

Preliminary Capital Variance Report for the Year Ended December 31, 2006

Date:	February 20, 2007
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\FP\bc07009FP-wo (AFS #2867)

SUMMARY

The purpose of this report is to provide the City of Toronto Preliminary Capital Variance Report for the year ended December 31, 2006, and to request Council's approval of technical budget adjustments which reallocate funds between projects with no incremental impact on the Council Approved 2006 Capital Budget. A final report will be submitted to Council following the completion of the external audit of the City's accounts and financial statements.

Capital spending during 2006 totalled \$1.342 billion or 68.3% of the approved cash flow of \$1.965 billion. The under expenditure is primarily attributed to the inability to find or secure suitable sites in accordance with planned timeframes; delays in securing funds from cost-sharing partners; and, significantly higher than expected rainfall which delayed performance of roofing and asphalt projects, exterior site work, park construction projects and playground replacement work. In addition, several projects were completed under-budget. Unspent funds for incomplete projects will be carried forward to 2007 on an as required basis, in accordance with the City's Carry Forward Policy.

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RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the Facilities and Real Estate technical budget adjustments detailed in Appendix 2 (Sec. 1.i) attached, to reallocate funds from projects completed under-budget to projects that were overspent with no incremental impact on the Council Approved 2006 Capital Budget;
2. Council approve the technical budget adjustments to transfer \$1.100 million in unspent funding from Toronto Police Service 2006 approved capital project funds (Jetforms \$0.500 million and Police Integration Systems \$0.600 million) to the Transportations Services 2006 Capital Budget – Front Street Extension project to cover additional expenditures for the Police Traffic Services and Garage Facility – 9 Hanna subproject Appendix 2 (Sec. 1.ii);

3. Council approve the Toronto Water technical budget adjustments detailed in Appendix 2 (Sec. 1.iii) which reallocate funds between projects with no incremental impact on the 2006 Approved Capital Budget;
4. Council approve the Toronto and Region Conservation Authority technical budget adjustments detailed in Appendix 2 (Sec. 2.i) to adjust during 2006 for \$1.563 million in unspent funding carried forward from 2005 for land acquisition for source water protection;
5. the Budget Committee forward this report to the Executive Committee for its consideration; and,
6. Council authorize and direct the appropriate staff to take the necessary action to give effect thereto.

FINANCIAL IMPACT

As shown in Table 1 below, Tax Supported Programs spent \$1.069 billion or 69.8% of the 2006 approved cash flow of \$1.531 billion during the year ended December 31, 2006. By comparison, spending in 2004 approximated 68.3% and in 2005, 68.3% of the respective Council approved cash flow. Excluding uncontrollable projects (defined as projects that are subject to conditions that are not within the control of staff, such as unforeseen natural or environmental factors, and dependency on third party performance), the 2006 Tax Supported Programs' spent 72.4% of the adjusted cash flow.

Table 1 Corporate Preliminary Capital Variance Summary for the Year Ended December 31, 2006 (\$000s)				
	2006 Approved Budget	January to December 2006		
		Total		% Spent of Controllable Projects
		Actuals	% Spent	
Tax Supported Programs:				
Citizen Centred Services - "A"	184,775	104,447	56.5%	61.5%
Citizen Centred Services - "B"	439,906	240,382	54.6%	55.9%
Internal Services	162,598	83,583	51.4%	52.9%
Other City Programs	41,800	24,874	59.5%	61.9%
Agencies, Boards & Commissions	702,519	616,181	87.7%	89.7%
Total - Tax Supported	1,531,597	1,069,467	69.8%	72.4%
Rate Supported Programs:				
Toronto Parking Authority	39,709	8,040	20.2%	52.9%
Toronto Water	394,468	264,770	67.1%	71.0%
Total Rate Supported	434,177	272,810	62.8%	70.2%
Total	1,965,774	1,342,277	68.3%	72.0%

Rate-Supported Programs spent \$272.810 million or 62.8% of the 2006 approved cash flow of \$434.177 million. Excluding uncontrollable projects, the spending rate improves to 70.2%.

In accordance with the City's Carry Forward Policy, the 2007 Budget Committee Recommended Capital Budget will include 2006 unspent funding carried forward to 2007. This will enable staff to complete projects for which capital work was not completed in 2006 as planned. It should be noted that the majority of the reduced spending on capital projects in the fourth quarter are committed and should be spent in early 2007.

It is noted that in compliance with good financial management practices, debt is issued only when needed to finance actual or committed capital expenditures. This strategy minimizes the incurrence of debt service cost and the resultant impact on the Operating Budget. In accordance with the Financial Control By-law, completed projects will be closed and any unspent funds will be returned to the original funding source. A recommended list of project closures will be included in the final 2006 Year-end Capital Variance report.

ISSUE BACKGROUND

This report is provided in accordance with good business practice to monitor and control budgetary financial performance. As part of the City's accountability framework, capital variance reports are submitted to Council and Committees quarterly, to provide information on how the approved capital works program is progressing, and on an exceptions basis, to identify issues that require direction from, and decisions that require approval of Council and/or committee.

COMMENTS

CAPITAL VARIANCE BY PROGRAM

Citizen Centred Services "A"

For the year ended December 31, 2006, actual capital expenditures for this Cluster totalled \$104.447 million or 56.5% of the 2006 Approved Capital Budget of \$184.775 million. Exclusion of uncontrollable projects would result in an improved spending rate of 61.5%. Capital spending performance for Citizen Centred Services "A" programs is summarized below.

Children's Services spent \$8.608 million or 52% of its 2006 approved cash flow of \$16.565 million. The under expenditure is primarily attributed to delays in construction of two new child care centres due to difficulties in finding appropriate sites: the site for the Thorncliffe Park child care centre (\$1.9 million) was identified and approved late in the year and possible sites for the second child care centre (\$1.0 million) in under-served areas within the City are still being explored. As well, \$4.0 million of the total \$5.0 million Health and Safety/Playground project did not proceed as the Provincial share was not available in 2006. Excluding the under expenditure of the provincial subsidy of \$4.0 million, the Program's year-end spending rate is 68.5% for controllable expenditures.

Court Services spent \$0.401 million or 15.4% of its 2006 approved cash flow of \$2.6 million. All projects are funded from a reserve, and have no impact on the City's debt. The under-spending is mainly attributable to delays in implementing the POA Application Development Project. The process to identify the technological requirements for the projects has taken longer than anticipated. The RFP for one of the technology projects, digital audio recording, closed in December and should allow for this project to be completed this year. The Courthouse South District Facilities renovation work involves several facilities at different locations. While minor renovations are nearing completion, the major construction component at Old City Hall was delayed in 2006. During the early stage of this sub-project, unanticipated electrical capacity concerns were identified. This issue is being addressed, a design firm is now identified and the project has resumed.

Economic Development, Culture and Tourism spent \$11.479 million or 72.3% of its approved cash flow of \$15.882 million. Under-spending is mainly attributed to: the Don Valley Brick Works project (\$0.775 million) delayed by environment approvals until 2007; delays in scheduling the St. Lawrence Centre for the Arts Renewal project (\$0.390 million) around theatre operations; delays in the permit phases for the BIA Streetscape Improvement Program (\$0.846 million); construction delays for the Casa Loma project (\$0.254 million) and design delays for the Canada's Walk of Fame project (\$0.300 million).

Emergency Medical Services (EMS) spent \$5.631 million or 62.2% of its 2006 approved cash flow of \$9.054 million. The under-spending is primarily due to the following factors:

- ♦ cancellation of a contract for the Engineering Technology project (\$0.996 million) as the supplier was unable to fulfil the terms of the contract resulting in the awarding of a new contract later in the year;
- ♦ re-assessment of requirements identified from an audit review conducted on EMS' power supply system which delayed the Emergency Power Supply project (\$0.545 million);
- ♦ delays in the delivery of materials before construction work can begin for the CACC System project (\$0.455 million); and,
- ♦ the demolition / construction of 6 bay storage sheds (\$0.925 million) was delayed as the estimated cost from an RFP exceeded the funding allocated for this project requiring a re-evaluation of other capital projects.

Homes for the Aged spent \$5.005 million or 69.5% of its approved cash flow of \$7.2 million. The under-spending is mainly attributable to delays in finalizing the design-specification requirements for a number of small maintenance projects and, delays in obtaining Provincial approval of certain required upgrades. Also, the Site Redevelopment Project for True Davidson Acres and Wesburn Manor was completed under-budget by \$0.4 million.

Parks, Forestry & Recreation spent \$63.622 million or 55.0% of its 2006 approved cash flow of \$115.714 million. The aggregate under-spending of \$52.091 million is mainly attributed to the Community Centres project (\$13.219 million), the Park Development project (\$10.150 million),

the Arena project (\$6.273 million), the Special Facilities project (\$4.430 million) and the Facility Components project (\$2.471 million). As in the third quarter, limited spending has occurred in the last three months of the year largely as a result of inclement weather: heavy rain resulted in the ground being waterlogged, and roofing projects, asphalt projects, exterior site work, park construction projects and playground replacement came to a halt. By the time the weather did allow for construction to re-start, the Holiday season commenced and little progress was made. In all, year-end outstanding commitments of \$24.3 million (21% of the total budget) are comprised of tenders and contracts that required better weather in order to complete.

In addition to weather concerns, some of the year-end under-spending is due to extended community consultations, to requests to defer work so as not to interfere with facility programming, and to delays in inter-divisional projects such as the 311 Customer Service Strategy. Third-party delays occur when projects include the participation of others. For instance, with respect to under-expenditures in Park Development, land for Port Union Village Park was not transferred from the developer until December 2006, resulting in \$0.715 million being unspent for this particular initiative. Likewise, the South Etobicoke expansion alone accounts for \$1.9 million of under-spending within the Community Centres project. This initiative is dependent upon the Toronto District School Board first erecting its building and has thus been postponed as a result of the Board's construction delays. Finally, the addition of new projects to the budget late in the year often results in non-completion by year-end. Funding from other sources, as Section 37 agreements becomes available during the year and projects are added to the budget in the late summer or early fall, with very little prospect of completion until the following year.

Shelter, Support and Housing Administration spent \$9.7 million or 54.6% of the 2006 approved cash flow of \$17.760 million. The major shelter renovation projects (Eva's Youth, Bethlehem United, and 717 Broadview, totalling \$4.83 million, with spending of \$0.183 million), and the delay in the development of the Shelter Management Information System (SMIS) (\$2.027 million, with spending of \$0.684 million) are the main contributors to the Program's overall under-spending. Delays in finalizing drawings and selecting appropriate contractors resulted in under spending for the Eva's Youth and Bethlehem United projects. Because the demand for family shelter accommodation in the City has decreased, the 717 Broadview shelter project is no longer required, and will be closed. As reported to Council, the contract for SMIS development was terminated, resulting in a delay in spending.

Citizen Centred Services "B"

Actual capital expenditures for this Cluster during the year ended December 31, 2006, totalled \$240.382 million or 54.6% of the 2006 approved cash flow of \$439.906 million. Adjusting for uncontrollable projects, the spending performance would have been 55.9%. Capital spending performance for Citizen Centred Services "B" programs is summarized below:

Policy, Planning, Finance and Administration's (formerly Cross Divisional Projects and Business Support Services) capital expenditures for the twelve months ended December 31, 2006 totalled \$3.445 million or 48.2% of the 2006 approved cash flow of \$7.141 million. The major expenditures in 2006 included the following:

- ♦ Asset preservation projects (\$1.616 million) were completed by year-end. Also completed was the Development Application Tracking System (\$0.508 million) to create a tracking and costing system for management of planning and development applications. The 2006 phase of the Plan / Drawing Database (\$0.266 million) which involves scanning hardcopy documents for Technical Services, Solid Waste Management Services and Transportation Services Divisions was also completed.

- ♦ Of the \$3.697 million in underspending in 2006, the majority is attributable to the following 4 projects:
 - Toronto Infrastructure Data Standards - \$0.682 million or 61.5% of the 2006 approved cash flow of \$1.108 million for this project was unspent. The project has been delayed due to challenges in compiling the remaining infrastructure data sets. The integration between the data warehouse and the operating system has been deferred to allow Toronto Water to assume responsibility for data maintenance. The project is expected to be completed in late 2007. 2006 carry forward funding of \$0.682 million will be required.

 - IBMS Building Division Requirements - \$0.350 million or 70% of the 2006 approved cash flow of \$0.500 million for this project was unspent. Issuance of a Request for Proposal (RFP) for external consultants was delayed. The RFP has now been finalized and a vendor should be in place to start work sometime in early 2007. The awarding of the contract is expected for February 2007 with development to commence in February 2007 and run until December 2007. 2006 carry forward funding of \$0.350 million will be required.

 - I.T. Disaster Recovery Plan – There was no spending on this project in 2006. The 2006 approved cash flow was \$0.497 million. The project has been delayed given that the RFP for external consultants was not issued in 2006. 2006 carry forward funding of \$0.497 million will be required.

 - Computer System Integration - There was no spending on this project in 2006. The 2006 approved cash flow was \$0.323 million. This project has a revised work plan, as a result of the deferral of the Enterprise Application Interface project and includes the integration of contract management and payroll information into the existing Project Tracking Portal System. 2006 carry forward funding of \$0.323 million will be required.

City Planning spent \$4.781 million or 51.2% of its 2006 Approved Capital Budget of \$9.334 million. The major expenditures in 2006 included Civic Improvement projects totalling \$1.579 million. These ensured the special treatment of important streets and places, which will improve the look and feel of the public realm. There were also expenditures of \$1.419 million for the

continued development of the new Zoning By-Law. In 2006, \$0.596 million was spent on Development Charge Funded Studies which was necessary to properly guide new development. There was also spending of \$0.430 million on the new Official Plan.

Of the \$4.553 million underexpenditure, \$2.941 million (or 64.6%) is related to Policy and Research projects, and \$1.612 million (or 35.4%) is related to Urban Design. The under-spending is mainly attributed to the following projects:

- ♦ Policy and Research – \$0.770 million of the under-spending is attributed to delays in OMB hearing dates coupled with the completion of 2 new Official Plan projects under budget by \$0.103 million. Development Charge Funded Studies were under-spent by \$1.428 million. This was due to the Don Mills Environmental Assessment process (\$0.417 million) which was delayed in order to address issues raised in the community. As well as delays in the 2006 Avenue Studies (\$0.210 million) due to workload demands and higher than anticipated vacancies in the district offices, which resulted in challenges managing workloads. There was also a savings of \$0.032 million from 4 projects which were completed under budget. The new Zoning By-Law (\$0.555 million) was under-spent due to challenges in hiring qualified staff and delays in the completion of 2 parking studies. The Union Station Design Study (\$0.095) was completed under budget.
- ♦ Urban Design – The majority of under-spending is attributed to Civic Improvement projects (\$1.456 million) which require co-ordination with other City Divisions. The Routes (\$0.812 million) and Places (\$0.213 million) projects are all either under construction or tendered and will be completed in 2007. As well, 10 projects were completed under budget with a savings of \$0.241 million.

Emergency Management Plan had expenditures of \$0.533 million or 94% of the 2006 Approved Capital Budget of \$0.570 million. With the completion of the Emergency Back-Up Systems project in December of 2006, the Emergency Management Plan Capital Budget will now be closed. Future capital funding, if any, will be budgeted directly within the appropriate program area.

Fire Services' capital expenditures for the year ended December 31, 2006 totalled \$10.430 million or 74% of the 2006 approved cash flow of \$14.091 million.

The following projects were completed in 2006: HUSAR Facility (\$2.517 million), Fire Station Alerting System Improvements (\$0.118 million), In- Floor Hoists - Toryork (\$0.050 million). Asset Management projects which comprise 22% or \$3.168 million of the total 2006 approved cash flow were 86% spent (\$2.708 million).

Of the \$3.661 million in total under-expenditure, \$1.291 million (or 35%) is for HUSAR projects and \$0.835 million (or 23%) is for the (CAD/RMS) project. The under-spending is mainly attributable to the following projects :

- ♦ HUSAR projects representing 35% of the 2006 Approved Capital Budget and including the HUSAR Facility, which is now complete, were 74% spent by year-end (\$3.587 million). The

HUSAR/JEPP 05/06 Project which includes equipment and supplies, was 55% or \$1.040 million spent by year-end out of a budget of \$1.909 million. Any further spending will need to be deferred to 2007 in order to have the unspent funds re-approved for cost-sharing by the Federal JEPP program. Due to the Federal fiscal year end of March 31, 2006, there was insufficient time to spend total 05/06 shared funding. The HUSAR/JEPP 06/07 project was deferred resulting in 11% being spent or \$0.030 million out of a budget of \$0.270 million.

- ♦ The Computer Aided Dispatch/Record Management System (CAD/RMS) was 68% spent (\$1.792 million) as of December 31, 2006. The final phase of the implementation of the record management component of the CAD system has been deferred to 2007 where the majority of the funds are for contract payments to the system development company upon completion of RMS acceptance testing and the outfitting of the Command Post Vehicle.
- ♦ The Harbourfront-Public Education/Training Centre project with \$0.200 million budgeted in 2006 did not proceed as it is dependant on public contributions and fund raising revenue. The project funding through the Province and the Federal Government has not been confirmed. As well, other fund-raising has not been achieved resulting in this project being deferred to the years 2014 to 2016.
- ♦ Other under-spending occurred in the following projects: the Training Facilities Renovation, Communication Centre Quality Assurance & Back-up Consoles projects and the Toryork Bays Extension study were under-spent due to procurement and planning delays. The combined 2006 approved cash flow for these projects is \$0.669 million of which \$3,991 or 0.6% was spent. The approved cash flow for these projects will be carried over to 2007, with no incremental debt impact on the 2007 Capital Budget.

Solid Waste Management Services spent \$8.414 million or 31.4% of its 2006 Approved Capital Budget of \$26.811 million. The major expenditures in 2006 included \$4.216 million for ongoing care of closed landfill sites; \$1.846 million for state of good repair at various transfer stations, including replacing weigh scales at Victoria Park Transfer Station; \$1.663 million for Diversion Facilities including planning studies related to additional SSO processing capacity, Residential Waste Management environmental assessment, 6 collection/transfer vehicles; and \$0.647 million for purchase of recycling and residual waste containers for residential multi-unit buildings.

- ♦ Of the \$18.397 million underexpenditure, \$10.836 million (or 59%) is related to Diversion Facilities, \$4.498 million (24%) is for Transfer Station Upgrades, and \$2.093 million (11%) is related to Perpetual Care of Landfills. The under-spending is mainly attributed to the following projects:
- ♦ Diversion Facilities – 18% of the under-spending is attributable to the Additional Source Separated Organic (SSO) Processing Capacity Project (\$3.316 million). This project has been delayed pending Council approval of a final SSO preferred option and will be deferred to 2007. Funding of \$1.350 million for the Reuse Centre project will be carried forward to 2007 due to delays in getting approval for the Ingram site. The start-up of the Mechanical -

Biological Treatment Facility Project (\$2.0 million) is delayed as it will take longer than expected to develop an end market for the compost-like product. Under-spending of the Modifications at Commissioners Street project (\$1.139 million) is attributed to the lengthy approval process for the retrofit of the Materials Recovery Facility. The Dufferin Container Line Upgrade project (\$0.850 million) will be delayed because of continued negotiations with Stewardship Ontario to assist with its funding. The startup of the second round of consultations for the Residual Waste Management Environmental Assessment project (\$0.543 million) was delayed to first obtain agreement on the framework of the EA process.

- ♦ Transfer Stations - A significant portion of the under-spending is attributed to the new staff facilities project at Dufferin Transfer Station (\$0.985 million). This project has been deferred to 2007, and the design work has been outsourced due to lack of in-house resources/expertise. Construction of a bi-level recycling depot at Scarborough Transfer Station (\$0.860 million) was delayed due to the Program's re-prioritization of funding which has been reallocated for trailer buyout and purchase of a tipper in 2007. Postponement of repairs to the tipping floor at the Commissioners Street Transfer Station (\$0.350 million) as a result of legal proceedings related to the original design of the floor is another factor that has contributed to under-spending. The Weigh-scale System project (\$0.495 million) will be delayed due to contract negotiations with the service and software provider. The purchase and installation of a perimeter fence for \$0.430 million at Bermondsey Transfer Station will be delayed and unspent funds will be carried forward to 2007, as work is currently underway to determine the requirements of the Customs-Trade Partnership Against Terrorism Agreement.
- ♦ Perpetual Care of Landfills - Under-spending in this project primarily results from the delay in investigative and remedial construction work at two old landfills: the Sunrise Landfill remediation project (\$1.100 million), and Disco Landfill gas project (\$0.300 million). The timelines for the projects within the overall work plan has been extended. Planting of trees on both the Brock West and Keele Valley landfills was delayed (\$0.200 million) pending further discussions with the area municipalities regarding landscaping plans.

Transportation Services' capital expenditures for the year ended December 31, 2006 totalled \$194.252 million or 55% of the 2006 approved cash flow of \$352.161 million. The two main categories of capital projects are State Of Good Repair and Infrastructure Enhancement.

- ♦ State of good repair funding for bridges, local and major roads and expressways totals \$160.226 million or 46% of the 2006 approved cash flow and are 71% spent at year-end (\$113.709 million). The major expenditures in 2006 included major road reconstruction and resurfacing (\$24.070 million), local road reconstruction and resurfacing (\$39.041 million), sidewalk construction (\$9.119 million), rehabilitation and repair of 7 city bridges (\$25.827 million) and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$8.674 million).
- ♦ Infrastructure Enhancement funding totals \$164.954 million or 47% of the 2006 approved cash flow and are 39% spent at year-end (\$64.740 million). The major expenditures in 2006 primarily included the Front Street Extension for the purchase of 9 Hanna (\$12.667 million),

progress on work on the Simcoe Street Tunnel to improve traffic flow south of Front Street (\$5.030 million), various construction projects for streetcar track replacement (\$10.036 million), widening and reconstruction of the pavement on Ellesmere Road from Warden Avenue to Kennedy Road (\$6.152 million), start of work on the St. Clair Dedicated Right of Way from Tweedsmuir to Gunns Road (\$6.163 million), start of demolition work on the Dufferin Jog Elimination project (\$2.633 million) and continued enhancement of the City's Cycling Infrastructure by construction of bike lanes and traffic calming measures (\$2.510 million).

Of the \$157.909 million in total under-expenditure, \$46.517 million (or 30%) is for state of good repair projects and \$100.215 million (or 64%) is for Infrastructure Enhancement projects. The under-spending is mainly attributable to the following projects:

State Of Good Repair- Planning and late start of projects for major road reconstruction and resurfacing 32% (\$15.075 million), rehabilitation and repair of city bridges 21% (\$9.745 million), local road reconstruction and resurfacing 16% (\$7.293 million), repairs to the Gardiner Expressway and Don Valley Parkway 10% (\$4.884 million) and Backlog Priority Elimination Local & Major Roads 8% (\$3.937 million).

Infrastructure Enhancements- Under-spending on key Infrastructure Enhancement projects is outlined below:

- ♦ 34% of under-spending is attributable to the St. Clair Dedicated Right of Way. project was 23% spent at year-end or \$10.2 million out of a budget of \$44.526 million for Phase 1 & 2 of the project. This multi-year project is projecting a 16% year-end completion rate on a total project cost of \$65 million for Transportation Services (fully recoverable from the TTC). Expenditures had been delayed earlier in the year due to the judicial review instituted as a result of legal challenges to the project. Work is proceeding on the first tenders with \$5.5 million spent on Phase 2 in the fourth quarter.
- ♦ 13% of under-spending is attributable to various construction projects for other streetcar track replacement. These on-going projects were 30% spent at year-end or \$5.6 million out of a budget of \$18.761 million.
- ♦ 12% of under-spending is attributable to the Dufferin Jog Elimination. This project is 18% spent as of year-end. This represents \$2.6 million of the 2006 approved cash flow of \$14.4 million. Construction has been delayed due to property expropriations; however demolition tenders have been issued and work is proceeding.
- ♦ 6% of under-spending is attributable to the North Yonge Centre Service Road. This project is 40% spent by year-end. This represents \$4.4 million of the 2006 approved cash flow of \$10.8 million. The under-expenditure is due to a delay in property acquisitions, however the construction phase planned for 2006 is on schedule.
- ♦ 5% of under-spending is attributable to the Morningside/Finch Rail Grade Separation. This project is 31% spent at year-end representing expenditures of \$2.5 million of the 2006 approved cash flow of \$8.0 million. The under-spending is due to delays in property acquisitions/easements and late delivery of the structural steel.

Waterfront Revitalization Initiative spent \$18.526 million or 61.9% of its 2006 Approved Capital Budget of \$29.917 million. These expenditures reflect the continued transition from the planning to the implementation phase of this Initiative. It should also be noted that spending for a number of projects was beyond the direct control of the Waterfront Revitalization Initiative. If the spending for these projects is excluded, the year-end spending rate would have been 86.2%.

The \$11.391 million in under-spending for the Waterfront Revitalization Initiative is mainly attributed to the following projects:

- ♦ \$6.295 million in under-spending is attributed to delays in the West Don Lands and East Bayfront components of the Precinct Implementation. These delays were the result of:
 - The Risk Assessment/Risk Management plan for the West Don Lands was filed with the Ministry of the Environment by the Ontario Realty Corporation 6 months later than what was originally expected, since the process was more complex than anticipated and required the resolution of numerous technical issues, and
 - The East Bayfront project implementation experienced minor delays waiting for completion of a Contribution Agreement between the TWRC, the Province of Ontario and the City of Toronto.
- ♦ The Pier 4 Rehabilitation project requires a deferral of \$1.500 million in expenditures to 2007. These funds were to renovate a City-owned heritage building for public and museum purposes. Negotiations with potential tenants for the building are ongoing, with finalization expected in 2007. Once a tenant is secured, spending will commence.
- ♦ The East Bayfront/West Don Lands District Energy project was under-spent by \$1.445 million due to unreleased funds pending completion of the revised project scope definition by the TWRC and corresponding Contribution Agreement.

Internal Services

Internal Services' Programs spent \$83.583 million or 51.4% of their 2006 approved cash flow of \$162.598 million. Capital spending performance for Internal Services Programs is summarized below:

Facilities and Real Estate spent \$34.560 million or 80.3% of the 2006 approved cash flow of \$43.027 million. The following projects have contributed to a lower spending rate as compared to 93.6% reported in the third quarter variance report:

- ♦ Business Integration Project - \$0.682 million or 48% of the 2006 approved cash flow of \$1.421 million was spent in 2006. The project was delayed due to the need to resolve various systems issues, resulting in \$0.739 million being carried forward into 2007.

- ♦ Emergency projects at three different locations (1530 Markham Road, 5 Bathurst Street and 1978 Lakeshore Boulevard) - \$0.298 million or 37% of the 2006 allocated cash flow of \$0.804 million was spent in 2006. These projects were identified late in 2006 and work could not be completed by year-end, resulting in \$0.506 million being carried forward into 2007.
- ♦ Carpet replacement project at North York Civic Centre - \$0.017million or 3.8% of the 2006 approved cash flow of \$0.439 million was spent in 2006. Due to scheduling conflicts, this project could not be completed in 2006. The 2007 work schedule has been confirmed and funds in the amount of \$0.422 million will be carried into 2007.

Financial Services spent approximately \$2.181 million or 31.8% of its 2006 approved cash flow budget of \$6.868 million during the year ended December 31, 2006. The under-spending is mainly attributed to the following:

- ♦ Breakdown in negotiations with the selected vendor to provide the technology requirements for the Accounts Payable, Document Management and Imaging Initiatives (\$1.4 million) and the Workflow and Document Management Project for the Revenue Services Division (\$0.552 million). A new vendor was selected and an agreement was signed in December, 2006.
- ♦ A delay in finalizing wage harmonization for part-time employees delayed the Collective Agreement Implementation Project (\$0.520 million).
- ♦ Delays in issuing the Request for Proposal until late in 2006 due to staffing capacity to complete the lengthy process in addition to their regular responsibilities delayed the Revenue System – Phase II - Unified Cashiering System (\$0.831million); the E-Procurement (\$0.335 million) and Revenue Services–Integrated Voice Recognition (\$0.200 million) projects.
- ♦ Replacement of the Parking Tag Scanner has been delayed pending evaluation of the handheld ticket writers and identification and analysis of need for the System. As a result, the Parking Tag Management Software Upgrade feasibility study has been deferred to 2007 resulting in a total of \$0.311 million to be spent in 2007 on these two projects.
- ♦ The Spadina Subway Extension project is expected to be completed in 2007 utilizing the balance of funding of \$0.278 million.

Fleet Services' capital spending for the year ended December 31, 2006 was \$26.544 million or 32.8% of the 2006 approved cash flow of \$80.916 million. Of the unspent funding of \$54.372 million, purchase orders totalling \$40.824 million have been issued. However, the majority of the vehicles ordered were not deliverable in 2006 because the manufacturers' build out dates for vehicles usually extend beyond the current year.

Technology End of Lease Strategy/Sustainment

The Technology End of Lease Strategy project incurred expenditures of \$3.419 million or 71.6% of the \$4.776 million 2006 approved cash flow during the twelve-month period ended December 31, 2006. The project was completed under budget, resulting in savings of \$1.357 million due to favourable equipment pricing and less equipment being replaced than anticipated.

Spending on the Sustainment project during 2006 totalled \$10.818 million or 67.0% of the 2006 approved cash flow of \$16.138. The Sustainment project experienced savings totalling \$3.799 million mainly due to favourable pricing (notably on monitors and servers), and less equipment being required for replacement than planned. Part of this resulted from the Toronto Public Library assuming budget responsibility for their monitor replacement. In addition, Fire and EMS were not ready for equipment replacement in 2006; however these units will be replaced in 2007.

Information and Technology's capital spending for the year ended December 31, 2006 was \$6.061 million or 55.7% of its 2006 approved cash flow of \$10.872 million. The under spending is due to delays in contract negotiations, and tendering process delays caused by the need to coordinate the participation of various Programs. In addition, several projects experienced staffing issues arising from difficulties in recruiting suitable IT professionals.

The following projects were the principal cause of the under-expenditure:

- ♦ SAP Archiving project - unforeseen staff changes in SAP, and price changes related to the Statement of Work, which is the specification of the deliverables expected of the Consultant, resulted in further negotiation. An amount of \$0.366 million or 81.3% of the 2006 approved cash flow of \$0.450 will be carried forward to 2007.
- ♦ The SAP projects for Human Resources Personnel Development, the Organization Publisher and the SAP Solution Manager were 58% or \$0.336 million unspent due to Human Resources Division undergoing internal re-organization, which delayed the hiring of two Human Resources staff backfills required for the projects.
- ♦ The Document Imaging & Management – Core Development: The contract negotiations were more difficult than expected and additional IBM requirements were identified subsequent to the original plan. The Document Management agreement was not signed until November 28, 2006, and Phase 1 planning started in December 2006. The target is to complete all procurement before the end of the 1st quarter of 2007 to meet IBM's requirements. An amount of \$0.749 million or 100% of the 2006 approved cash flow of \$0.749 million will be carried forward to 2007.
- ♦ The Document Management – Litigation Pilot project was 94% or \$0.462 million unspent due to prolonged contract negotiations which resulted in the contract being signed in early December 2006. The Phase 1 Project initiation is completed and the deliverables have been identified, and Phase 2 – Macro Design, which includes documenting all the business requirements for the Prosecutions Unit of Legal Services, and the infrastructure, testing strategy, deployment plan and acquisition of hardware commenced in January 8, 2007.

- ♦ The Data Management project – The subprojects were delayed because of several factors, including difficulties in staff recruitment, caused by a lack of suitable staff in the market place which resulted in a longer search period. In addition, the Vendor announced a release of a newer version of Java that will be better suited to the City's Web infrastructure. Therefore, additional development and business process improvement work is being deferred to 2007 in preparation for this new release of the product. An amount of \$0.983 million or 69% of the 2006 approved cash flow of \$1.425 million will be carried forward to 2007.

Other City Programs

Other City Programs collectively reported actual expenditures of \$24.874 million or 59.5% of their 2006 Approved Capital Budget of \$41.800 million in 2006. Capital spending performance for Other City Programs is discussed below.

The City Clerk's Office's capital spending for the year ended December 31, 2006 was \$3.936 million or 73.7% of its 2006 approved adjusted cash flow of \$5.341 million. Under-spending is the result of the following projects having been completed at lower than budgeted costs: the Electronic Filing System-Candidates Statement due to lower external professional services cost; and, the Print Equipment replacement as a result of buying at the auction market. In addition, some projects have been delayed: the Council Vital Records project took longer to hire qualified technical staff; and the Meeting Management Initiative experienced longer planning timelines to incorporate and implement additional Governance and City of Toronto Act changes.

The Print Shop relocation in 2006 was not completed because an offer to purchase the properties at 53-61 Ontario Street was not successful. The \$6.300 million funding approved for this acquisition (\$3.000 million in the City Clerk's Office's, and \$3.300 million in the Facilities and Real Estate Services' 2006 Approved Capital Budgets) was unspent at the end of 2006. The search for a suitable site is continuing and the unspent funds will be carried forward to 2007.

Energy Retrofit Program's actual expenditures for 2006 totalled \$14.202 million or 89.4% of the 2006 approved cash flow of \$15.889 million. The following projects were the principal causes of the under-expenditure:

- ♦ Exhibition Place Energy Retrofit, 5 Buildings project – The construction work was delayed because of longer than planned time to obtain pricing for the geothermal project; and uncontrollable factors such as interference with the work on the soccer stadium. An amount of \$0.710 million or 51% of the 2006 approved cash flow of \$1.394 million will be carried forward to 2007.
- ♦ Arenas Energy Retrofit – Under-spending is mainly due to unanticipated construction delays, resulting in \$0.140 million or 2% of the 2006 approved cash flow of \$7.000 million being carried forward into 2007.
- ♦ Exhibition Place Energy Retrofit, Tri-generation project – This project was delayed because of later than planned commissioning of the tri-generation unit, due to difficulties in obtaining

suitable times for a power shutdown. As a result, only \$2.361 million of the 2006 approved cash flow of \$2.974 million or 79.4% was spent by year-end.

The ***Union Station Project*** incurred \$3.710 million or 65% of its 2006 approved cash flow of \$5.676 million in 2006. The Pedestrian Bridge project was under-spent by \$1.440 million due to delays in receiving approval from Parks Canada and co-ordinating the project with the TTC. Repairs are expected to commence in the first quarter of 2007. In addition, the Northwest Path extension study was delayed due to the need to re-issue a proposal call to reflect an environmental assessment study rather than a feasibility study resulting in under-spending of \$0.120 million.

The ***Nathan Phillips Square Project*** had spending of \$0.132 million or 48% of its 2006 approved cash flow of \$0.275 million in 2006. The unspent cash flow of \$0.143 million will be carried forward to 2007 to complete the International Design Competition for Nathan Phillips Square which was launched on October 3, 2006. The outcome will be announced on March 8, 2007.

3-1-1 Customer Service Strategy – Spending on this project totalled \$2.894 million or 34.8% of its 2006 approved cash flow of \$8.318 million. Primary contributors to the under-spending are as follows:

- ♦ A review carried out by an independent consultant found that, given the complexity of the technology model, the initial schedule was too aggressive and placed unacceptable risk on the project. As a result, the RFP dates for the core technology component were extended by five months, which affected other sub-projects such as training, integration and privacy/security testing which could not begin until a vendor is selected. This delay accounts for an under-expenditure of \$1.140 million or 14% of the 2006 approved cash flow.
- ♦ Due to delays in staff hiring, activities on the knowledge base content development and business process reviews were significantly restricted, resulting in an additional under-expenditure of \$1.699 million or 20% of the 2006 approved cash flow.
- ♦ All Facility Retrofit RFP responses received were over the approved budget allocation and the RFP had to be reissued. Approximately \$1.623 million or 20% of the 2006 approved cash flow will be carried forward to 2007 as a result of this delay.

Agencies, Boards and Commissions (ABCs)

Collectively, Agencies, Boards and Commissions (ABCs) spent \$616.181 million or 87.8% of their 2006 approved cash flow of \$701.019 million. Individual ABC performance is discussed below:

Exhibition Place Exhibition Place spent \$15.711 million or 93% of its 2006 Approved Budget of \$16.859 million. The under-spending is mainly attributed to the following projects:

- ♦ Queen Elizabeth Building - Chiller Replacement Phase 2 (\$0.45 million) - The replacement of the chiller was delayed since tenders came in much higher than budgeted. Only 55% of the 2006 funding was spent by year-end; the unspent funds will be carried forward to 2007.

- ♦ Coliseum Lighting (\$0.3 million) - This work was delayed in order to coordinate it with the broadened scope of the Energy Retrofit Program NTC Lighting project. Only 59% of the 2006 funding was spent by year-end; the balance will be carried forward to 2007.
- ♦ Direct Energy Centre - Renovation of Salons and Washrooms (\$0.2 million) - This project was delayed because additional feasibility analysis was required to determine how best to address deficiencies such as storage and partitioning. Only 69% of the 2006 funding was spent by year-end; the balance will be carried forward into 2007.
- ♦ Music Building Windows (\$0.1 million) - This project was delayed until Exhibition Place received the consultants' reports to determine whether leaks were originating from the windows, as initially suspected, or from the roof. Only 18% of the 2006 funding was spent by year-end; the balance will be carried forward into 2007.

Toronto and Region Conservation Authority (TRCA) spent 100% of its 2006 approved cash flow of \$10.163 million for the City's share of TRCA capital works within the boundaries of the City of Toronto.

Toronto Parking Enforcement Unit spent \$3.318 million or 91.3% of its 2006 approved cash flow of \$3.633 million in 2006. The implementation of the Handheld Parking Devices project was completed as planned with an under-spending of \$0.315 million. The unspent funds of \$0.300 million provided for Bylaw Harmonization was not utilized as Transportation Services completed the required work internally.

Toronto Police Service spent \$41.773 million or 62.2% of its 2006 approved cash flow of \$67.132 million during 2006. Excluding the purchase of land which is outside of TPS control, the Toronto Police Service has spent 75.3% of its 2006 budget. Major expenditures in 2006 included the construction of the new 23 Division (\$10.704 million), Handheld and Mobile Radio Replacement (\$8.262 million), Police Vehicle Replacement (\$5.033 million), and the New Training Facility (\$3.006 million).

Of the \$25.359 million underexpenditure in 2006, \$14.436 million (57%) is related to Facilities, \$2.036 million (8%) is for Equipment Lifecycle Replacement, and \$8.887 Million (35%) is for IT and Other projects.

Facilities - The under-spending in new facilities is primarily due to delays in acquiring land for new Police facilities, and includes 14 Division \$5.230 million, 11 Division \$2.700 million, 41 Division \$3.254 million, and 54 Division \$1.708 million. For instance, a site was identified for a new 11 Division facility, however, due to various legal and environmental issues, it was not feasible to utilize this site. The Board has requested City Facilities & Real Estate staff to expand and expedite their search for an alternative site for the facility. With respect to a new 14 Division, the City is currently in discussions with the Toronto District School Board to acquire an identified property. Assuming successful acquisition of this property in 2007, design is anticipated to commence in 2007 with construction starting in second quarter 2008. In addition, the construction of the New Training Facility which was expected to start in 2006 is delayed to the first quarter 2007 (\$1.092 million), however this is offset by accelerated expenditures in the

construction of 23 Division (\$0.296 million). The total project cost for 23 Division is on budget, and is expected to be completed in second quarter 2007.

Information Technology & Other - Remaining underexpenditures are primarily related to delays with several Information Technology Projects including Digital Video Asset Management (\$2.098 million) which was delayed due to RFP process to hire Project Manager and Development staff; Time Resource Management System functionality upgrade (\$1.956 million) delayed to stabilize environment related to initial implementation before with upgrades; Human Resources Management System functionality upgrade (\$1.437 million) delayed to assess the ramifications of acquisition of Peoplesoft by another vendor; and Strong Authentication security improvement project (\$0.633 million) delayed to hire a consultant to purchase/develop the software. Funding for these IT projects will be carried forward into the 2007 budget.

Toronto Public Health spent \$2.784 million or 74.8% of its 2006 approved cash flow of \$3.721 million. The under expenditure is attributed to the following three projects: the PHIPA System Compliance project's (\$0.357 million) key information security software required for the completion will only be available in early 2007; the North York Dental Clinic project (\$0.263 million) is currently on hold pending the result of a new Request for Quotation (RFQ); and the Animal Services On-Line Licence System project (\$0.317 million) experienced difficulties in recruiting key IT resources resulting in deferral of the completion of the second and final version of the application to 2007.

Toronto Public Library spent \$12.468 million or 80.9% of its 2006 approved cash flow of \$15.412 million at year-end. The under-spending is mainly attributed to the following projects:

- ♦ The Jane / Sheppard Neighbourhood Library Relocation project was delayed as the development approval issues experienced by co-developer Shelter, Housing & Support have not been resolved, resulting in an under-expenditure of \$0.372 million;
- ♦ A longer than planned approval process, given this building's heritage designation, delayed construction of the Bloor/Gladstone Library Expansion Project, resulting in an under expenditure of \$0.479 million;
- ♦ A number of recently awarded construction tenders were higher than expected, which made it necessary to modify the design of the S. Walter Stewart Branch Renovation to stay within the approved funding. As a result, the construction phase of the project was delayed, resulting in an under-expenditure of \$0.896 million; and,
- ♦ A Fire System Audit conducted at the Toronto Reference Library (TRL) revealed that the scope and specifications of the project to replace the existing fire alarm had to be expanded to include additional electrical and mechanical building components that were not compatible with the new fire alarm system, delaying the vendor selection and resulting in an under-expenditure of \$0.354 million.

Toronto Transit Commission's (TTC) 2006 Approved Capital Budget of \$552.835 million (including a \$0.400 million in-year adjustment for the Cumberland entrance to the Bay Subway Station) was \$505.5 million or 91.4% spent as of December 31, 2006. The major expenditures in 2006 included the following:

- ♦ 80 low floor diesel buses, as well as 150 low floor diesel/electric hybrid buses (\$148.9 million), were purchased to replace obsolete buses. An initial payment toward the purchase of 234 subway cars (\$105.5 million) was made. Streetcar track was installed with the majority of the work done on St. Clair Street West between Yonge and Tweedsmuir and also between Bathurst and Vaughan (\$29.1 million). Construction of the Mount Dennis Bus Garage continued (\$30.0 million) in anticipation of 100 new ridership growth buses to be delivered in 2007.
- ♦ A significant part of the underspending is attributable to the six projects listed below:
 - Surface Track - \$13.266 million or 31.3% of the 2006 approved cash flow of \$42.366 million for this project was unspent. The underspending is mainly due to the deferral of work on the Reserved Transit Lanes on Fleet Street (to 2007), of Special Trackwork - St. Clair West Station (to 2007) and of Bathurst & Hillcrest Yard work (to 2009). It is partially offset by increased costs for the Judicial Review on St. Clair Avenue West.
 - Equipment – Various - \$4.725 million or 78.4% of the 2006 approved cash flow of \$6.025 million for this project was unspent. The underspending is mainly due to the decision to combine the Greenwood Carhouse Vehicle Exterior Wash work with Wilson Carhouse Exterior Wash work and reschedule to 2007, and due to deferral of Ventilation Upgrade and Modification work at the Arrow Road & Malvern Bus Garages to 2007 which resulted from delays in completing the design.
 - Fire Ventilation Upgrade - \$6.660 million or 47% of the 2006 approved cash flow of \$14.160 million for this project was unspent. The underspending is due to delays in completing work at York Mills and additional work related to fan design which have caused the project to continue into 2007. As well, Second Exit work at College Station and Castle Frank Station to provide for the installation of elevators under Easier Access program was deferred to 2007. This work was deferred due to the need for a revised design to allow for the daily use of the second exits.
 - Other Building & Structure Projects - \$12.824 million or 53.4% of the 2006 approved cash flow of \$24.024 million for this project was unspent. The underspending is mainly due to design work and masonry rehabilitation work being delayed due to a lack of resources both internally and externally. The rehabilitation work could not be begun in 2006 before the onset of winter weather. This has resulted in delays until 2007 to projects including various Facility Renewal projects, the Spadina Subway Extension to York University and the Environmental Assessment for Waterfront West Streetcars CNE to Roncesvalles.
 - Purchase of Buses - \$4.726 million or 3.1% of the 2006 approved cash flow of \$153.626 million for this project was unspent. The underspending is due mainly to preliminary

acceptance of 6 buses in late 2006 which caused the final acceptance payment into 2007. Commissioning for 32 buses also will be completed in 2007 along with spare and test parts.

- Purchase of Subway Cars - \$5.565 million or 5% of the 2006 approved cash flow of \$111.065 million for this project was unspent. The variance is due to changes in the escalation contract terms of payment and projected delivery schedule, impacted by a delay in the expected contract award. The final negotiation of the subway car contract with Bombardier was awarded December 21, 2006.

Yonge/Dundas Square - Yonge-Dundas Square Board of Management spent \$0.473 million or 63% of its \$0.755 million 2006 approved cash flow. Under-spending is due to the Stage Canopy 2006 project (\$0.125 million) requiring design modifications to meet City building safety standards and code, thus delaying completion until spring of 2007. The Yonge-Dundas Square Lighting project with a cash flow of \$0.120 million can not move forward until the stage canopy construction is completed first and the oculus area cleared of obstructions and events for the installation of additional lighting. The cash flows to finish the stage canopy project and to implement the lighting project will be carried forward into 2007 when both projects are expected to be completed.

Toronto Zoo spent \$3.992 million or 44% of its 2006 approved cash flow of \$9.010 million by year-end. The year-end under-spending of \$5.018 million is mainly attributed to tendering issues. During the course of the year, a number of tenders came in over-budget, thereby forcing the Zoo to revise and re-scope the requirements of various projects in order to stay within budget. The subsequent re-tendering of these projects has resulted in significant under-spending for the year and the need to carry-forward unused funds from 2006 to 2007.

Of the \$5.018 million unspent in 2006, \$3.967 million is due to such tendering problems for the North Zoo Site Redevelopment Project (Detailed Design & Tundra Construction - \$2.573 million), for the refurbishment of the Australasia Exhibit and Pavilion Roofing (\$1.051 million), and for Grounds and Visitor Improvements (\$0.342 million). Aside from these tender concerns, the delayed implementation of certain information systems modules (\$0.602 million), and the ongoing electrical/mechanical refurbishment of various buildings (\$0.251 million) account for most of the remaining under-expenditure.

Rate Supported Programs:

For the year ended December 31 of 2006, Rate Supported Programs spent \$272.810 million or 62.8% of their 2006 approved cash flow of \$432.177 million. Excluding projects delayed because of uncontrollable factors, the spending performance would have improved by 7.4% to 70.2%.

Toronto Water: The Program spent \$264.770 million or 67% of its 2006 Approved Capital Budget of \$394.468 million. This level of capital budget spending by Toronto Water represents

a significant improvement of almost \$62.000 million or 30% compared to the 2005 spending rate of \$202.900 million.

Toronto Water had a year-end spending rate of 71% or \$221.572 million for the controllable proportion of the 2006 Approved Capital Budget of \$312.048 million. This represents an 89% completion for targeted funding. The 2006 Toronto water and wastewater rate increase of 9% assumed an 80% completion rate for the 2006 Approved Capital Budget.

Fiscal 2006 saw significant construction proceeding on several large projects, which included the McNicoll Watermain Project; Residue Management Projects at R.C. Harris and R. L. Clark Water Treatment Plants and the Humber Wastewater Treatment Plant. These projects are on schedule and, in several cases, proceeding ahead of schedule. More than 80% of the watermain and sewer infrastructure program was tendered by mid-year.

Although progress was made on the district replacement program during the summer months, a similar rate was not sustained for the fall and winter months, due to the rainy weather. The budget for these projects has all been committed and will be completed in early 2007.

In addition, several Toronto Water projects, such as the Digester Refurbishment Project, experienced lower than expected performance at the end of 2006. Asbestos issues delayed the work at the Ashbridges Bay Treatment Plant. It was anticipated that some of that time could be made up in the fall; however, this did not materialize due to programming and commissioning issues.

Toronto Parking Authority (TPA) spent \$8.040 million or 20% of its 2006 Approved Capital Budget of \$39.709 million. After adjusting for uncontrollable projects, the TPA spending rate would improve be 53%. Work has commenced on many of the controllable projects, with completion anticipated in 2007. The overall level of capital spending resulted from a combination of factors, which include the following:

- ♦ Delays arising from the unavailability of appropriate sites;
- ♦ Delays due to on-going negotiations for identified sites;
- ♦ Projects cancelled because of a low probability of finding an appropriate site; and,
- ♦ Time lags in joint venture arrangements.

Technical Adjustments:

Facilities and Real Estate

The Facilities and Real Estate technical budget adjustments totalling \$1.177 million are to reallocate funds between projects, with no incremental impact on the Council Approved 2006 Capital Budget. In order to maximize the number of completed state-of good repair sub-projects, the Facilities and Real Estate staff reviewed the status of sub-projects and recognized the need to reallocate funds from several projects completed under-budget to projects that were overspent, as detailed in Appendix 2 (Sec 1.i).

Toronto and Region Conservation Authority (TRCA)

TRCA's 2006 Approved Capital Budget of \$6 million was adjusted during 2006 to accommodate \$1.563 million in unspent funding carried forward from 2005 for land acquisition for source water protection, funded entirely from reserve funds (Appendix 2(Sec 2.i)).

Toronto Police Service

As a result of increased expenditures incurred in the Transportation Services subproject "Front St. Extension East - 9 Hanna Purchase" (i.e the new Toronto Police Traffic Services & Garage Facility), the 2006 Capital Budget for this Transportation Services project was adjusted to reallocate \$1.100 million in unspent 2006 funding from two Toronto Police Services capital projects "Jetforms" (\$0.500 million) and "Police Integration Systems" (\$0.600 million) (See Appendix 2(Sec 2.ii)).

Toronto Water

The Toronto Water projects requiring technical adjustments are typically multi-year facility upgrade projects (see Appendix 2(Sec 2.iii)). These projects are proceeding ahead of schedule and as such have exceeded their 2006 cashflow but are within the approved total project cost. Other projects have been deferred to fund the accelerated program.

Similarly on the water main and sewer pipe program, where project funding is typically financed over two years, more than 80% of the program was tendered by mid-year and as a result, some projects were completed ahead of schedule, requiring greater cashflow in the first year of the program.

The technical adjustments will have a \$0 net impact on the 2006 Approved Capital Budget.

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SIGNATURE

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ATTACHMENTS

Appendix 1 – 2006 Preliminary Capital Variance Report – Consolidated Statement
Appendix 2 – Technical Adjustments