

Capital Variance Report for the Six-month Period Ended June 30, 2007

Date:	September 13, 2007
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\FP\bc07022FP-wo (AFS #4667)

SUMMARY

The purpose of this report is to provide the City of Toronto Capital Variance Report for the six months ended June 30, 2007, and projected actual expenditures for the year ending December 31, 2007. This report also requests Council's approval of budget adjustments to transfer funds between projects with no incremental impact on the 2007 Council Approved Capital Budget.

Capital expenditures for Tax Supported Programs during the six months period ended June 30, 2007 totalled \$582.851 million, representing 28.9% of the 2007 Approved Budget of \$2.020 billion (see Appendix 1). City Operations spent \$353.242 million or 32.8% of the 2007 Approved Budget of \$1.075 billion, while Agencies, Boards and Commissions spent \$229.608 million or 24.3% of their collective 2007 Approved Budget of \$944.397 million. Rate Supported Programs spent \$68.826 million or 15.7% of the 2007 Approved Budget of \$437.507 million. Capital project activities tend to be concentrated in the latter half of the year, and it is anticipated that spending will accelerate during the summer months in accordance with capital project plans and schedules.

As shown in Appendix 1, projected expenditures to year end total \$2.046 billion or 83.3% of the total Approved Budget of \$2.457 billion. Collectively, Tax Supported Programs project spending of 86.6% of their 2007 Approved Capital Budget, while Rate Supported Programs estimate spending 68.0% of their 2007 Approved Budget. Projected under-expenditures to year end are primarily attributed to delays in awarding contracts as a result of new directions from Council with regards to the 3-1-1 Project; reductions and /

or delays in receipt of funding commitments from other orders of government; staff reassignments to higher priority non-capital projects; and unanticipated legal and environmental issues. In addition, some projects were completed under-budget.

Contents

Topic	See page ...
Recommendations	2
Financial impact	3
Issue background	3
Comments	4
– Citizen Centred Services “A”	4
– Citizen Centred Services “B”	7
– Internal Services	12
– Other City Programs	14
– Agencies, Boards and Commissions (ABCs)	16
– Rate Supported Programs	18
– In-year Budget Adjustments	19
Contact	21
Attachments	21

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the budget adjustments to the 2007 Approved Budget as detailed in Appendix 2 attached, in order to reallocate funds between projects and to increase the 2007 Transportation Services Budget for the St. Clair Phase 2 - Tweedsmuir to Gunn's Rd. Project by \$1.6 million with no impact on debt; and
2. the Budget Committee forward this report to the Executive Committee for its consideration.

FINANCIAL IMPACT

As summarized in Table 1 below, for the six months period ended June 30, 2007, actual expenditures for Tax Supported Programs totalled \$582.851 million or 28.9% of their 2007 Approved Budget of \$2.020 billion. By comparison, during the same period in 2006, these programs had spent 29.3% of their 2006 approved Budget. Tax Supported Programs project a spending rate of 86.6% or \$1.749 billion by the end of 2007.

	2007 Approved Budget	January to June 2007		Total Year	
		\$	%	Projected Actuals to Year-End \$	% of Plan
Tax Supported Programs:					
Citizen Centred Services - "A"	181,765	21,559	11.9%	134,446	74.0%
Citizen Centred Services - "B" (See Note)	700,930	297,806	42.5%	570,430	81.4%
Internal Services	158,846	31,394	19.8%	119,550	75.3%
Other City Programs	33,855	2,483	7.3%	21,529	63.6%
Agencies, Boards & Commissions	944,397	229,609	24.3%	902,747	95.6%
Total - Tax Supported	2,019,792	582,851	28.9%	1,748,702	86.6%
Rate Supported Programs:					
Toronto Parking Authority	27,506	3,521	12.8%	10,632	38.7%
Toronto Water	410,001	65,305	15.9%	287,001	70.0%
Total Rate Supported	437,507	68,826	15.7%	297,633	68.0%
Total	2,457,299	651,677	26.5%	2,046,335	83.3%

Note: Includes Greenlane Landfill

Rate Supported programs spent \$68.826 million or 15.7% of their 2007 Approved Budget of \$437.507 million. It is estimated that by year-end, expenditures will approximate \$297.633 million or 68.0% of the 2007 Approved Budget.

ISSUE BACKGROUND

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

This report details capital spending performance for the first six months of 2007 as well as spending projections to year end. It identifies factors that negatively impact planned capital spending performance and, where relevant, proposes appropriate corrective action(s).

COMMENTS

CAPITAL VARIANCE BY CLUSTER AND PROGRAM

Citizen Centred Services “A”

For the six months ended June 30, 2007, actual capital expenditures for this Cluster totalled \$21.559 million or 11.9% of the 2007 Approved Budget of \$181.765 million. Capital spending for Citizen Centred Services “A” is expected to increase to \$134.446 million or 74.0% of the approved Budget by year-end. Capital spending performance, including explanations of significant under-spending for Citizen Centred Services “A” is summarized below.

3-1-1 Customer Service Strategy’s actual expenditures for the six months ended June 30, 2007 totalled \$1.909 million or 11.5% of the 2007 Approved Budget of \$16.639 million. The Program’s projected spending is \$5.607 million or 33.7% of the 2007 Approved Budget by year-end. Overall, the spending rate is lower than originally planned.

At its meeting of March 5, 6, 7 and 8, 2007, Council directed that a new call document for the 3-1-1 Technology RFP be issued. This resulted in an extension to the evaluation and recommendation schedule by approximately three months. This change to the schedule has delayed the technology contract award date into the third quarter of 2007. As a result of the Technology RFP extension, the completion of several other interrelated sub-projects has been extended into 2008. It is anticipated that significant spending will begin during the first quarter and continue through the 2nd and 3rd quarters of 2008. The remainder of the project is on target.

Children’s Services spent \$0.407 million or 4.2% of its 2007 Approved Budget of \$9.704 million. Children’s Services’ projected spending by year-end is \$3.267 million or 33.7% of its 2007 Approved Budget of \$9.704 million. This under-expenditure is mainly attributed to the following:

- ◆ The Health and Safety project will be underspent as the Program is currently not expecting to receive the \$4.0 million share (80%) of provincial funding. The budgeted \$1.0 million debt funded municipal share is anticipated to be fully spent by year-end.
- ◆ The Best Start project, fully funded from the Child Care Expansion Reserve Fund - Best Start (CCERF), has been cancelled resulting in an under expenditure of \$1.95 million or 100% of its approved budget. With the reduction of Best Start funding by the Province, Children’s Services will be directing the CCERF towards the operating budget to maintain Best Start operating expenses.
- ◆ The New Child Care Centre project is expected to be under-spent by \$0.487 million as the possible site for Child Care Centre B is still under negotiation with the property

owner. The Thorncliffe Park Child Care project will commence in the 3rd Quarter and is projected to be fully spent by year-end.

The remaining City funded projects are expected to be 100% spent by year-end.

Court Services' capital expenditures for the six months ended June 30, 2007 was \$0.806 million or 15.2%; projected spending to year-end is \$1.214 million or 22.9% of the 2007 Approved Budget of \$5.299 million. All projects are funded from the Provincial Offences Court Stabilization Reserve Fund, and have no impact on the City's debt. The low spending performance is attributed to the following projects:

- ◆ Installation and implementation of the Digital Audio Recording equipment is now expected to be 13.6% spent by year-end. Contract negotiations are ongoing between City Legal staff and the selected vendor. Work on this project will continue into 2008.
- ◆ Development of the Court Case Records Management System is deferred to 2008 due to the redeployment of professional and technical staff resources to support the high priority Alternate Dispute Resolution (ADR) Project.
- ◆ The Courthouse Facility Renovation work in the South District will be 33.3% spent by year-end and the remaining refurbishing work at Old City Hall will continue into 2008. Approximately 65% of the estimated capital expenditure pertains to the Old City Hall renovations which require major electrical upgrading. The additional electrical capacity is needed before new offices can be occupied in the attic of Old City Hall. The architectural design work has been completed; however this project has been deferred to 2008 pending Council's consideration of a staff report on South Courthouse consolidation/relocation being submitted in the fall of 2007.
- ◆ The Facility Renovation work in the East District is complete and is ready for close-out since the construction of a sally port is no longer feasible.

Economic Development, Culture & Tourism: The Program spent \$3.328 million or 18.1% of the 2007 Approved Budget of \$18.434 million. A majority of the 2007 planned projects are underway and expected to be completed by the end of the year. The Program is projecting to spend \$13.254 million or 71.9% of the 2007 Approved Budget at year-end. The projected year-end under spending of \$5.180 million is mainly attributed to: construction cost savings for the 2007 phase of the Casa Loma project; extended legal reviews for both the Todmorden Mills and Fort York Restoration projects; technical design difficulties for the Bloor West Village BIA Streetscape project; and prolonged negotiations with the funding partner for the Canada's Walk of Fame project.

Emergency Medical Services' (EMS) actual capital expenditures for the six months ended June 30, 2007 totalled \$2.025 million or 22.1% of the 2007 Approved Budget of \$9.166 million. EMS' projected expenditure to year-end is \$6.427 million representing 70.1% of the 2007 Approved Budget. The projected year-end under-spending is mainly attributed to the following projects:

- ◆ The Station Rehabilitation projects for Stations # 14, 17 and 19 totalling \$1.771 million are currently on hold pending Council's decision on the Centralized Book-on Station (CBOS) system. Excluding these projects, the projected spending rate for EMS in 2007 would be 90%;
- ◆ The Station #29 Rehabilitation project was delayed as the Program had difficulty finalizing an appropriate site to relocate this station without an increase in the project cost thus resulting in a projected under-expenditure of \$0.5 million for 2007.

Homes for the Aged's capital expenditures for the six months ended June 30, 2007 totalled \$1.2 million, or 11.1% of the 2007 Approved Budget of \$10.8 million. The Program is projecting spending of 100% of the 2007 Approved Budget at the end of the year. All of the planned maintenance projects are underway.

Parks, Forestry and Recreation spent \$10.036 million or 10.7% of the 2007 Approved Budget of \$93.984 million during the six-months ended June 30, 2007. The Program is projecting spending of \$77.402 million or 82.4% of its 2007 Approved Budget by year-end. The majority of projects are underway and are expected to be completed by year-end. It is estimated that \$16.170 million of unspent funds will be carried forward to 2008 to be spent on the following projects:

- ◆ Community Centres (\$6.0 million) due to a change in the scope of the Jenner Jean Marie Community Centre project;
- ◆ Facility Components (\$3.0 million) – Council's decision to defer the implementation of the 3-1-1 Customer Service Strategy project;
- ◆ Park Development (\$2.75 million), including:
 - Storm Damage (\$1.0 million) - Toronto and Region Conservation Authority (TRCA) anticipates that it might not be able to complete all budgeted storm damage work by the end of 2007;
 - Wychwood Barns - Phase Three (\$0.5 million) awarding the construction contract has been delayed after the initial bids came in above budget and the project had to be tendered again;
 - all Parks Development projects in Ward 20 (\$0.25 million), pending a review of the original project scope, at the request of the Ward Councillor.
- ◆ Arenas (\$2.7 million) - Public opposition to the proposed location of the Col. Sam Smith Outdoor Ice Rink and work on the change rooms at Mitchell Field was deferred to Spring 2008 to accommodate pool users in the summer season and ice hockey users in the winter season;
- ◆ Outdoor Recreation Centre (\$0.82 million), pending confirmation of the location of the Skateboard Park (\$0.5 million) and a revision of the layout of the Tam Heather Tennis Dome to meet user requirements (\$0.32 million);
- ◆ Environmental Initiatives (\$0.2 million) - Tenders for winter work have been delayed to the Fall of 2007 and construction will continue into 2008; and

- ◆ Special Facilities (\$0.2 million) - A conflict between facility programming commitments and construction schedules, has pushed some work into 2008.

Shelter, Support and Housing Administration's capital expenditures for the six months ended June 30, 2007 totalled \$1.745 million, or 10.9% of the 2007 Approved Budget of \$16.039 million. The Program's projected spending to year end is 92.1% of the 2007 Approved Budget. This is a realistic projection, given that all construction initiatives are well underway, with the majority of the spending occurring in the second half of the year. Eva's Youth Shelter is on schedule and is targeted for substantial completion in February, 2008. Construction for the Bethlehem United project is scheduled for completion in October, 2007.

Social Services spent \$0.104 million or 6.1% of its 2007 approved budget of \$1.7 million during the six-month period ended June 30, 2007. Social Services projects spending of 100% of its approved budget by year-end. A Request for Proposal for the Streamlined Web-based Access to the Social Assistance sub-project and the recommended suitable vendor is expected shortly.

Citizen Centred Services "B"

For the six months ended June 30, 2007, actual capital expenditures for this Cluster totalled \$297.806 million or 42.5% of the 2007 Approved Budget of \$700.930 million. Capital spending for Citizen Centred Services "B" is expected to increase to \$570.430 million or 81.4% of the 2007 Approved Budget by year-end. Capital spending performance, including explanations of significant under-spending for Citizen Centred Services "B" is summarized below.

City Planning's capital expenditures for the six months ended June 30, 2007 totalled \$1.392 million or 13.1% of the 2007 Approved Budget of \$10.604 million. The Program's projected actual expenditures to year-end will be \$7.168 million or 67.6% of the 2007 Approved Budget. City Planning's projected year-end underspending is primarily attributed to the following projects;

- ◆ The New Zoning By-Law 2005-2007 project is estimated to have year end expenditures of \$1.250 million or 60.0% of the 2007 Approved Budget of \$2.083 million due to insufficient staff resources and challenges in attracting and hiring qualified staff;
- ◆ The Kingston Road Environmental Assessment Study projected spending by year end will be \$0.15 million or 25% of the 2007 Approved Budget of \$0.6 million. A delay in The Terms of Reference, which have been drafted but will not be submitted to the Ministry of the Environment in the third quarter of 2007 have been delayed as the required public consultation was not completed until the second quarter of 2007;
- ◆ The OMB Legal Costs project's estimated expenditures at year end will be \$0.131 million or 26.2% of the 2007 Approved Budget of \$0.500 million. The projected

under spending is the result of difficulties in the scheduling of OMB hearing times. Pre-hearings and hearings have been scheduled in the second and third quarters of this year; and,

- ◆ The Don Mills Environmental Assessment Study is expected to have expenditures of \$0.047 million or 10.9% of the 2007 Approved Budget of \$0.433 million by year-end. The projected underspending is the result of a delay in the Terms of Reference approval due to the need to address comments from community groups and the need to reassess the project in context of the Transit City Plan. The completion of this project has been deferred to late 2008 or the first quarter of 2009.

Fire Services' capital expenditures for the six-month period ended June 30, 2007 totalled \$2.135 million or 24.1% of the 2007 Approved Budget of \$8.841 million. Fire Services is forecasting that spending will increase to 91.3% of the 2007 Approved Budget by year-end.

- ◆ As of June 30, 2007, the new Station C on Sheppard Ave. between Leslie St. & Bayview Ave. is 66% spent out of a total 2007 Approved Budget of \$2.242 million and is expected to be complete in 2007.
- ◆ Asset Management projects are 5% spent out of a total 2007 Approved Budget of \$2.121 million. Under spending is due to planning delays. This amount includes the Headquarters Power System Upgrade project. It is projected, based on the current estimates from Corporate Facilities, that capital project activities and spending will continue in accordance with plans and be 100% complete at year end.
- ◆ Heavy Urban Search and Rescue (HUSAR) projects are 18% spent out of a total 2007 Approved Budget of \$1.379 million. Spending for the second period was focussed on HUSAR/ Joint Emergency Preparedness Program (JEPP) 06/07, with 48% spent funding equipment and supplies. The HUSAR/JEPP 05/06 project was 54% spent in 2006 or \$1.039 million out of a budget of \$1.909 million. The remaining balance of \$0.870 million was carried over to 2007 and re-submitted to the Federal JEPP program for re-approval. Fire Services is projecting 100% spending by year-end once this re-approval is received.
- ◆ Work continues on the Computer Aided Dispatch/Record Management System (CAD/RMS). As of June 30, 2007, this project is 2% spent out of a total 2007 Approved Budget of \$0.535 million. Under spending is due to procurement delays. This final phase of the record management component of the CAD/RMS system implementation was deferred to 2007 for the outfitting of the Command Post Vehicle and additional software requirements which will be completed by year-end.
- ◆ Other under-spending will be in the following projects:
 - Training Facilities Renovation,
 - Communication Centre Quality Assurance Study,

- Back-up Consoles projects,
- Toryork Bays Extension,
- Antenna Tower Remediation,
- Hand-Held Wireless Devices,
- the Downtown Waterfront Radio Coverage Enhancement,

Most variances in this group of projects are the result of project and procurement planning delays. The combined 2007 Approved Budget for these projects is \$1.993 million which represents 23% of the 2007 Approved Capital Budget. Fire Services is projecting 61% spending by year-end for this group of projects. The unspent funds will be carried over to 2008.

Policy, Planning, Finance and Administration's capital expenditures for the six months ended June 30, 2007 totaled \$0.884 million or 12.9% of its 2007 Approved Budget of \$6.831 million. The major expenditures to date have been for Computer System Integration of \$0.171 million and Business Sustainment Systems of \$0.124 million. Policy, Planning, Finance and Administration is projecting that \$6.190 million or 90.6% will be spent by year-end, resulting in unspent funding of \$0.641 million. The majority of the Program's under-spending is attributed to the following 4 projects:

- ◆ Business Sustainment Systems - \$1.764 million or 6.6% of the 2007 Approved Budget for this project was spent. The program expects to spend \$1.117 million or 59.2% of the 2007 Approved Budget. The projected under-spending is attributable to the Remote Computing project which is behind schedule due to a delay in completing the Request for Quotes. Other projects such as the Cross Divisional Image Management and Cross Divisional Zoning By-law are being deferred to 2008 as 2007 Cost Containment measure.
- ◆ 2007 Asset Preservation - \$0.983 million or 2.6% of the 2007 Approved Budget for this project was spent. The Program is expected to be completed and fully spent by year-end.
- ◆ Mainframe Application Replacement - \$0.836 million or 9.9% of the 2007 Approved Budget is spent. There have been difficulties in hiring the approved 4 Systems Integrators as per the project time line. Projected actual expenditures will be \$0.542 million or 58.4% of the 2007 Approved Budget by year-end.
- ◆ I.T. Disaster Recovery Plan - \$0.601 million or 15% of the 2007 Approved Budget for this project was spent. Although the project is slightly behind schedule, it is expected to be completed by year-end.

Solid Waste Management Services has spent \$224.352 million or 84.2% of its 2007 Approved Budget of \$266.298 million. The major expenditures were related to the acquisition of the Green Lane Landfill site at \$222.741 million. Solid Waste Management Services is projecting that \$248.176 million or 93.2% of its 2007 Approved Budget will

be spent by year-end, resulting in unspent funding of \$18.122 million. Year-end under-spending is mainly attributed to the following projects:

- ◆ Diversion Facilities (\$13.592 million) – The major portion of the under-spending (\$7.180 million) is attributable to the Residual Waste Containers Project. Due to long production lead times, this project funding will be carried over to 2008. Anticipated under-spending in the Mechanical - Biological Treatment Facility Project (\$1.999 million) will be carried forward into 2008 for the design and specifications of the Residual Waste Management Facilities. The under-spending in the Reuse Centre Project (\$2.310 million) is driven by the recent Council decision not to build the centre at Ingram site, and the amount will be carried over to future years. Funding for Transfer Station Modification Project (\$1.127 million) was originally requested for the completion of Bermondsey and Scarborough covered bunker, and this project is permanently deleted as part of the 2007 Cost Containment initiatives. The under-spending of the Residual Waste Management Facility project (\$0.485 million) is attributed to Council's recent decision not to submit the Proposed Terms of Reference to the Ministry of Environment, thereby not initiating an Individual Environmental Assessment process. This has been included as capital Cost Containment measure.
- ◆ Transfer Station Asset Management (\$2.832 million) - The major portion of the under-spending (\$1.744 million) is attributable to the new staff facilities at Dufferin Transfer Station. This project will be deferred to 2008 due to delays in finalizing the design specifications process to meet the new Toronto Green Development Standards.
- ◆ Perpetual Care of Landfill (\$1.648 million) - A major portion of the under-spending (\$0.490 million) is attributable to work on the leachate collection system extension at Thackey Landfill, which will be deferred to 2008, due to design delays. The planting of trees on Brock West (\$0.150 million) is no longer required this year. Other under-spending is attributable mainly to the postponement of investigative and remedial work at various old landfills, and slower than anticipated investigation, design and approval process.

Transportation Services' capital expenditures for the period ended June 30, 2007 totalled \$68.935 million or 19.5% of the 2007 Approved Budget of \$352.655 million. The year-to-date expenditures reflect two months of construction activity; typically, most expenditures during the latter half of the year. Transportation Services projects that \$256.237 million or 72.7% of its 2007 Approved Budget will be spent by year-end. Projected spending includes consideration of re-allocations of funding that were approved by City Council on July 16, 2007 to projects which are ready to proceed. The impact of the re-allocations on the 2007 Approved Budget will be a reduction of \$53.762 million in available spending which increases the projected spending rate at year-end to 76.9%. Transportation Services has also deferred \$0.620 million in capital spending as 2007 Cost Containment measure.

Transportation's capital work consists of two main categories of capital projects: State of Good Repair and Infrastructure Enhancement.

- ◆ Spending for State of Good Repair projects for bridges, local and major roads and expressways to June 30, 2007, total \$36.354 million or 22% of the 2007 Approved Budget is projected to be 86.1% spent at year-end (\$142.306 million). The major expenditures in 2007 include local and major road reconstruction and resurfacing (\$79.164 million); sidewalk construction (\$16.325 million); rehabilitation and repair of city bridges (\$31.176 million); and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$11.600 million).
- ◆ Spending on Infrastructure Enhancement projects total \$29.803 million or 17.1% of the 2007 Approved Budget and is projected to be \$100.513 million spent at year-end. The major expenditures in 2007 are for work on the Simcoe Street Tunnel to improve traffic flow south of Front Street (\$10.0 million).

Of the \$96.418 million in total projected under-expenditure at year-end, \$73.99 million is mostly due to under-spending on Infrastructure Enhancement projects such as:

- ◆ The St. Clair Dedicated Right of Way project will be 15.1% spent at year-end, out of a budget of \$44.787 million for Phase 2 of the project. Projected expenditures to year end for this multi-year project is 27.2% of a total project cost of \$71.472 million for Transportation Services (fully recoverable from the TTC). Progress on this project was delayed due to lead times required by Toronto Hydro to relocate some of its underground plant.
- ◆ The Bloor Street Transformation is only projected to be \$0.900 million spent at year-end out of a 2007 Approved Budget of \$13.0 million. The project is currently undergoing engineering and design change which should be finalized by the third quarter enabling most spending to occur in 2008/2009.
- ◆ The Dufferin Jog Elimination project will be \$4.8 million or 37.5% spent at year-end out of a 2007 Approved Budget of \$12.809 million. Construction has been delayed due to finalizing property expropriations; however demolition tenders were issued and work is proceeding.
- ◆ The North Yonge Centre Service Road project will be \$8.34 million or 52.9% spent at year-end out of a 2007 Approved Budget of \$15.767 million. The under-expenditure is due to a delay in property acquisitions and utility relocations.
- ◆ The Morningside/Finch Rail Grade Separation project will be \$8.952 million or 49.9% spent at year-end of a 2007 Approved Budget of \$17.922 million. The under-spending is due to delays in property acquisitions / easements and limited timelines available to implement rail related work on CN lands.

Waterfront Revitalization Initiative's capital expenditures for the six months ended June 30, 2007 totalled \$0.110 million or 0.2% of the 2007 Approved Capital Budget of \$55.701 million. The Program's projected expenditures to year end are estimated at \$44.586 million or 80.0% of the 2007 Approved Budget.

The limited spending during the six months ended June 30, 2007 is the result of City funds not being requested or released to Waterfront Toronto in 2007. Waterfront Toronto has confirmed its intent to spend the full amount of the 2007 Approved Budget for

Waterfront Revitalization by year-end. Nevertheless, given the Corporation's on-going under-expenditure pattern, year-end expenditures have been projected at 80.0% and the City will develop a Memorandum of Understanding with Waterfront Toronto confirming deliverables for 2008 on a project-by-project basis.

Internal Services

Internal Services spent \$31.394 million or 19.8% of the 2007 Approved capital Budget of \$158.846 million during the six-month period ended June 30, 2007. Capital spending for this Cluster will increase to \$119.550 million or 75.3% of the 2007 Approved Budget by year-end. Spending performance for Internal Services Programs is summarized below.

Facilities and Real Estate (F&RE) had expenditures of \$7.551 million or 19.3% of the 2007 Approved Capital Budget of \$39.134 million during the six-month period ended June 30, 2007. This spending rate is consistent with project schedules for construction. Typically, the majority of cash flow funding is spent in the third and fourth quarters, after construction contracts are tendered and awarded. F&RE is projecting spending of \$36.782 million or 94% of the 2007 Approved Budget by year-end. The projected spending rate includes cost containment measure (City Hall Second Floor Renovations deferral) of \$1.0 million or 2.6% of the 2007 Approved Budget.

Financial Services' capital spending for the six months ended June 30, 2007 was \$1.073 million or 10.0% of the 2007 Approved Budget of \$10.763 million. Financial Services' projected spending will be \$7.689 million or 71.4% of its 2007 Approved Budgets of \$10.763 million by year end.

The projected spending rate of 71.4% is primarily attributed to the following projects:

- ◆ Workflow and Document Management and Imaging projects - Preliminary work on requirements gathering and system design is currently proceeding slower than planned and is impacting spending for these projects; however, under spending is projected at \$0.6 million at year end for Revenue Services. As a result of the cost containment measures, the Revenue System Phase II Cashiering software initiative of \$0.400 million has been deferred to 2008;
- ◆ Delays in finalizing Local 79 wage harmonization during 2006 has resulted in under spending in the Collective Agreement Implementation project (\$0.4 million);
- ◆ Program Planning Information Development project (\$0.5 million) is currently re-assessing Phase 2 resource requirements which will impact spending for 2007;
- ◆ The Parking Tag Management Software Upgrade project (\$0.4 million) in Revenue Services will be deferred to 2008 due to extensive process and system requirements work with the Parking Tag Alternate Dispute Resolution process.

Fleet Services' capital spending for the six months ended June 30, 2007 was \$17.630 million or 23.2% of its 2007 Approved Budget of \$76.080 million. Fleet Services projected expenditures to year-end will be \$51.996 million or 68.3% of its 2007

Approved Budget. The projected under-spending is primarily due to manufacturer's build out dates; and heavy and specialized vehicles with 2007 taking longer than planned to assemble which affect delivery dates. In addition, it is taking longer than anticipated to obtain vehicles with 2007 environmental compliant engines. As a result, many of these vehicles will not be delivered until the first quarter of 2008.

Information and Technology's capital spending for the six months ended June 30, 2007 was \$2.175 million or 11.9% of its 2007 Approved Budget of \$18.326 million. The Program is projecting spending of \$13.206 million or 72.1% of its 2007 Approved Budget by year end. The projected under spending is primarily due to the following:

- ◆ Enterprise Application Implementation (EAI) project (\$0.844 million): This project is integral to the 3-1-1 project, and the key dates have been extended. At its meeting of March 6, 7, and 8, 2007, Council directed that a new call document for the 3-1-1 Technology RFP be issued. This resulted in an extension to the evaluation and recommendation schedule. This change to the schedule has delayed the expected technology award date into the third quarter of 2007. As a result of the Technology RFP extension, the completion of several other interrelated sub-projects has been extended into 2008.
- ◆ Enterprise Patch Management (\$0.934 million): The Patch Management tool project will not proceed. I&T will continue with investigation/testing of alternative patch delivery strategies. The long term strategy for Enterprise Patch Management will be revisited in the Enterprise Systems Management (ESM) review.
- ◆ SAP Business Warehouse Implementation (\$0.660 million) - Planning & Scoping: This project is connected to the Financial Planning's project: Program Planning Information Development which is currently re-assessing Phase 2 resource requirements. As a result the purchase of hardware and software by Information and Technology's project is being deferred until 2008, in the amount of \$0.390 million.
- ◆ Website redesign (\$0.308 million): There are currently three web projects in progress. The development/implementation strategies for all three of these must be consistent. Due to this added layer of complexity, there has been a delay in getting the RFP issued, which is delaying progress on these projects. This project will be continuing into 2008.
- ◆ Server-Project Management Methodology (\$0.110 million): Some of this project's work plan has been put on hold, pending the establishment of a Portfolio Management section for Information and Technology as part of the IT Governance review, who will determine the future direction of this project.
- ◆ Cost Savings (\$0.383 million): Savings are expected to be achieved due to favorable pricing for licensing, hardware and software.

I & T Sustainment Project capital spending for the six months ended June 30, 2007 was \$2.965 million or 20.4% of the 2007 Approved Budget of \$14.543 million. I&T

Sustainment is projecting spending of \$9.878 million or 67.9% of the 2007 Approved Budget by year-end.

The challenges facing the Sustainment Program include limited disposal options for decommissioned equipment and a shortage of storage facilities. As a result, large scale monitor deployments have been delayed. A new disposal policy was approved by City Council in July and a Request for Quotation (RFQ) has been issued to select a vendor. Deployments are expected to resume in the 3rd quarter of 2007.

The under-spending is primarily attributed to the Voice Mail Replacement project (\$2.0 million of which \$0.133 million has been deferred for consideration for transfer to the 3-1-1 project) where the solution proposed by the existing service provider is not acceptable and as such an RFQ was approved in May 2007 for a replacement voice messaging platform. Implementation has been deferred to 2008. The Service Desk Automatic Distribution Replacement project (\$0.250 million) has been deferred for consideration to transfer to the 3-1-1 project, and will be incorporated into the Voice Mail Replacement project in 2008.

In addition, the under-spending is also due to the Storage and Servers project being delayed because of electrical and floor space shortage at the Don Mills Data Centre. Concurrently, the Program is able to obtain better than expected pricing for the servers, and fewer server replacements are required resulting from a consolidation of servers.

Other City Programs

Other City Programs collectively reported actual expenditures of \$2.483 million or 7.3% of their 2007 Approved Budget of \$33.855 million during the six-month period ended June 30, 2007. Capital spending for this group of Programs will increase to \$21.529 million or 63.6% of the 2007 Approved Budget by year-end. Spending performance, including explanation of significant under-spending for Other City Programs is summarized below.

City Clerk's Office's capital spending for the six months ended June 30, 2007 was 0.910 million or 7.9% of its 2007 Approved Budget of \$11.555 million. The Program is projecting spending of \$6.443 million or 56% of the 2007 Approved Budget by year-end. This assumes that \$3.4 million of the \$6.3 million approved for the Print Shop site acquisition would be spent by year-end. However, the potential acquisition of the property at 40 Titan Road for \$3.4 million was not approved by Council at its meeting of July 16-19, 2007, and directed that all Councillors be requested to suggest potential sites, and that if the Chief Corporate Officer can find a suitable site costing less than \$3.4 million, he be delegated the authority to purchase the site. \$9.365 million of the 2007 Approved Budget was approved for the relocation of the Print Shop, including site acquisition and retrofit. The Program's projection to year-end indicates that should a suitable location be found, the cost will be significantly less than originally estimated. In addition, two order pickers were purchased at \$0.012 million less than budgeted.

Energy Retrofit Program actual expenditures for the six months ended June 30, 2007 totalled \$0.930 million or 10.1% of the 2007 Approved Capital Budget of \$9.226 million. All previously approved projects are completed or are under construction. The spending rate by year-end is projected to be 75.1% or \$6.926 million, due to an **anticipated** construction delay in the implementation of energy retrofits for Pools and Community Centres as well as longer than expected time to award contracts for two new projects: Solid Waste Stations and Police Buildings retrofits.

Union Station Project capital expenditure during the six months ended June 30, 2007 totalled \$0.515 million or 4.6% of its 2007 Approved Budget of \$11.131 million. The projected expenditure at year-end is \$7.166 million or 64.4% of the 2007 Approved Budget. The under-spending in the second quarter is primarily attributed to construction delays for the York Street Expansion Joint project which had to be coordinated with Go Transit's work on the train tracks at the same location. Go Transit has started work on the tracks later than anticipated due to changes to the project's planning schedule. Under-spending is also attributed to the Pedestrian Bridge Project as a result of delays in receiving approval from Parks Canada and co-ordinating the project with the TTC. Repairs are expected to commence in the third quarter of 2007. Projections to year-end indicate that work on the Union Station Security Project is expected to be delayed due to heritage issues. The remaining Union Station projects (Building Condition Assessment, Northwest Path Connection and Terazzo Flooring in the Great Hall) are progressing and are expected to be completed by year-end.

Nathan Phillips Square Project had expenditures of \$0.128 million, representing 7.6% of its 2007 Approved Budget of \$1.693 million, during the six months ended June 30, 2007. Council approved awarding the contract for architectural services to Plant Architect Inc. and Shore Tilbe Irwin & Partners at its meeting of June 19, 20 and 22, 2007 and implementation of the winning design is anticipated to begin in the third quarter of 2007. As a result, the projected expenditure at year-end will be \$0.944 million or 55.8% of the 2007 Approved Budget of \$1.693 million.

Radio Communication System Replacement Project had no capital expenditures during the period ended June 30, 2007. The 2007 Approved Budget is \$0.250 million with an additional future year commitment of \$0.250 million for 2008. It is expected that capital project activities and spending will increase during the next six months, in accordance with plans. It is expected that in 2007, expenditures will be incurred for training/educational initiatives for staff on the technical subcommittee in order to enhance knowledge of the current industry standards for radio communication.

Agencies, Boards and Commissions (ABCs)

Collectively, Agencies, Boards and Commissions (ABCs) spent \$229.609 million or 24.3% of their 2007 Approved Budget of \$944.397 million. It is projected that spending for ABCs will increase to \$902.747 million or 95.6% of the 2007 Approved Budget by year-end. Spending performance, including explanations of significant under-spending for ABCs is summarized below.

Exhibition Place spent \$2.497 million or 3% of its 2007 Approved Budget of \$86.714 million as at June 30, 2007. Under spending is partly due to the Soccer Stadium project. Exhibition Place has spent the City's debt funded portion of its 2007 Approved Budget of \$53.327 million; however the funding from other participants in the project has yet to be cleared through the account. Spending on the Conference Centre project is currently at \$0.06 million or 0.2% of its 2007 Approved Budget of \$27.375 million. Most of the spending for this project will largely occur in 2008; timing of its cash flow was not known at project approval.

Projected year-end spending for Exhibition Place for 2007 is \$59.760 million or 69% of its 2007 Approved Budget of \$86.714 million. The program expects to spend \$53.327 million or 100% of its budget for the Soccer Stadium, \$1.0 million or 4% of its 2007 Approved Budget for the Conference Centre, and \$5.432 million or 90% of \$6.012 million funding for its other projects by year-end.

GO Transit's 2007 Approved Budget is \$20.0 million. No transfers have been made to GO Transit during the six-month period ended June 30, 2007. It is anticipated that the 2007 Approved Budget of \$20.0 million representing the City's contribution will be fully paid by year-end.

Toronto and Region Conservation Authority (TRCA) received \$1.997 million or 33.3% of its 2007 Approved Budget of \$5.992 million from the City of Toronto during the six months ended June 30, 2007. TRCA anticipates that the entire 2007 Approved Budget to be received from the City will be spent by year end.

Toronto Police Service (TPS) spent \$13.364 million or 18% of its 2007 Approved Budget of \$74.357 million during the first six months of 2007. The lower than anticipated spending rate for the first 6 months is primarily attributed to a labour disruption in the construction of the New Training Facility. This project is approximately 7 weeks behind schedule; however the construction manager is attempting to make up the lost time by year-end.

The Police Service is projecting that \$65.371 million or 87.9% of its 2007 Approved Budget will be spent by year-end, resulting in unspent funding of \$8.986 million. The projected year-end under-spending is primarily due to delays in the purchase of land and construction of new facilities (\$6.452 million). For instance with respect to a new 14 and 11 Divisions, the City is currently in discussions with the Toronto District School Board to acquire an identified property. Assuming successful acquisition of this property in late 2007, design will be deferred into 2008 with construction starting in 2009. Similarly, land

acquisition for the replacement of 54 and 41 Divisions is not expected to occur in 2007 and the funding will be carried forward into 2008.

The remaining projected under expenditures are primarily related to delays in the implementation of I.T. projects, primarily Human Resources Management System (HRMS), Police Community Automated Notification System (PCANS), and the Geocoding Engine. For the Geocoding Engine, the RFP will be issued in August, bidder selection and contract negotiation will be finalized by December 2007, and work will commence in early 2008. For PCANS, the initial planning and RFP development will take place in 2007, with the work commencing in 2008. Finally for HRMS, the first portion of the project, the technical upgrade, was completed in June 2007. However, the second portion of additional functionality will be delayed until 2012 to allow the service to focus on more urgent priorities such as the Time & Resource Management System (TRMS) system upgrade.

There are no capital project deferrals or reductions in Toronto Police Service which are directly attributable to Cost Containment measures.

Toronto Public Health (TPH) spent \$1.121 million or 23.0% of its 2007 Approved Budget of \$4.879 million. TPH's projected expenditure to year-end will be \$4.491 million or 92% of the 2007 Approved Budget. The projected year-end under-spending is mainly attributed to the following projects:

- ◆ Implementation of the PH Surveillance and Management System project was delayed due to the change in Provincial project timelines. The project is now underway and the Program is projecting \$0.299 million in carry forward funding into 2008.
- ◆ Contracted services deliverables for the Dental Strategy and Implementation project will extend into 2008 due to delays in the project startup related to acquiring temporary IT human resources resulting in \$0.09 million being carried forward into 2008.

All other capital projects: Animal Services On-Line Licence, PHIPA System Compliance, North York Clinic and HF/HL Mandatory Management Reporting are on schedule and are expected to be fully spent by year-end.

Toronto Public Library (TPL) had expenditures of \$5.370 million or 29.4% of its 2007 Approved Budget of \$18.264 million during the six-month period ended June 30, 2007. TPL projects spending of \$17.472 million or 95.7% of its 2007 Approved Budget by year-end. The under-spending is mainly attributed to the following projects:

- ◆ Minor delays in implementation of the Integrated Library System (ILS) capital project due to changes in ILS software which required additional evaluation and testing will likely require carry-forward funding of approximately \$0.100 million to meet a revised completion target of February 2008.
- ◆ The construction tender for renovation of the Thorncliffe Neighbourhood Library closed on July 4, 2007. This is a joint project with Parks, Forestry & Recreation and Children's Services, but the start of construction is pending site plan approval and the

issuance of a building permit. It is estimated that the under-expenditure on this project will be approximately \$0.500 million in 2007 which is to be carried-forward into 2008.

- ◆ Architects have been hired and the schematic design is being developed for the Cedarbrae Library renovation capital project. The construction tender is likely to be issued in the first quarter of 2008. It is anticipated that the under-expenditure of this project will be approximately \$0.175 million in 2007 which results a carry-forward into 2008.

Toronto Transit Commission's (TTC) 2007 Approved Budget of \$717.304 million was \$204.0 million or 28.4% spent as of June 30, 2007. It is projected that the TTC will spend 100% of its 2007 Approved Budget by year-end. The TTC has addressed the Council-approved unspecified reduction of \$52.175 million included in its 2007 Approved Capital Budget.

Yonge-Dundas Square's capital expenditures for the six-month period ended June 30, 2007 totalled \$0.102 million or 41.5% of the 2007 Approved Budget of \$0.245 million. The Program is projecting spending of 100% of the 2007 Approved Budget by year-end.

Toronto Zoo spent \$0.806 million or 6.1% of its 2007 Approved Budget of \$13.2 million. The Program is projecting to spend \$7.247 million or 54.9% of its 2007 Approved Budget by year-end. The "Tundra" construction project was delayed due to the redesign of Phase I in late 2006 and early 2007, resulting from the original tender being over budget. The project was re-tendered in the first quarter of 2007 and the tender was awarded in June with construction commencing in August. The Tundra project is expected to be 27.1% spent in 2007 with \$5.360 million to be carried forward into 2008. Phase II of the North Zoo Site Redevelopment Design and planning will commence in August / September and is projected to be 51% completed in 2007 with \$0.601 million to be carried forward into 2008. The rest of the Program's capital projects are on schedule at this time.

Rate Supported Programs:

For the six months ended June 30, 2007, Rate Supported Programs spent \$68.826 million or 15.7% of their 2007 Approved Budget of \$437.507 million. It is estimated that spending to year end will be \$297.633 million or 68.0% of the 2006 Approved Budget. Spending performance, including explanations of significant under-spending for individual rate supported Programs is summarized below.

Toronto Water's 2007 Approved Capital Budget of \$410.001 million was 15.9% or \$65.305 million spent, as at June 30, 2007. Actual expenditures by year-end are anticipated to be \$287.001 million or 70% of the 2007 Approved Capital Budget, as reported in the 2nd Quarter Capital Budget Variance Report. This represents an increase of \$22.456 million or 8% in spending over the 2006 rate of 67% or \$264.545 million.

The 2007 Toronto Water and Wastewater Rate Setting Process assumed a capital spending rate of 80%; however, several factors will limit the Program's ability to achieve this rate. These include a lengthy labour disruption at the beginning of summer shutting down construction on several multi-million dollar contracts, such as the digester refurbishment at Ashbridges Bay and Humber Wastewater Treatment Plants and waste activated sludge upgrades at the Humber Wastewater Treatment Plant. Construction has been accelerated given that the labour disruption has been resolved.

Toronto Parking Authority's (TPA) 2007 Approved Capital Budget of \$27.506 million was 12.8% or \$3.521 million spent during the six-month period ended June 30, 2007. Actual expenditures by year-end are anticipated to be \$10.632 million or 38.7% of the Approved Budget. This level of actual capital spending results 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/or,
- ◆ Time lags in joint venture arrangements.

In-year Budget Adjustments – See Appendix 2:

Economic Development Culture and Tourism

A budget adjustment of \$0.175 million to the Economic Development Culture and Tourism Budget is recommended. This adjustment is necessary to fund a change in scope for the St. Lawrence Centre Maintenance (chiller) project. Tender prices came in \$0.175 million over the project budget owing to the complexity created by the location of the equipment in the basement of the building. The chiller must be replaced this year and the window for construction is this fall, immediately following the completion of the St. Lawrence Centre refurbishment. The adjustment has no debt impact on the City's 2007 Approved Capital Budget as the funding is offset from reductions to the following 2007 projects: \$0.1 million gross and net reduction to Canada's Walk of Fame project and \$0.075 million net reduction to the Casa Loma Restoration project.

Emergency Medical Services

Reallocation of 2007 Approved Budget and associated funding between projects in the amount of \$0.799 million is recommended. The reallocation is from two station rehabilitation projects, Station #14 for \$0.327 million and Station 19 for \$0.472 million, currently on hold, to the EMS / Fire HQ Power System Upgrade project as detailed in Appendix 2. Two precarious failures, in late 2006, in the power supply and distribution systems and failures of related back-up systems in the Fire/EMS Headquarters compromised the function of the EMS and Toronto Fire Communications Centres, both critical links to the operational activities. This adjustment has no incremental impact on the 2007 Approved Budget and more accurately aligns the available cash flow to meet EMS' immediate capital requirements.

Toronto Water

Council approval is required for reallocations totalling \$3.9 million gross from the Humber Waste Activated Sludge Upgrade Project (\$2.4 million) and Watermain Cast Iron Replacement Project (\$1.5 million) to the Purchase of Land and/or New Buildings for Wastewater Services Project (\$2.4 million) and R.L. Clark Water Treatment Plant Residue Management Construction (\$1.5 million), having a net zero impact on the Toronto Water 2007 Approved Capital Budget.

The reallocations are required to complete the tendering of contracts for the Purchase of Land and/or New Buildings for Wastewater Services Project and realign the budget with the actual spending for the R.L. Clark Water Treatment Plant Residue Management Construction Project.

Toronto Public Library

Construction of the Bloor / Gladstone District Library Renovation commenced in January 2007 and is well underway. It will require an accelerating cash flow from 2008 of \$1.122 million (funded by developmental charges reserve), offset by a cash flow deferral of \$0.488 million from the Jane / Sheppard Library Relocation capital project, \$0.248 million from the Brentwood Library Renovation capital project, and \$0.386 million from the Thorncliffe Library Renovation capital project.

Construction of the Jane/Dundas Neighbourhood Library renovation capital project is proceeding ahead of schedule and anticipated to be completed in the third quarter of 2007. Cash flow of approximately \$0.553 million (funded by debt) will be accelerated from 2008, offset by a cash flow deferral of \$0.346 million from the Jane/Sheppard Library Relocation capital project, \$0.032 million from Thorncliffe Library Renovation capital project, and \$0.175 million from Cedarbrae Library Renovation capital project.

Toronto Transit Commission (TTC)

The Toronto Transit Commission (TTC) is requesting an in-year adjustment for its Spadina Subway Extension and Environmental Assessments for the Transit City Plan capital projects. This adjustment involves creating two new accounts, Spadina Subway Extension and Environmental Assessments – Transit City Plan. In its most recent capital review, it was decided that a different presentation is required since these projects have specific and distinct/significant levels of funding and political support which are separate from the base needs and therefore should be captured in separate CTT accounts. Currently the initial stages of both projects are included in the March 7, 2007 Council approved budget for Other Buildings and Structures. In total, \$4.8 million is required to be re-allocated from Other Buildings and Structures to Spadina Subway Extension (\$1.3 million) and Environmental Assessments – Transit City Plan (\$3.5 million) respectively. In total, this adjustment does not change the TTC's 2007-2011 Approved Capital Budget. There is no financial impact of these changes.

Policy, Planning, Finance & Administration (PPF&A)

Policy, Planning, Finance & Administration (PPF&A) is requesting Council approval to accelerate the Asphalt Paving Replacement Project at 1401 Castlefield Avenue (\$0.176 million) and Asphalt Paving Replacement Project at 433 Eastern Avenue (\$0.165 million). In order to maintain the integrity of the 2007 - 2011 Council Approved Capital Plan, PPF&A is requesting an offsetting deferral of part of the approved funding for Fuel Management System Project at 2751 Old Leslie Street for \$0.341 million due to a delays in the road realignment project fronting the property that will not allow the contractor adequate access necessary to perform the U/G fuel tanks replacement this year.

Transportation

Transportation Services requires an increase of \$1.6 million to the 2007 Budget of the St. Clair Phase Two: Tweedsmuir to Gunn's Rd. Project for reconstruction of the Toronto Transit Commission Track allowance, pavement, sidewalk and curb on St. Clair Avenue West from Westmount Avenue to McRoberts Avenue. The increase will be fully funded by the TTC (\$0.250 million) and Toronto Hydro (\$1.350 million) as a result of an agreement by the TTC to fund reconstruction of curb, sidewalk and road at intersections and by Toronto Hydro to reinstate the BIA lighting and to upgrade the existing street lighting. This adjustment has no debt impact to the City.

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SIGNATURE

Joseph P. Pennachetti
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Appendix 1 –Consolidated Capital Variance Report - Six Months ended June 30, 2007
Appendix 2 – Budget Adjustments to 2007 Council Approved Capital Budget