfully resolved when the Ontario Superior Court dismissed the application for judicial review of the project;

- the projected costs for this project, as defined in the environmental assessment report, remain unchanged from the $65 million reported in the November 28, 2005 report to the Commission;

- upon successful conclusion of negotiations with the contractors and subsequent approval by the City of Toronto, construction on the project will resume on June 5, 2006 for the section between Yonge Street and Vaughan Road;

- community consultation is continuing through the two forums established by the Minister of the Environment and the City of Toronto;

- there are ongoing discussions, led by City Transportation Services, regarding the feasibility of, and funding for, the out-of-scope, but desirable, features of burying all hydro wires underground, reconstructing the sidewalks, resurfacing the roadway, and installing new decorative street lighting at mid-block locations along St. Clair Avenue West; and

(2) Forward this report to the City of Toronto for information."

The foregoing is forwarded to City of Toronto Council through the City Works Committee for information.

(Report dated April 19, 2006, to the
Toronto Transit Commission)

Recommendations:

It is recommended that the Commission:

(1) Receive this report for information, noting that:

- the previous legal obstacle to this project was successfully resolved when the Ontario Superior Court dismissed the application for judicial review of the project;

- the projected costs for this project, as defined in the environmental assessment report, remain unchanged from the $65 million reported in the November 28, 2005 report to the Commission;

- upon successful conclusion of negotiations with the contractors and subsequent approval by the City of Toronto, construction on the project will resume on June 5, 2006 for the section between Yonge Street and Vaughan Road;

- community consultation is continuing through the two forums established by the Minister of the Environment and the City of Toronto;

- there are ongoing discussions, led by City Transportation Services, regarding the feasibility of, and funding for, the out-of-scope, but desirable, features of burying all hydro wires underground, reconstructing the sidewalks, resurfacing the roadway, and installing new decorative street lighting at mid-block locations along St. Clair Avenue West; and

(2) Forward this report to the City of Toronto for information.

<u>Funding</u>:

This report has no effect on the TTC's capital or operating budgets.

<u>Background</u>:

There continues to be a high level of interest in the St. Clair Streetcar project. In order to keep the Commission apprised of progress on this project, staff will, from time to time, submit progress reports. This is the first such report.

<u>Discussion:</u>

Here is the status of all major aspects of the project:

<u>Legal</u>:

The group called Save Our St. Clair (SOS) is opposed to the St. Clair Streetcar project and requested a judicial review of Council's authority to undertake the project. While this issue was before the courts, construction on the project was halted. This legal issue was successfully resolved when, on February 21, 2006, the Ontario Superior Court dismissed SOS's application for judicial review, concluding that the St. Clair Streetcar project is in conformity with the City of Toronto Official Plan and that it complies with all requirements of the Environmental Assessment Act.

<u>Financial</u>:

The financial status of the project remains unchanged from what was reported in the November 28, 2005, report to the Commission on this matter. Specifically:

- the currently-projected final costs (EFC) for the project, as defined in the original environmental assessment report, remain at $65 million;

- the project has incurred additional costs, which are entirely attributable to the disruption of the project caused by the judicial review, those being legal costs, construction contract penalties, delay-related inflation, construction mitigation at Yonge/St. Clair, and prolonged use of buses to replace streetcars; these externally-driven costs remain estimated at $2.7 million;

- negotiations are currently underway with the construction contractors whose work was suspended because of the judicial review, in order to determine the costs associated with the suspension of work. When these negotiations are concluded, the final costs will be reported to Budget Advisory Committee;

The full cost of the St. Clair Streetcar project is included in the TTC's Capital Program, as a result of the budget approach recommended by the Budget Advisory Committee, at its meeting of November 17, 2005, to transfer the City's original $20 million share of the project costs to the TTC in order to allow for single-agency cost accounting.

Construction:

Construction will resume on the project in 2006, upon successful conclusion of negotiations with the contractors and subsequent approval by the City of Toronto, and will be carried out under three different contacts:

Contract #1: covers the section of the route between Yonge Street and Avenue Road. This construction will begin on June 5, 2006.

Contract #2: covers the section of the route between Avenue Road and Tweedsmuir Avenue. This construction will begin on June 5, 2006.

Contract #3: covers the section of the route between Tweedsmuir Avenue and Vaughan Road. This construction will begin on July 3, 2006.

Work continues to be undertaken, jointly by TTC and City staff, on the detailed engineering work for areas further west along the line.

Community Consultation:

Consultation with the community continues through the two forums established by the Minister of the Environment and the City of Toronto.

The Community Design Consultation Group (CDCG) is responsible for working with the project team to provide input and comments during the detailed design process regarding the appearance of streetscape features such as transit shelters, transit platforms, trees and landscaping, urban design elements, street furniture, and public art. The CDCG's most-recent meeting was held on April 5, 2006, and the group will continue to meet throughout the project.

The Transit Community Liaison Committee (TCLC) is responsible for input regarding the detailed design, implementation, and construction of the project, and for facilitating communication between the community and the City and TTC. The TCLC's next meeting is scheduled for April 19, 2006.

Additional Urban Design Improvements:

It was reported in the November 28, 2005 Commission report that there are four additional discretionary features which were not included in the original environmental assessment recommendations nor in the original budget, but which would contribute significantly to creating an attractive pedestrian, retailing, and urban environment which, in turn, would contribute to Toronto's "Beautiful City" campaign. These are:

- repaving the entire surface of St. Clair Avenue West, from Yonge Street to Gunns Road in order to create an improved travel corridor and enhanced appearance;

- reconstructing all of the sidewalks in mid-block locations along St. Clair Avenue to create a unified urban design and improved appearance of the pedestrian and open spaces;

- relocating underground all hydro wires over this section of St. Clair Avenue in order to reduce visual clutter on the street; and

- replacing all regular street lighting and poles with new, improved decorative lighting.

The earlier Commission report noted that incorporation of any of these discretionary features would require the approval of additional funding for the project which would be over and above the original EFC and current budget for the project. Toronto Transportation Services is currently reviewing the feasibility of undertaking these discretionary improvements and reviewing options for the funding of these additional expenses. These discussions are ongoing, and any proposal to incorporate these features into the project will be contained in future status reports.

Summary:

Work on the St. Clair Streetcar project is proceeding satisfactorily, and all original-scope components of the project are expected to be completed within budget and within the originally-projected two construction seasons. At this time, there are no major problems or obstacles to report.

(Report dated April 27, 2006, addressed to the
Works Committee from the General Manager, Transportation Services
and Executive Director, Technical Services)

Purpose:

To respond to a request by City Council for a report providing information on additional design elements beyond those identified in the Class Environmental Assessment Study Report along St. Clair Avenue West between Yonge Street and Gunns Road (located immediately west of Keele Street) including streetlighting improvements, hydro wire undergrounding, full road resurfacing and full sidewalk reconstruction.

Financial Implications and Impact Statement:

The current project cost established for the St. Clair Avenue West Transit Improvement Plan is $65.0 million. Judicial review costs are estimated to be $2.75 million and are not included as part of the total project cost to date

This report relates primarily to the consideration of increasing the scope of work for the St. Clair Avenue West Transit Improvement Plan in an effort to accommodate specific additional design change requests arising from public consultation meetings and workshops that were held over the course of the past several months, initiated as a result of the environmental assessment for the project.

During the 2006 capital budget deliberations this past December, it was noted that new community requests as identified in this report could raise the project cost for 2007-2010 by an additional $30.0 million to the City, if approved in full. City staff have since explored options that would reduce the cost to the City to $11.6 million and still implement most of the requested aesthetic improvements.

The estimated cost to the City is $11.6 million resulting in revised additional cash flows of $2.0 million in 2006 and $2.4 million in each of the years 2007 to 2010. The funding for this work will require the delay of other Transportation projects since the overall Transportation Services capital budget debt targets likely will not be increased to accommodate the additional work on St. Clair Avenue West.

In addition, $2.0 million in future funding pressure has recently been identified for tree trenches in the Parks, Forestry and Recreation budget.

There are no immediate financial implications to any of the approved 2006 City Divisional or Agency cashflows resulting from the receipt of this report. It is recommended that this report be forwarded to the Budget Advisory Committee. .

Furthermore, should the Works Committee recommend approval of any additional funding for decorative enhancements, final City Council approval will need to be received no later than August 2006 in order that there be sufficient lead time for designing works west of Vaughan Road, being that portion anticipated for implementation in 2007 and beyond.

The Deputy City Manager and Chief Financial Officer has reviewed this report and concurs with the financial impact statement.

<u>Recommendations</u>:

It is recommended that:

(1) this report be received for information, and

(2) this report be forwarded to the Budget Advisory Committee for information.

<u>Background</u>:

City Council, at its meeting of December 8, 9 and 12, 2005, among other things, amended the program budget recommended by the Policy and Finance Committee at its meeting of November 22, 2005 by deleting the recommended cashflow of $11.584 million for the 2006 Transportation capital budget and the future year cashflow of $18.416 million for the 2007 Transportation capital budget for a total incremental project cost of $30.0 million (Clause No. 3 of Policy and Finance Committee Report No. 12).

City Council also added, among other things, that the Chief General Manager of the Toronto Transit Commission and the General Manager, Transportation Services, in consultation with Toronto Hydro, be requested to report to the Works Committee on the additional streetlighting improvements, hydro wire undergrounding, road resurfacing and sidewalk reconstruction work identified for the St. Clair Avenue West Transit Improvement Project, as well as the potential contribution by Toronto Hydro to the hydro wire undergrounding and streetlighting costs.

Comments:

Funding Approved To Date:

Below is a synopsis of funding approved to date for the St. Clair Avenue West Transit Improvement Project:

(i) In October 2004, City Council approved Clause No. 1 of Policy and Finance Committee Report No. 7 entitled, "St. Clair Avenue West Transit Improvement Environmental Assessment" which authorized expenditures totalling $47.928 million gross and $47.728 million in debt for Phase 1 and Phase 2 of the St. Clair Dedicated Street Car Line. Phases denoted the anticipated timelines presumed at that time to span two calendar years. Realistic timelines will likely span three to four years;

(ii) The Transportation Services Division had identified $2.4 million, gross and net, as required state of good repair needs encompassing related minor road/sidewalk resurfacing work recommended as part of the Division's 2005 cashflow. An additional cashflow in the amount of $10.2 million, while contained within the Transportation Services Division's capital project entitled, "Various Construction Projects", is fully recoverable from the Toronto Transit Commission (TTC);

(iii) The Phase 2 work, that portion originally contemplated for completion in 2006, had associated with it a cashflow of $31.95 million, had been intended for all works west of Tweedsmuir Avenue. This work was included in the 2006 Transportation Services capital budget within the Various Construction Program (i.e., fully funded by the TTC). The balance of the approved funding is related to the local Business Improvement Area (BIA) and City Planning;

The October 2004 report to City Council noted that the total estimated cost of the transit improvements would range from $55.0 million to $65.0 million and, accordingly, the total project cost was revised to $65.0 million as part of the 2006 capital budget deliberation process.

Design Elements Approved to Date:

Below is a synopsis of the design elements contemplated as part of the "St. Clair Avenue West Transit Improvement Environmental Assessment" approved by City Council in late 2004:

(i) TTC rail, electrical traction system, trackwork, platforms and shelters;
(ii) roadwork and sidewalk work only at intersections, including crosswalks, widenings and tapers;
(iii) traffic signals at intersections, including temporary work;
(iv) relocation of street lighting at intersections only;
(v) urban enhancements at Amsterdam Park and the Lansdowne and Gunns' loops:
(vi) trees and public art;
(vii) required utility relocation;
(viii) land acquisition; and
(ix) engineering and design work by consultants.

Community Request for Additional Aesthetic Design Elements:

A multitude of public consultation meetings and workshops were held commensurate with the environmental assessment process. The results of these meetings yielded a series of requests for additional aesthetic design amenities not considered part of the original scope of work. In December 2005, these additional works were projected to cost in the order of $30.0 million including the undergrounding of all hydro power plant. Although the visual improvements were introduced at the community level, their corresponding funding inclusion within an appropriate City Division or Agency budget, given current budget pressures, merits considerable and careful attention by the Committee.

The community requested improvements are described below and summarized in Attachment 1 entitled, "Summary of Various Options to Enhance Design Amenities":

(a) Late last year, City staff noted during capital budget deliberations that the visual clutter could be improved noticeably by burying all overhead hydro plant at an estimated incremental cost to the City of $15.0 million. At that time, Toronto Hydro was to absorb the remainder of the costs associated with burying overhead plant throughout the entire project limits. Since that time, Toronto Hydro staff have indicated to City staff that they would be prepared to fund a significant portion of this work due to required system upgrading and provincial by-law requirements. Accordingly, the cost to the City to underground all overhead hydro plant could be brought down to $9.3 million, pending approval of associated Toronto Hydro plans by the Ontario Energy Board. It should be noted that even if the City was not to opt for the full undergrounding option, the City would still be required to contribute $1.7 million towards relocation/removal costs, captured as part of the $65.0 million plan. Therefore, the true incremental cost difference to the City of $7.6 million, spread over four years, merits noteworthy consideration. The Committee should be aware that Toronto Hydro has partially undergrounded a segment between Avenue Road and Tweedsmuir Avenue that would be fully undergrounded if the additional funding is approved;

(b) The original plan called for the upgrading of poles at signalized intersections only. Upgrading the streetlighting system to include new decorative poles, the provision of underground ducting/wiring and providing for new decorative luminaries along the entire length of the project is estimated to cost the City an incremental sum of $7.0 million. This cost could be brought down significantly if the full undergrounding option is ultimately endorsed. The reduced cost to the City would be $2.5 million. The Committee should be aware that some poles were not upgraded in association with the work already tendered to date for the area between Tweedsmuir Avenue and Vaughan Road and would be fully upgraded if the additional funding is approved;

(c) The reconstruction of all sidewalks was originally planned at intersections only commensurate with other improvements taking place at these locations. The community noted that sidewalks at mid-block locations should also be reconstructed in order to create a unified urban design and improved appearance. This additional work would cost the City an additional $3.0 million. State of good repair needs for the mid-block sidewalks are in the order of ten percent (10%) on average signifying that most of the existing sidewalks are presently in good condition and, accordingly, were not programmed for reconstruction as part of the original plan. This incremental cost can be brought down to $1.5 million if the full undergrounding option is implemented;

(d) The resurfacing of the roadway between intersections is not identified by the Transportation Services Division as necessary for state of good repair. Rather, the community had requested the mid-block improvements in order to improve the travel corridor and enhance its appearance. The estimated total cost of providing a continuous beautified surface treatment would be in the order of $5.0 million. No options at this time have been identified that would bring down this cost.

If City Council ultimately decides to approve the additional work to fully underground the hydro plant as well as provide for decorative streetlighting and mid-block sidewalk reconstruction coinciding with the undergrounding work, the total incremental cost to the City would be $11.6 million in additional project cost. The work would likely not be completed until 2010, resulting in additional cash flow needs of $2.0 million in 2006 and $2.4 million in each of the years 2007 to 2010 to an appropriate City Division/Agency budget. However, the funding for this work will require the delay of other Transportation projects since the overall Transportation Services capital targets likely will not be increased to accommodate the additional work on St. Clair Avenue West. Finance staff have already noted that targets city-wide are in the process of being reduced as part of its 2007-2010 Capital Plan, expected to be considered by City Council in June 2006.

In addition to the above matters raised during the recent capital budget deliberations in December 2005, City Parks staff have recently identified $2.0 million in additional funding pressure for tree trenches not contemplated to date.

<u>Conclusions</u>:

In October 2004, City Council approved funding of $47.928 million gross and $47.728 million in debt for the St. Clair Dedicated Street Car Line. The project will likely span three to four years in duration. At that time, City Council was advised that the total estimated cost of the transit improvements would range from $55.0 million to $65.0 million, not including the cost of land acquisitions estimated at $5.0 to $6.0 million and, accordingly, the total project cost was revised to $65.0 million as part of the 2006 capital budget deliberations.

A multitude of public consultation meetings and workshops were held commensurate with the environmental assessment process. The results of these meetings yielded a series of requests for additional aesthetic design amenities that are not considered part of the original scope of work. The projected cost of these improvements was originally estimated at $30.0 million. Although the visual improvements were introduced at the community level, their corresponding funding inclusion within an appropriate City Division or Agency budget, given current budget pressures, merits considerable and careful attention by the Committee.

The community requested improvements are summarized in Attachment 1 entitled, "Summary of Various Options to Enhance Design Amenities" and include various options for hydro undergrounding of the overhead hydro power distribution system, the replacement of regular streetlighting luminaries and poles with new decorative ones, the reconstruction of sidewalks between intersections in order to create an improved, unified urban design appearance, and the resurfacing of the roadway between intersections also for improved urban design appearance reasons.

Should Council opt for a reduced improvement plan capturing most of the amenities posed by the community, consideration could be given for a full undergrounding of hydro plant, full decorative streetlighting and associated sidewalk work with no additional improvements to the roadway. The estimated cost to the City is $11.6 million resulting in revised additional cash flows of $2.0 million in 2006 and $2.4 million in each of the years 2007 to 2010. The funding for this work will require the delay of other Transportation projects since the overall Transportation Services capital targets likely will not be increased to accommodate the additional work on St. Clair Avenue West.

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Attachment:

Attachment 1 - Summary of Various Options to Enhance Design Amenities

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Attachment 1

Summary of Various Options to Enhance Design Amenities

Options	Hydro Underground	Decorative Streetlighting	Sidewalk Reconstruction	Roadway Resurfacing	Total
Enhancements as proposed by community including: • complete hydro undergrounding • full decorative lighting • existing cedar pole removal • full sidewalk reconstruction, and • full roadway resurfacing for the entire length of the project	$15.0 million	$7.0 million	$3.0 million	$5.0 million	$30.0 million
Option pending Toronto Hydro approval: • complete hydro undergrounding • full decorative lighting • existing cedar pole removal • full sidewalk reconstruction, and • no incremental roadway resurfacing	$7.6 million (based on $1.7 million in pole relocation costs already approved)	$2.5 million	$1.5 million	Nil	$11.6 million
• no hydro undergrounding • full decorative lighting on both sides • full sidewalk replacement • no mid-block roadway resurfacing	Nil	$7.0 million	$3.0 million	Nil	$10.0 million
• tree trenches as identified by City Parks staff	$2.0 million (not included in any previous estimates)				
• judicial costs	$2.75 million expected to be paid for by the TTC				

(Report dated May 2, 2006, addressed to the
Works Committee from the Executive Director, Technical Services and
General Manager, Transportation Services)

<u>Purpose</u>:

To clarify costs associated with the Judicial Review of the St. Clair Avenue West Transit Improvement Plan.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendations:

It is recommended that this report be received for information.

Comments:

The reference in the Financial Implications and Impact Statement section of the report dated April 27, 2006 from the General Manager of Transportation Services and the Executive Director of Technical Services, to the costs associated with the Judicial Review of the St. Clair Avenue West Transit Improvement Plan, and included as item 16 (a) on this agenda, is incorrect and outdated.

The figure quoted was inadvertently sourced from a December 2005 estimate of the potential total financial impact of the Judicial Review. Legal costs sought by the City and TTC in respect of the Judicial Review proceedings amounted to a total of $171,015.80. These cost claims were resolved as part of the judicial review proceedings with Save Our St. Clair Inc. (SOS).

Additional issues that flowed from the judicial review proceedings, and which may have to be addressed by the City, are the subject of an in camera report, on the Committee's current agenda.

Conclusions:

Cost information presented in report 16(a) on this agenda is incorrect. Legal costs of $171,015.80, associated with the Judicial Review, were sought by the City and TTC, and the costs issues were resolved between the parties to the legal proceedings.

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(Report dated June 8, 2006, addressed to the Budget Advisory Committee
from Joseph Pennachetti, Deputy City Manager and Chief Financial Officer
and Fareed Amin, Deputy City Manager)

Purpose:

To respond to a request by the Budget Advisory Committee to report back on possible funding mechanisms to cover the cost of implementing additional design elements in the total amount of $11.6 million for the St. Clair Avenue West Transit Improvement Project.

Financial Implications and Impact Statement:

This report is primarily an overview of possible funding options to accommodate additional aesthetic design elements in the total amount of $11.6 million with cash flows of $2.0 million in 2006 and $2.4 million in each of the years 2007 to 2010 that were advanced by the local community in connection with the St. Clair Avenue West Transit Improvement Plan.

There are no financial implications resulting from the receipt of this report, however, five options for funding these enhancements are detailed in this report.

Approving the change in scope, as described herein, will require that City Council approve, new debt funding (which is not recommended) or, alternatively, re-allocate funding within current capital debt targets in order that the additional cash flows can be accommodated. Any re-allocation of debt funding will necessitate the deferring of state of good repair projects and add to the existing city-wide backlog of road work. The full extent of this impact has not yet been estimated.

Approving the change in scope in the amount of $11.6 million would increase the current total project cost for the St. Clair West Transit Improvement Project from $65.0 million to $76.6 million gross. If the decision is to proceed with this change in scope by re-allocation within current debt targets, Transportation Services will need to report back to the Works Committee meeting of September 11, 2006 on the state of good repair projects that will require deferral.

Recommendation:

It is recommended that this report be received for information.

Background:

The Works Committee, at its meeting of May 3, 2006, considered, among other things, a report (May 2, 2006) from the Executive Director, Technical Services and the General Manager, Transportation Services, which clarified the costs associated with the Judicial Review of the St. Clair Avenue West Transit Improvement Plan and made the following recommendations (Clause No. 21(j) of Works Committee Report No. 3, received by Council on May 23, 24 and 25, 2006):

(1) recommended to the Budget Advisory Committee and Policy and Finance Committee that City Council reaffirm its commitment that all parts of St. Clair Avenue West between Yonge Street and Gunns Road be treated equally in terms of funding and in relation to the appearance of streetscape features, such as transit shelters and platforms, trees and landscaping, decorative lighting, street furniture and public art; and

(2) supports in principle the additional design elements for St. Clair Avenue West totalling $11.6 million; and that the matter be referred to the Budget Advisory Committee with a request that the Deputy City Manager and Chief Financial Officer and Deputy City Manager Fareed Amin, in consultation with the appropriate City Agencies, Boards and Commissions, report to the Budget Advisory Committee on possible funding mechanisms.

The Budget Advisory Committee, at its meeting of May 5, 2006, postponed consideration of the communication (May 3, 2006) from the Works Committee regarding St. Clair Avenue West Transit Improvement Project to the June 9, 2006 meeting of the Budget Advisory Committee for consideration with the 2007-2010 Capital Plan.

Comments:

Review of the Community Request for Additional Aesthetic Design Elements

As noted in the report dated April 27, 2006 from the General Manager, Transportation Services and Executive Director, Technical Services to the Works Committee (Clause 21(j) of Works Committee Report No. 3), a multitude of public meetings were held after the original scope of work for the project was approved. The additional meetings, required as part of the environmental assessment process, resulted in a series of requests for additional aesthetic design amenities not considered part of the original scope of work.

The improvements requested by the community involve the following:

- undergrounding overhead hydro wiring along the full limits of the proposed work;
- replacing all regular street lighting luminaries and poles with new decorative ones;
- reconstructing all sidewalks between intersections in excess of state of good repair needs, in order to create a unified urban design and improved appearance; and
- resurfacing the roadway between intersections beyond the needs of state of good repair, in order to create an improved travel corridor and enhanced appearance.

After a thorough review, City staff in consultation with Toronto Hydro and Toronto Transit Commission staff advanced a reduced improvement plan that would not only implement most of the requested community improvements, but would do so at a substantially reduced cost to the City in the estimated amount of $11.6 million. Worth noting, although Toronto Hydro requires pending Ontario Energy Board approval for the work, it would bear the cost of most of the undergrounding work in the area. A relatively small portion of the Hydro undergrounding work valued at approximately $7.6 million (roughly 25 percent of the overall cost of an estimated $29.0 million) would accrue to the City. As the funding for the Toronto Hydro undergrounding is spread out over a five year period, the scheduling for the undergrounding will delay the scheduling of the Toronto Transit Commission track work. This lag is problematic to the timely completion of the track work and could have an impact on the timing of the proposed funding. City staff in consultation with Toronto Hydro and Toronto Transit Commission staff are meeting to resolve these issues and come up with an overall schedule acceptable to all parties. With regard to the other aesthetic design elements, additional roadway resurfacing work would not be included in the revised plan. In addition, implementation of tree trenching work introduced by the Parks and Recreation Division in its review of the plan, would be accommodated within the respective Parks and Transportation Capital Budgets consistent with the historical programming of such improvements.

Capital Priorities

From a logistical viewpoint, the incremental design elements should be included with the programmed scope of work, as a window of opportunity exists that, if missed, would not present itself again for many years. While the Transportation Services Division acknowledges that aesthetic design elements are indeed desirable amenities, it is difficult to rationalize the cost of the improvements from a state of good repair perspective. In this regard, consistent with the Division's approach over the past several budget cycles, the focus has been on state of good repair and in doing so, priorities for capital works projects are set as follows:

1. safety issues relating to bridges, roads, and sidewalks;
2. road resurfacing;
3. road reconstruction;
4. traffic control; and
5. growth/infrastructure enhancements.

As has been the case for the past several years, the 2006-2015 Transportation Services Capital Works Program has been developed as a statement of overall system funding needs. As the Budget Advisory Committee is well aware, in previous years, this program was constrained by insufficient funding that resulted in a significant backlog of rehabilitation works. As noted by the Deputy City Manager and Chief Financial Officer, future commitments would be increased to stabilize any further compounding of the backlog.

<u>Funding Options</u>

The following represents a range of funding options for consideration by the Committee. It should be noted that approval of these design elements will set a precedent that in future years may put additional budget pressure on a series of similar Capital Works, as identified in the City's Official Plan. Future funding partnerships between the various City agencies and divisions will be based on then current needs and existing site conditions that are not necessarily consistent with funding approved to date. Furthermore, the Committee will need to consider, as warranted, an appropriate City/Agency funding unit that will bear the cost of any additional works.

(i) Maintain the Current Approved Project Cost of $65.0 Million

This is essentially a 'do nothing' alternative given existing budget pressures. The project cost would remain capped at $65.0 million and there would be no implementation of additional aesthetic improvements totalling $11.6 million or any portion thereof;

(ii) Utilize Development Charges (not recommended - legislative eligibility issues)

Development charges are not eligible as an appropriate funding source for most of this project work due to legislative constraints. A preliminary review of eligible funding had estimated the amount could be up to $2.1 million. St. Clair Avenue West is designated as an "Avenue" on Map 2 – Urban Structure, of the City of Toronto's Official Plan. City Council directed the City Planning Division to conduct two Avenue studies on St. Clair Avenue West in the subject area. In addition to being a growth corridor, St. Clair Avenue West is designated as a "Higher Order Transit Corridor" on Map 4 of the City's Official Plan and a

"Surface Transit Segment" on Map 5. The improved public transit service may accommodate the future growth that will take place on St. Clair Avenue West. Thus, development charge funding will continue to be investigated, and staff will report back on more detailed analysis of this source of funding.

(iii) Issue Additional Debentures (not recommended)

This alternative involves increasing existing debt target levels by $11.6 million and would negatively impact on the current debt guideline and debt service levels. Accordingly, this is not a viable option. As set out in the report of April 27, 2006, the $11.6 million in enhancements would therefore need to be accommodated within the debt targets of the Transportation Program, discussed below;

(iv) Reallocate Within Existing Capital Budget Debt Targets

Notwithstanding the Division's position regarding its capital priorities, the Committee has within its purview the capacity to endorse one of two funding options that essentially involves a re-allocation and hence, re-prioritization of existing capital funding; that is, a re-allocation from existing approved but unspent 2005-2006 capital funds or the re-allocation of future committed works within the 2007-2010 capital plan. An exact dollar figure for the amount of unspent 2005-2006 funds will not be available until the Fall of 2006, following the end of the current construction season.

As noted in the April 27, 2006 report to the Works Committee, time is of the essence. Final City Council approval will need to be received no later than its July meeting in order that there be sufficient lead time for designing works west of Vaughan Road, which is the portion anticipated for completion in 2007 and beyond. The extent of the impact on the current city-wide state of good repair backlog has not yet been estimated. Accordingly, should the Committee recommend any form of re-allocation, the matter could be reported to the Works Committee at the meeting of September 11, 2006 thus giving the Division sufficient time to consider which projects will be impacted.

(v) Implement a Special Levy for Local Commercial Property Owners

Consistent with other beautification initiatives in the City, such as the Bloor Street Transformation Project, the Committee could give consideration to seeking approval for a funding model that involves the City advancing financing for the implementation of the aesthetic works and recovering all costs over a given time period by way of a special levy on all Business Class properties along the entire length of the project. This alternative will require that further reports be brought back to the Budget Advisory Committee and Economic Development and Parks Committee on the impacts, timelines for repayment and burden on property owners. However, this could curtail the commencement of works planned for later this Fall.

Conclusions:

A multitude of public consultation meetings and workshops were held commensurate with a legislated environmental assessment process for this project resulting in a series of requests for additional aesthetic design amenities not considered part of the original scope of work. The community requested improvements involve the undergrounding of overhead hydro wiring, replacement of all regular street lighting luminaries and poles with new decorative ones and the reconstruction of all sidewalks between intersections in excess of state of good repair needs. The additional work would cost the City an estimated total amount of $11.6 million.

While Transportation Services acknowledges that aesthetic design elements are indeed desirable amenities, and appreciates that the St. Clair Avenue West Transit Improvement Project is an ideal opportunity to undertake the additional work, it is difficult to rationalize the cost of the improvements from a state of good repair perspective. The Division's program has been constrained in previous years by insufficient funding that has resulted in a significant backlog of rehabilitation works.

The following represents a range of funding options for consideration by the Committee:

(i) Maintain the current approved project cost of $65.0 million;
(ii) Utilize development charges (not recommended - legislative eligibility issues);
(iii) Issue additional debentures (not recommended);
(iv) Reallocate within existing capital budget debt targets; and
(v) Implement a special levy for local commercial property owners.

Approval of these design elements will set a precedent that in future years may put additional budget pressure on a series of similar Capital Works, as identified in the City's Official Plan. If the decision is to proceed with this change in scope by re-allocation with current debt targets, Transportation Services will need to report back to the Works Committee meeting of September 11, 2006 on the state of good repair projects that will require deferral.

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