

**Transportation Services -
2007 Cashflow Reallocations and Deferrals**

Date:	May 30, 2007
To:	Budget Committee
From:	General Manager, Transportation Services
Wards:	All Wards
Reference Number:	p:\2007\ClusterB\tra\tim\bc07010tim

SUMMARY

The purpose of this report is to reallocate anticipated cash flow expenditures for 2007 commensurate with those projects that are ready to proceed. The division is presently coordinating a multi-year capital works program with the Toronto Water and Technical Services divisions. Moreover, not only will this new planning process address a more efficient renewal strategy for rehabilitating the City's aging infrastructure, it will also make significant advances in minimizing construction disruption and the associated inconvenience to not only motorists but all users of the public right of way including pedestrians, cyclists and transit users.

All users of the public right of way will benefit from this coordinated cross-functional initiative that will make significant advances towards minimizing adverse and costly effects of re-digging recently completed works in addition to allowing for the much needed improvement of current completion rates of the various construction projects from both Transportation Services and Toronto Water. This new course of action, once fully implemented, will secure a fixed capital program that encapsulates a full five years worth of work well in advance of any construction activity as shown in the accompanying schematic Attachment 1 (Typical Planning Process of a Capital Works Program).

In the interim, 2007 cash flows will need to be realigned that best match to those program areas that are ready to proceed. This will involve the deferral of 2007 approved cash flows and a corresponding acceleration of others that will yield a zero net impact on approved debt targets for 2007. And, as part of the upcoming 2008 budget process, projects will be revisited and cash flows reassessed accordingly so that approved five year targets are not altered.

RECOMMENDATIONS

The General Manager of Transportation Services recommends that:

1. The deferred and accelerated gross cash flows in the amount of \$18,800,000.00 detailed in Table 1, attached, which have no net impact on the approved 2007 net debt target, be approved;
2. The deferred gross cash flows in the amount of \$29,500,000.00 detailed in Table 2, attached, which represent uncontrollable third party funding from others and, which have no net impact on the approved 2007 net debt target, be approved;
3. The General Manager, Transportation Services, be requested to report back to the Budget Committee as part of the 2008 Capital Budget process, on a revised five year plan; and
4. The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Implementation Points

Reallocated cash flows will significantly enhance the divisions spending performance. The division is currently in the process of coordinating a plan that will address scheduling and long range planning activities in a more efficient manner summarized as follows:

- Years 4 and 5 = Planning and Initial Co-ordination
- Year 3 = Consultation
- Year 2 = Design
- Year 1 = Construction.

Once a project has made its way from long range planning to design, there is little to no opportunity to introduce last minute scope creep that has historically delayed projects and introduced budget funding implications.

Financial Impact

Consistent with the data contained in table 1, attached, funding in the amount of \$18,800,000.00 will be deferred from various projects that for a number of reasons as outlined in the body of this report, will be delayed. In this regard, an equivalent cash flow can be accelerated and reallocated to a number of projects that are ready to proceed. These cash flows represent debt funded projects with no net change to the approved 2007 net debt funding requirement. This reallocation will also meet a previous recommendation as set out as part of the 2007 capital budget deliberations to fund an unspecified funding commitment of \$3.3 million for the St. Clair Avenue transit right-of-way project.

The division is also seeking to defer a total gross approved cash flow of \$29,500,000.00 from 2007 to 2008 representing those fully recoverable projects (work for others) that are also delayed for various reasons outside of the control of the division.

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

DECISION HISTORY

The 2007 Capital Budget for Transportation Services was approved by City Council at its meeting of March 7, 2007. A copy of the Analyst Briefing Notes detailing specifics for transportation related programs can be found at:

http://www.toronto.ca/budget2007/pdf/an_captransp.pdf

This report closely aligns itself with an earlier approval by City Council. In early 2007, a set of guidelines was adopted by City Council that outlines a process emphasising upfront priority-setting, service reviews and a public consultation methodology. This is intended to guide the budget process focussing on a multi-year financial outlook that aligns services with the Mayor's mandate and Council's policy agenda ensuring among other things, the efficient use of resources to deliver service results and outcomes. In this regard, the Transportation Services division will be submitting a follow-up report to the next meeting of the Public Works and Infrastructure Committee to recommend adoption of a cross divisional coordinated infrastructure capital works policy. Background material can be found at:

http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/2007-bu2-5_312.pdf

ISSUE BACKGROUND

Prior to the coordinated cross divisional effort depicted on Attachment 1, Transportation Services made arrangements largely through the Toronto Public Utilities Coordinating Committee to distribute listings of annual and multi-year plans for the rehabilitation of bridges, expressways, roadways, cycling networks, pedestrian orientated amenities, traffic infrastructure and growth related improvements. The undertaking involved:

1. a massive coordination effort with due consideration to multiple consultations with various stakeholders occupying lands within the public right of way including the various utilities (Bell, Rogers, Enbridge Gas, Toronto Hydro, etc), the Toronto Transit Commission, developers, BIAs and a multitude of civic agencies and divisions including City Planning , Parks plus various provincial agencies including GO Transit and the Ministry of Transportation; and
2. a review of the City's 5,500 km of roads for identification for various types of deficiencies. Needs are established as to how the infrastructure is to be repaired

and needs are refined into annual and multi-year programs based on priorities, affected parties, funding availability and co-ordination with all affected stakeholders within the public right of way.

Toronto Water in turn, would review the proposed Transportation Capital Program and identify opportunities to renew the underground infrastructure in advance or jointly with road work, undertake field investigations of the condition of underground infrastructure, and identify stand alone priority projects including the replacement of watermains with high break rates.

The current process is cumbersome and open to delays that not only affect the public at large, but also effective coordination between divisions that ultimately reduce the completion rates of two very large city infrastructure programs.

COMMENTS

Once the process depicted on Attachment 1 is approved and fully established, a framework will be available to allow City Council to approve a fixed program essentially for five years in advance of construction. This will limit in-year changes in scope that severely curtail the timely and cost effective implementation of otherwise imminent works. It will also give local councillors a much higher level of assurance as to when specific works will be completed.

Opportunities currently exist that will allow for the advancement of various contemplated 2008 and 2009 programs this year uniformly across the city. For Transportation Services, this means that a re-allocation of approved cash flows will be required to maximize the acceleration of those projects that are essentially ready to proceed. In this regard, the division is seeking approval for the technical adjustments and reallocations of approved 2007 gross cash flows as shown on the accompanying table 1. This will accommodate higher capital expenditures and will result in a better alignment of cash flows. Justification for the reallocation, by program, includes the following:

- work on the Allen Expressway that can be deferred to better coordinate with ramp work at Lawrence and Eglinton Avenues intersections in future years;
- rail work and structural design for the Dufferin Street Jog Elimination project will necessitate a longer than expected lead time with CN and it is anticipated that work cannot commence until the Spring of 2008;
- land acquisition and structural steel procurement will delay the commencement of bridge and ramp work at Finch / Morningside by about three months;
- roadwork on Bathurst Street, Doris Avenue and the Yonge/YorkMills area involving outside coordination work with several utilities will delay the transportation components of the projects into 2008;

- additional salt management initiatives including two salt dome rehabilitation initiatives, the repair of several weigh scales, new security cameras at two depots and various yard renovations will necessitate an infusion of additional cash flow in 2007;
- various facility improvements at five district yards are contemplated for 2007 that involve higher than expected costs for wash bays, security systems and asphalt paving;
- a much higher than expected ability to deliver local road resurfacing projects arising from improved coordination between city divisions will allow for a 50% increase in the number of local roads that can be rehabilitated this year;
- the timing of some of the expropriations in connection with the North Yonge Centre ring-road project are delayed by a few months and as such, some of the negotiations are not expected to be completed until late this year or early 2008;
- unforeseen Toronto Hydro work along the planned dedicated St. Clair Transit right of way have necessitated the tendering of major civil works to be deferred to the Fall of this year rather than the Spring, as originally planned;
- ongoing discussions with Bloor-Yorkville members and planners regarding design amenities have caused delays to some of the site servicing of underground utilities associated with the Bloor Street Transformation project delaying the commencement of major surface restoration work into the summer of 2008.

The division will be submitting a revised five year capital plan that will account for the re-programming of timelines to implement various needed works. At no time is it intended that there be a net change to the overall approved net debt cash flows for 2007 and each of the remaining years of the five-year capital plan.

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ATTACHMENTS

Table 1: Transportation Services – Capital Budget Adjustments and Reallocation
Debt Funded Programs

Table 2: Transportation Services – Capital Budget Adjustments and Reallocation
Fully Funded Programs from Other Sources

Attachment 1 – Typical Planning Process of a 5-Year Capital Works Program