

Capital Variance Report For the Nine-month Period Ended September 30, 2007

Date:	November 7, 2007
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\FP\bc07026FP-wo (AFS #4669)

SUMMARY

The purpose of this report is to provide the City of Toronto Capital Variance Report for the nine-month period ended September 30, 2007, and projected actual expenditures for the year ending December 31, 2007. Further, the report recommends adjustments to the 2007 Council Approved Budget to reallocate capital funding in order to ensure effective delivery of the capital program.

Capital expenditures for Tax Supported Programs during the nine months period ended September 30, 2007 totalled \$845.170 million, representing 42.8% of the 2007 Approved Capital Budget of \$1.977 billion (see Appendix 1). During the nine-month period, spending by City Operations totalled \$500.936 million or 48.8% of the 2007 Approved Capital Budget of \$1.026 billion; while Agencies, Boards and Commissions spent \$344.234 million or 36.2% of their collective 2007 Capital Approved Budget of \$950.647 million. Rate Supported Programs spent \$132.578 million or 30.3% of the 2007 Approved Capital Budget of \$437.507 million.

As shown in Appendix 1, projected expenditures to year end total \$1.944 billion or 80.5% of the 2007 Approved Capital Budget of \$2.414 billion. Collectively, Tax Supported Programs will spend 83.3% of their 2007 Approved Capital Budget, while Rate Supported Programs estimate spending of 68%. Projected under-expenditures to year-end are primarily attributed to delays arising from the unavailability of appropriate sites; low probability of receiving funds from the Province and other partners for various cost-shared projects; change in project timelines by the Province; delays in obtaining approvals from the other orders of government; and, delays in awarding contracts as a

result of new directions from Council with regards to the 3-1-1 Customer Service Strategy Project. Moreover, several projects were completed under-budget due to favourable pricing and efficiencies.

Contents

Topic	See page ...
Summary	1
Recommendations	2
Financial impact	3
Issue background	3
Comments	4
– Citizen Centred Services “A”	4
– Citizen Centred Services “B”	8
– Internal Services	12
– Other City Programs	15
– Agencies, Boards and Commissions (ABCs)	16
– Rate Supported Programs	20
– In-year Budget Adjustments	20
Contact	22
Attachments	23

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the budget adjustments to the 2007 Approved Capital Budget as detailed in Appendix 2 attached;
2. the Budget Committee forward this report to the Executive Committee for its consideration; and,

FINANCIAL IMPACT

During the nine months ended September 30, 2007, actual expenditures for Tax Supported Programs totalled \$845.170 million or 42.8% of their 2007 Approved Capital Budget of \$1.977 billion (see Table 1 below). By comparison, during the same period of 2006, these programs had spent 46% of their 2006 approved Budget. Tax Supported Programs expect to spend 83.3% or \$1.647 billion by the end of 2007.

	2007 Approved Budget	Jan. to Sept. 2007		Total Year	
		\$	%	Projected Actuals to Year-End \$	% of Plan
Tax Supported Programs:					
Citizen Centred Services - "A"	186,424	42,564	22.8%	128,256	68.8%
Citizen Centred Services - "B" (See Note)	647,168	401,725	62.1%	552,610	85.4%
Internal Services	159,056	52,500	33.0%	111,693	70.2%
Other City Programs	33,220	4,147	12.5%	19,152	57.7%
Agencies, Boards & Commissions	950,647	344,234	36.2%	835,635	87.9%
Total - Tax Supported	1,976,514	845,170	42.8%	1,647,346	83.3%
Rate Supported Programs:					
Toronto Parking Authority	27,506	6,224	22.6%	10,562	38.4%
Toronto Water	410,001	126,354	30.8%	286,578	69.9%
Total Rate Supported	437,507	132,578	30.3%	297,140	67.9%
Total	2,414,021	977,748	40.5%	1,944,486	80.5%

Note: Includes Greenlane Landfill

Rate Supported Programs spent \$132.578 million or 30.3% of their 2007 Approved Capital Budget of \$437.507 million. It is estimated that by year-end, expenditures will approximate \$297.140 million or 67.9% of the 2007 Approved Capital Budget.

In accordance with the City's Carry Forward Policy, unspent capital funds will be carried forward to 2008 in order to complete work on specific projects, where required. Based on projected spending to year-end, it is estimated that a total amount of \$469.536 million or 19% of the 2007 Council Approved Budget will be available for carry forward to 2008, with no incremental impact on 2008 Capital Budget and financing requirements.

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 nine months of 2007 as well as spending projections to year end. It identifies factors that negatively impact capital spending plans and, where relevant, proposes appropriate corrective action(s).

COMMENTS

Citizen Centred Services “A”

During the nine months ended September 30, 2007, actual capital expenditures for this Cluster totalled \$42.564 million or 22.8% of the 2007 Approved Capital Budget of \$186.424 million. Projections indicated that capital spending for Citizen Centred Services “A” will approximate \$128.256 million or 68.8% of the approved budget by year-end. Capital spending performance, along with explanation of significant under-spending for Citizen Centred Services “A” Programs are summarized below.

3-1-1 Customer Service Strategy’s actual expenditures for the nine months ended September 30, 2007 was \$3.373 million or 20.3% of the 2007 Approved Capital Budget of \$16.639 million. The Program projected expenditures to year-end will be \$5.539 million or 33.3% of its 2007 Approved Capital Budget. At its meeting in March 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, thereby delaying 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. It is anticipated that significant spending will begin to occur in the first quarter and continue through the 2nd and 3rd quarters of 2008. All other projects are on target.

Children’s Services spent \$0.595 million or 6.1% of its 2007 Approved Capital Budget of \$9.704 million and projects spending of \$2.619 million or 27.0% of its 2007 Approved Capital Budget by year-end. Of the \$7.085 million projected under-expenditure at year-end, \$5.950 million is uncontrollable due to the following:

- ♦ The Health and Safety project will be under-spent 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 will 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.

Excluding the above projects, the Children’s Services year-end projected spending rate on controllable expenditures would be 88%.

The remaining under expenditure is mainly due to the New Child Care Centre project as the design of Child Care Centre B (\$0.487 million), recently identified as the child care centre adjacent to the Chester Le Junior Public School, will be delayed to 2008 while the construction of the Thorncliffe Park Child Care project (\$0.6 million) was delayed and is now scheduled to begin this November. The renovation contract for the latter project was recently awarded.

Court Services' capital expenditures for the nine months ended September 30, 2007 was \$0.903 million or 17%; projected spending to year-end is \$1.214 million or 22.9% of the 2007 Approved Capital 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 following a lengthy tender process. The York Civic Centre court location will be completed at the end of 2007 and all other remaining court locations will be finished by 2008.
- ♦ Development of the Computerized Court Care Record Management System is deferred to 2008 as professional & technical staff resources were redeployed to support other high priority Projects.
- ♦ The Courthouse Facilities Renovation work in the South District is 33.3% complete, and the remaining refurbishing work at Old City Hall is deferred to 2008 due to an unanticipated electrical capacity problem.

Economic Development, Culture & Tourism spent \$6.490 million or 32.9% of the 2007 Approved Capital Budget of \$19.696 million during the nine months ended September 2007 and projects spending of \$14.293 million or 72.6% by year end. The majority of projects are underway and will be completed by the end of 2007. Projected year-end under-spending of \$5.403 million is mainly attributed to: the tender for 2007 phase of the Casa Loma Exterior Restoration project coming in under budget; late start of the legal review process for both the Todmorden Mills and Fort York Restoration projects; technical design difficulties for the Bloor West Village BIA Streetscape project and failed negotiation with the partner for the Canada's Walk of Fame project.

Emergency Medical Service' (EMS) capital expenditures for the nine months ended September 30, 2007 totalled \$3.975 million or 43.4% of the 2007 Approved Capital Budget of \$9.166 million. The Program's projected expenditure to year-end is \$6.291 million representing 68.6% of the 2007 Approved Capital Budget. The projected year-end under-spending of \$2.875 million is attributed to the following projects:

- ♦ The Station Rehabilitation projects for Stations # 17 and 19 totalling \$1.072 million are on hold pending the decision on the Centralized Book-on Station (CBOS) system. As the decision to implement this system has not yet been made, these projects will be carried into 2008.
- ♦ The critical upgrades to the EMS / Fire Headquarters Power Supply System of \$0.826 million for the EMS / Fire Headquarters Power System Upgrade will be carried forward into 2008. The analysis and design were completed and the purchasing process has been initiated.
- ♦ The completion of the Central Ambulance Communication Centre (CACC) and Systems project (\$0.305 million) was delayed due to the fact that additional enhancements to the CACC system re-design were identified by users.

- ♦ The Station #29 Rehabilitation project was delayed because of difficulty finalizing an appropriate site on which to relocate this station without an increase in the project cost thus resulting in a projected under-expenditure of \$0.550 million for 2007.

Homes for the Aged's capital expenditures for the nine months ended September 30, 2007 totalled \$2.103 million, or 19.5% of the 2007 Approved Capital Budget of \$10.8 million. The Program is projecting spending of \$9.4 million or 87% of the 2007 Approved Capital Budget at the end of the year. While most of the planned maintenance projects have been initiated and are currently in the design or tender phase, a few projects have been faced with unexpected delays and may have to be re-tendered. In some cases, bids came in much higher than budget due to a strong construction market. In an effort to reduce costs, the Program has re-packaged and re-tendered projects to encourage more competitive bids.

Parks, Forestry and Recreation (PF&R) spent \$18.093 million or 18.6% of the 2007 Approved Capital Budget of \$97.382 million during the nine-months ended September 30, 2007. PF&R projected spending by year-end to be \$74.532 million or 76.5% of its 2007 Approved Capital Budget. 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* (\$3.5 million) because of a delay in the implementation of the Parks, Forestry and Recreation Work Order system;
- ♦ *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 was delayed after the initial bids came in above budget and the project had to be tendered again;
 - *Park Furniture* (\$0.300 million) - this work was deferred as part of the City's cost containment exercise; and,
 - *All Parks Development projects in Ward 20* (\$0.250 million) are on hold 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 have been deferred to the Spring 2008 to accommodate pool users in the summer season and ice hockey users in the winter season.
- ♦ *Outdoor Recreation Centre* (\$0.850 million) - confirmation of the location of 2007 Skateboard Park has met with public opposition, and funding was also reduced as part of the City's cost containment exercise (\$0.250 million). The Tam Heather Tennis

project has met with opposition from users and expected funding from others sources has not materialized.

- ♦ *Playgrounds / Waterplay* (\$0.850 million) - the landscaping portion of these projects will be completed in the Spring of 2008, and development-related funding for the Earl Bales Waterplay has not yet been received.
- ♦ *Trails & Pathways* (\$0.500 million) - The Highland Creek Bridge reconstruction has raised a fish habitat disruption issue and provincial approval for the project has also been slower than anticipated.
- ♦ *Environmental Initiatives* (\$0.2 million) - tenders for winter work have been delayed to the fall of 2007 and construction will continue into 2008.

Shelter, Support and Housing Administration's capital expenditures for the nine months ended September 30, 2007 totalled \$6.883 million or 42.9% of the 2007 Approved Capital Budget of \$16.039 million. Year-end expenditures are projected to be \$13.819 million, or 86.2% of the 2007 Approved Capital Budget. The Program is on target on three shelter projects: Eva's Youth Shelter, Bethlehem United, and 129 Peter Street Shelter and Referral Centre with a total budget of \$11.766 million. Under-spending is mainly due to the following projects:

- ♦ *Shelter Management Information System* project (\$1.732 million): expenditures are projected to be \$0.530 million or 30.6% of the 2007 Approved Capital Budget by year-end. A Request for Quotation (RFQ) for an "off the shelf" product is pending final reviews.
- ♦ *Social Housing Administration System* project (\$1.023 million): projected expenditures to year-end will approximate \$0.573 million or 56.0% of the 2007 Approved Capital Budget; the project has slowed due to the hiring freeze.
- ♦ *Capital Maintenance* projects (\$0.968 million): projected spending to year-end on this project will approximate \$0.7 million or 72.3% of the 2007 Approved Capital Budget. The under-spending is due to delay in issuing the Request for Proposal (RFP) for the washroom renovations at Women's Residence.
- ♦ *Heating, ventilation, air conditioning (HVAC) System Upgrade at Seaton House* (\$0.550 million): expenditures are projected to be \$0.250 or 45.5% of the 2007 Approved Capital Budget. The issuance of an RFP was delayed due to the need to include Public Health best practices in the air quality / airflow requirements.

Social Services spent \$0.147 million or 8.7% of its 2007 Approved Capital Budget of \$1.700 million during the nine months ended September 30, 2007. Social Services projected expenditures to year-end are estimated at \$0.550 million or 32.4% of the 2007 Approved Capital Budget. Under-spending is primarily attributed to a delay in obtaining an RFP for the External Web contract, which took longer to issue than was anticipated. Thus, the project will be extended and completed in the Spring / Summer 2008.

Citizen Centred Services “B”

For the nine months ended September 30, 2007, actual capital expenditures for this Cluster totalled \$401.725 million or 62.1% of the 2007 Approved Capital Budget of \$647.168 million. Capital spending for Citizen Centred Services “B” is expected to increase to \$552.610 million or 78.8% of the 2007 Approved Capital 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 nine months ended September 30, 2007 totalled \$2.069 million or 19.5% of the 2007 Approved Capital Budget of \$10.604 million. Projections indicate that capital expenditures will increase to \$6.655 million or 62.8% of the 2007 Approved Capital Budget Program’s by year-end. The under-spending is primarily attributed to the following projects:

- ♦ *The New Zoning By-Law 2005-2007* project estimated expenditures to year end is \$1.070 million or 51.4% of the 2007 Approved Capital Budget of \$2.083 million, mainly due to insufficient staff resources and challenges in hiring qualified staff.
- ♦ *The Kingston Road Environmental Assessment Study* projected spending at year-end will approximate \$0.150 million or 25% of the 2007 Approved Capital Budget of \$0.600 million. The Terms of Reference, which were submitted to the Ministry of the Environment during the third quarter of 2007 was 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 is \$0.131 million or 26.2% of the 2007 Approved Capital Budget of \$0.500 million. The projected under-spending is the result of difficulties in the scheduling of OMB hearing times.
- ♦ The Don Mills Environmental Assessment Study projected expenditure to year-end is \$0.047 million or 10.9% of the 2007 Approved Capital Budget of \$0.433 million. The projected under spending is the result of a delay to 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 period ended September 30, 2007 totalled \$3.168 million or 35.8% of the 2007 Approved Capital Budget of \$8.841 million. The Program projects that spending will increase to \$7.340 million or 83% of the 2007 Approved Capital Budget by year-end. The projected year-end under-spending of \$1.501 million is mainly attributed to the following projects:

- ♦ *Heavy Urban Search and Rescue (HUSAR)* projects will be under-spent by \$0.668 million. HUSAR projects are currently 18% spent out of a total 2007 Approved Capital Budget of \$1.379 million. Spending during the third quarter was mainly for equipment and supplies for the HUSAR / Joint Emergency Preparedness Program

(JEPP) 06/07. The HUSAR / JEPP 05/06 project funding was not spent by September 30, 2007; however, in accordance with the Federal Government's policy, a request to carry forward the unspent funds was approved by the Federal Government. Fire Services is moving quickly to spend the funds by the end of the Federal Government's fiscal year-end of March 31, 2008.

- ♦ *Toryork Bays Extension* project will be under-spent by \$0.468 million. This project is 3% spent out of a total 2007 Approved Capital Budget of \$0.499 million. This project was conditionally approved based on the Program reporting back on the results of the feasibility study. Having received the final consultant's report in July 2007 on the feasibility of completing the project within the estimates as approved, Fire Services will carry forward funds of \$0.399 million from 2007 to 2008 with the project proceeding to the construction phase.

The balance of the under-spending of \$0.365 million projected to year-end is mainly attributable to delays in project and procurement planning on the Communication Centre Quality Assurance Study, the Hand-Held Wireless Devices project, the Antenna Tower Remediation project, the Portable Radio Additions and Downtown Waterfront Radio Coverage Enhancement projects.

Policy, Planning, Finance and Administration's capital expenditures for the nine months ended September 30, 2007 totalled \$1.456 million or 21.3% of the 2007 Approved Capital Budget of \$6.831 million. The following projects account for most of the spending to date: Computer System Integration of \$0.275 million, I.T. Disaster Recovery Plan of \$0.225 million, Toronto Infrastructure Data Standards of \$0.198 million, IBMS Cross Divisional Project of \$0.134 million, and Document Management System of \$0.132 million. Policy, Planning, Finance and Administration (PPF&A) projected expenditures to year-end are \$4.919 million or 72% of the 2007 Approved Capital Budget by year-end. Under-spending is primarily attributed to the following projects:

- ♦ *Business Sustainment Systems* - \$0.124 million or 6.6% of the 2007 Approved Capital Budget for this project has been spent during the nine months ended September 30, 2007. It is estimated that spending will increase to \$0.769 million or 40.7% of the 2007 Approved Capital Budget by year-end. The projected under-spending is attributed to the Remote Computing project, which is behind schedule due to a delay in completing the Request for Quotes (RFQ) and a decision to delay initial deployment to mid-2008. The Cross Divisional Internet Advancement project will be under-spent due to a delay in hiring a second web development resource.
- ♦ *Document Management System project* - \$0.132 million or 24.2% of the 2007 Approved Capital Budget was spent during the nine months ended September 30, 2007. The project scope and complexity were greater than contemplated in the initial agreement between the vendor and Corporate I.T. This led to difficulties in establishing the City Document Management System Standard. The pilot project schedule has been revised and \$0.237 million will be carried forward into 2008 in order to complete the project.

- ♦ *I.T. Disaster Recovery Plan* - \$0.225 million or 31.9% of the 2007 Approved Capital Budget for this project was spent during the nine months ended September 30, 2007. The project will be completed by year-end and will be under-budget by \$0.116 million.

Solid Waste Management Services spent \$227.739 million or 85.5% of its 2007 Approved Capital Budget of \$266.298 million. The Program projects that spending will increase to \$243.082 million or 91.3% of the 2007 Approved Capital Budget by year-end. The under-spending of \$23.216 million is mainly attributed to the following projects:

- ♦ *Diversion Facilities* will be \$18.303 million under-spent at year-end originally because of the following projects:
 - *Residual Waste Containers* project will be under-spent by \$7.180 million because of longer than planned production lead times;
 - *Recycling Containers* project which will be under-spent by \$4.680 million due to slower than originally planned carts roll-out;
 - *Mechanical - Biological Treatment Facility* project, which is expected to be under-spent by an estimated amount of \$1.999 million. This amount will be carried forward to 2008 for the design and specifications of the Residual Waste Processing Facilities.
 - *Reuse Centre* project projected under-spending of \$2.341 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 the *Transfer Station Modification* project (\$1.127 million) was originally requested in order to complete the Bermondsey and Scarborough covered bunker. This project has been deleted as a 2007 Cost Containment measure.
 - *Residual Waste Processing Facility* project under-spending of \$0.485 million is attributed to Council's decision not to submit the Proposed Terms of Reference to the Ministry of Environment, thereby not initiating an Individual Environmental Assessment process. This saving has been included as capital Cost Containment measure.
- ♦ *Transfer Station Asset Management* project will be under-spent by \$3.215 million at year-end. The major portion of the under-spending (\$1.994 million) is attributable to the new staff facilities at the 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. In addition, under-spending is a result of delays in purchasing compactors at Bermondsey Transfer Station (\$0.125 million) and modifications of compactors at Victoria Park and Ingram Transfer Station (\$0.362 million).

- ◆ Perpetual Care of Landfill will be under-spent by an estimated \$1.648 million at year-end - A major portion of the under-spending (\$0.490 million) is attributable to work on the leachate collection system extension at Thackery 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 (\$0.713 million) is attributed 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 September 30, 2007 totalled \$152.350 million or 51.0% of the 2007 Approved Capital Budget of \$298.893 million. Transportation Services is projecting that \$246.025 million or 82.3% of its 2007 Approved Capital Budget will be spent by year-end.

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

- ◆ *State of Good Repair* spending for bridges, local and major roads and expressways to September 30, 2007 totalled \$73.450 million or 44.6% of the 2007 Approved Capital Budget and will increase to \$133.607 million or 81.1% by year-end. The major projected actual expenditures by year-end are attributed to the following projects: local and major road reconstruction and resurfacing (\$77.064 million); sidewalk construction (\$15.600 million); rehabilitation and repair of city bridges (\$32.543 million); and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$8.400 million).
- ◆ *Spending on Infrastructure Enhancement* projects during the nine months ended September 30, 2007 totalled \$69.684 million or 60.3% of the 2007 Approved Capital Budget. Major capital expenditure initiative included work on the Simcoe Street Tunnel to improve traffic flow south of Front Street (\$13.063 million).

Of the \$52.868 million in total projected under-expenditures at year-end, \$31.598 million are due to under-spending on State of Good Repair projects and \$19.897 million are for Infrastructure Enhancement projects. Projected under-expenditures for State of Good Repair projects at year-end include \$7.0 million for City Bridge Rehabilitation, \$5.041 million for Local Road Resurfacing and \$3.2 million for Sidewalks. Funding was accelerated for these projects to facilitate improved spending performance; however, a few of these projects have encountered logistical problems that have delayed their completion till 2008.

- ◆ Projected expenditures to year-end for the St. Clair Dedicated Right of Way project is 82.7% of the 2007 Approved Capital Budget of \$7.500 million for Phase 2 of the project. Progress on this project was delayed due to longer than anticipated lead-time required by Toronto Hydro to relocate some of its underground plant.
- ◆ The Bloor Street Transformation will have no spending at year-end and the \$13.0 million originally approved for 2007 will be carried forward to 2008. The project is currently undergoing engineering and design change which should be finalized by the end of the year enabling spending to occur in 2008 / 2009.

- ◆ Projected expenditures for the Dufferin Jog Elimination project is estimated at \$4.8 million or 87.1% of the 2007 Approved Cash Flow of \$5.509 million. Construction has been delayed due to property expropriations but demolition tenders have been issued and work is proceeding.

Waterfront Revitalization Initiative's capital expenditures for the nine months ended September 30, 2007 was \$14.942 million or 26.8% of the 2007 Approved Capital Budget of \$55.701 million. The limited spending as of September 30, 2007 is the result of Waterfront Toronto not requesting any City funds during the first 6 months of 2007.

Waterfront Toronto expects to spend 80% of the 2007 Approved Capital Budget by year-end. Nonetheless, due to past under-expenditure pattern, 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 \$52.501 million or 33% of the 2007 Approved Capital Budget of \$159.056 million during the nine-month period ended September 30, 2007. Capital spending for this Cluster will increase to \$111.693 million or 70.2% of the 2007 Approved Capital Budget by year-end. Spending performance for Internal Services Programs is summarized below.

Facilities and Real Estate (F&RE) spent \$12.377 million or 31.5% of the 2007 Approved Capital Budget of \$39.344 million during the nine months ended September 30, 2007. The 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 is tendered and awarded. The Program is projecting spending of \$37.474 million or 95.2% of the 2007 Approved Capital Budget by year-end. Factored into the projected spending rate is the deferral of the City Hall Second Floor Renovations project representing \$0.870 million or 2.2% of the 2007 Approved Capital Budget.

Financial Services' capital spending for the nine months ended September 30, 2007 was \$1.944 million or 18.1% of the 2007 Approved Capital Budget of \$10.763 million. Projected expenditure will approximate \$7.318 million or 68.0% of the 2007 Approved Capital Budget by year-end. The under-spending is attributed to the following:

- ◆ *Workflow and Document Management and Imaging* projects - requirements gathering and system design are currently proceeding and are impacting spending on these projects; however, under spending is projected at \$0.574 million at year end for the Revenue Services sub-project.
- ◆ Delays in finalizing Local 79 wage harmonization during 2006 has resulted in under spending in the Collective Agreement Implementation project (\$0.510 million).
- ◆ Financial Planning, Analysis and Reporting System project (\$0.462 million) is currently re-assessing Phase 2 resource requirements which will impact spending.

Development of an integrated project plan and project team with other key SAP projects (Fixed Asset Accounting project, SAP technical and foundational upgrade and Enterprise Architecture), all requiring Corporate and IT resources has resulted in the delays of the Financial Planning, Analysis and Reporting System project.

- ♦ *The Parking Tag Management Software Upgrade* project (\$0.442 million) in Revenue Services will be deferred to 2008 due to extensive process and system requirements work with the Parking Tag ticketing process.
- ♦ *The Time Entry System* projected has been completed under budget by \$0.278 million.

Fleet Services' capital spending for the nine months ended September 30, 2007 was \$29.212 million or 38.4% of the 2007 Approved Capital Budget of \$76.080 million. Fleet Services projected expenditures to year-end is \$46.708 million or 61.4% of the 2007 Approved Capital Budget. The projected under spending is primarily due to delay in the delivery of fifty-four garbage packers and eight side loaders for Solid Waste Management Services, and eleven street sweepers for Transportation Services. The manufacturers of the above vehicles have experienced unanticipated delays obtaining chassis and engines as a result of factory closures; and engines that meet the 2007 environmental standards. As a result, these vehicles will not be delivered until the first quarter of 2008.

Information and Technology's capital spending for the nine months ended September 30, 2007 was \$3.421 million or 18.7% of its 2007 Approved Capital Budget of \$18.326 million. Projected expenditures to year-end will approximate \$11.011 million or 60.1% of the 2007 Approved Capital Budget. The 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. Council at its meeting of September 27, 2007 approved the transfer of this cash flow to the 3-1-1 project.
- ♦ *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 - under-spending is due to changes in the scope and deliverables of this project.
- ♦ *Website redesign, Web Portal Infrastructure, and Vignette Upgrade* (\$0.982 million) - The Website Redesign project consists of three components / projects: the WCM Vignette Upgrade, the Web Portal Infrastructure and the actual website redesign. The Website Redesign RFP has to coincide with the two strategies (Vignette and Portal) in order to accommodate the interdependencies and to avoid any implementation conflicts. This is quite a complex process and has led to a delay in getting the RFP issued. These projects will be continuing into 2008.

- ♦ *Server-Project Management Methodology* (\$0.110 million) - Some of the work plan for this project has been put on hold, pending the establishment of a Portfolio Management section for Information and Technology as part of the IT Governance review, which will determine the future direction of this project.
- ♦ *Litigation Pilot Project* (\$0.200 million) - Requirement documents took longer than scheduled to complete. A revised project schedule is being reviewed and this project is expected to be completed in early 2008.
- ♦ *Cost Savings* of \$1.307 million is expected due to favorable pricing for software and hardware, licences, and trade-in valuations; accelerated deployments and effective use of internal resources.

I & T Sustainment Project's capital expenditures for the nine months ended September 30, 2007 totalled \$5.546 million or 38.1% of the 2007 Approved Capital Budget of \$14.543 million. Projected expenditures to year-end for this project will increase to \$9.181 million or 63.1% of the 2007 Approved Capital Budget.

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. A Request for Quotation (RFQ) has been issued and it is expected that a contract will be awarded early in the fall of 2007 so that deployments can resume during the 4th quarter. The under-spending is primarily attributed to:

- ♦ *Voice Mail Replacement* project (\$1.7 million of which \$0.133 million has been deferred for consideration for transfer to the 3-1-1 project) - 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 of transfer to the 3-1-1 project, and will be incorporated into the Voice Mail Replacement project in 2008.
- ♦ Efficiencies and savings of \$1.116 million have been found from the Storage and Servers project due to the electrical power and floor space shortage at the Don Mills Data Centre, reduction in the per server cost with new vendor of record; server consolidation which have resulted in fewer server replacements to date in 2007; and the acceleration of storage replacement in 2006.
- ♦ Large scale deployments were delayed pending resolution of the lack of storage space resulting in unspent budget of \$1.065 million. It is anticipated that the approval of the new disposal policy by Council will alleviate this challenge and that deployments can be resumed in 2007.

Other City Programs

Other City Programs collectively reported actual expenditures of \$4.147 million or 12.5% of their 2007 Approved Capital Budget of \$33.220 million during the nine-month period ended September 30, 2007. Capital spending for this group of Programs will increase to \$19.152 million or 57.7% of the 2007 Approved Capital Budget by year-end. Spending performance, including explanation of significant under-spending for Other City Programs is summarized below.

The City Clerk's Office's capital expenditures during the nine months ended September 30, 2007 totalled \$1.407 million or 12.2% of the 2007 Approved Capital Budget of \$11.555 million. The Program expects to spend \$5.267 million or 45.6% of the 2007 Approved Capital Budget by year-end. \$9.365 million of the 2007 Approved Capital Budget is for relocation of the Print Shop. 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's actual expenditures during the nine months ended September 30, 2007 totalled \$1.334 million or 15.5% of the 2007 Approved Capital Budget of \$8.591 million. Projected spending to year-end will increase to 70% or \$6.001 million. All previously approved projects are either completed or under construction. Under-spending is due to an unanticipated 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.

The Nathan Phillips Square project's capital expenditures during the nine months ended September 30, 2007 totalled \$0.128 million, representing 7.6% of the 2007 Approved Capital Budget of \$1.693 million. Approval to award the contract for architectural services to Plant Architect Inc. and Shore Tilbe Irwin & Partners was granted by Council at its meeting of September 19, 20 and 22, 2007 which delayed implementation of the winning design until the fourth quarter of 2007. As a result, the projected expenditure at year-end will be \$0.944 million or 55.8% of the 2007 Approved Capital Budget of \$1.693 million. Unspent funds will be carried forward to 2008 in order to complete the project.

Radio Communication System Replacement project's capital expenditures for the period ended September 30, 2007 totalled \$0.002 or 0.7% of the 2007 Approved Capital Budget of \$0.250 million. Expenditures as of September 30, 2007 were incurred for training / educational initiatives for staff on the technical subcommittee in order to enhance knowledge on the current industry standards for radio communication. Projected actual expenditures to year-end will be \$0.025 million or 10.0% of the 2007 Approved Capital Budget. During the final quarter of 2007 consultants will be hired to review and implement a Governance Agreement among the three emergency services that will benefit from this project.

Union Station Project expenditures for the nine-months ended September 30, 2007 totalled \$1.276 million or 11.5% of the 2007 Approved Capital Budget of \$11.131. Projected spending to year-end will increase to \$6.915 million or 62.1% of the 2007 Approved Capital Budget. Under-spending is mainly attributed to construction delays for the York Street Expansion Joint project. This project was being coordinated with GO Transit's work on the train tracks, which started later than planned. 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. The remaining Union Station projects, which include the Building Condition Assessment and the Northwest Path Connection, will be completed by year-end.

Agencies, Boards and Commissions (ABCs)

Collectively, Agencies, Boards and Commissions (ABCs) spent \$344.234 million or 36.2% of their 2007 Approved Capital Budget of \$950.647 million. It is projected that spending for ABCs will increase to \$835.635 million or 87.9% of the 2007 Approved Capital Budget by year-end. Capital spending performance, along with explanation of significant under-spending for individual ABCs are summarized below.

Exhibition Place spent \$56.981 million or 65.6% of its 2007 Approved Capital Budget of \$86.814 million as at September 30, 2007. Under-spending was mainly due to the Conference Centre project with spending rate of 1.1% of its 2007 Approved Capital Budget of \$27.375 million. Most of the spending for this project will occur in 2008 when construction commences.

Projected expenditures to year-end will increase to \$61.407 million or 70.7% of the 2007 Approved Capital Budget. The Program expects to spend \$2.335 million or 8.5% of the 2007 Approved Capital Budget of \$27.375 million for the Conference Centre. Spending for all other projects will be \$59.072 million or 99% of the 2007 Approved Capital Budget of \$59.439 million by year-end.

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

Toronto and Region Conservation Authority (TRCA) received \$3.995 million or 66.7% of its 2007 Approved Capital Budget of \$5.992 million from the City of Toronto during the nine months ended September 30, 2007. TRCA anticipates that the entire 2007 Approved Capital Budget will be paid by the City and that the full amount will be spent by year-end.

Police Services' capital expenditures for the period ended September 30, 2007 totalled \$20.004 million or 26.9% of the 2007 Approved Capital Budget of \$74.357 million. The Program projects that spending will increase to \$67.587 million or 90.9% of the 2007

Approved Capital Budget by year-end. The projected year-end under-spending of \$6.770 million is mainly attributed to the following projects:

- ◆ Land acquisition for the replacement of 54 and 41 Divisions is not expected to occur in 2007. This is the result of availability within divisional boundaries along with the shift in priorities from 54 and 41 Divisions to 11 and 14 Divisions which are determined to have a more urgent need to be replaced.
- ◆ The remaining projects under expenditures are primarily related to delays in the implementation of IT projects, primarily Computer-Assisted Scheduling of Courts System (CASC), Police Community Automated Notification System (PCANS), and the Geocoding Engine.
 - For the Geocoding Engine with projected year-end under expenditures of \$0.457 million, the RFP was issued in August and bidder selection and contract negotiation will be finalized in December of 2007. Work will commence in early 2008.
 - For PCANS with projected year-end under expenditures of \$0.877 million, the initial planning and RFP development will take place in 2007, with the work commencing in 2008.
 - For CASC with projected year-end under expenditures of \$0.794 million, project duration which is between six to eight months, with a targeted implementation by the end of the first quarter of 2008 will result in funding carried forward to 2008.
- ◆ There are no capital project deferrals or reductions in Toronto Police Service which are directly attributed to Cost Containment measures.

Toronto Public Health (TPH) spent \$1.422 million or 29.1% of its 2007 Approved Capital Budget of \$4.879 million during the nine-months ended September 30, 2007. TPH's projected expenditure to year-end will be \$3.746 million or 76.8% of the 2007 Approved Capital 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 projects that funding of \$0.339 million will be carried forward to 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 \$0.183 million being carried forward into 2008.
- ◆ The Healthy Families / Healthy Living Mandatory Management Reporting and the Personal Health Information and Protection Act (PHIPA) System Compliance projects were originally projected to be fully spent by year-end. However, due to

staff turnover and delay in the acquisition of hardware required to complete these projects, the Program is projecting an under expenditure of \$0.611 million by year-end.

The Animal Services On-Line Licence and the North York Clinic capital projects are on schedule and are expected to be fully spent by year-end.

Toronto Public Library spent \$8.740 million or 47.9% of its 2007 Approved Capital Budget of \$18.264 million, and projects that spending will increase to \$17.598 million or 96.4% of the Approved Budget by year-end. The projected year-end under-spending is mainly attributed to the following:

- ♦ Minor delays in implementation of the Integrated Library System capital project, which requires 2007 carry-forward funding of approximately \$0.200 million to meet a revised completion target of February 2008; and,
- ♦ Construction of the 2007 to 2009 Toronto Reference Library Renovation / Retrofitting project will start in December 2007 due to the delays in completion of construction drawings. A carry forward funding of approximately \$0.466 million is anticipated.

Toronto Transit Commission's (TTC) 2007 Approved Capital Budget of \$720.954 million was \$250.4 million or 34.7% spent by September 2007. It is anticipated that the TTC's spending will increase significantly to \$648.917 million or 90.0% by year-end. The under spending is primarily attributed to the six projects listed below:

- ♦ *Surface Track*' expenditure was \$15.9 million or 29.6% of the 2007 Approved Capital Budget of \$53.641 million as at September 30, 2007. This rate of spending was planned and most current surface track projects are on schedule and expected to be completed on time.
- ♦ *Communications*' expenditure was \$10.1 million or 30.8% of the 2007 Approved Capital Budget of \$32.773 million. The under-spending is mainly due to a reduction in the number of subway stations that will have cameras installed this year and to a revision in the work schedule for the CCTV infrastructure installation and delays in the installation of cameras on surface vehicles. Communications projects are expected to be \$27.162 million or 82.9% spent at year-end.
- ♦ *Purchase of 234 New Subway Cars* project spending for the nine months was \$43.8 million or 42.2% of the 2007 Approved Capital Budget of \$103.676 million for this project. 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. It is expected that this project will be \$96.225 million or 92.8% spent by year-end.
- ♦ *Streetcar Overhaul project* spending to September 30, 2007 totalled \$4.1 million or 16.8% of the 2007 Approved Capital Budget of \$24.400 million. The variance is due to the cancellation of the restoration of two vehicles and lower than anticipated

allowance for contract penalties. It is expected that this project will be \$13.1 million or 53.7% spent by year-end.

- ◆ *Other Building & Structure Projects* expenditure during the nine months ended September 30, 2007 totalled \$10.6 million or 23.2% of the 2007 Approved Capital Budget of \$49.782 million. The under spending is due to a lower than expected contract award for window replacement at the McBrien Building; changes in the scope of the Harvey Shop modifications contract which have delayed approval; the delay of various work at the Wheel-Trans facility; and various Bus Garage / shop facilities as well a delay in the construction of the new asbestos decontamination facility. Projected expenditures to year-end for this project will increase substantively to \$31.246 million.
- ◆ *Purchase of Buses* project expenditure during the nine month period ended September 30, 2007 was \$52.9 million or 23.8% of the 2007 Approved Capital Budget of \$169.879 million. The under-spending is due mainly to lower than expected final acceptance payments given that bus deliveries are behind schedule because of a strike at Orion, the bus manufacturer. It is expected that at year-end 69 buses will not have been delivered and \$52.5 million will be unspent. This amount will be carried forward to 2008. There has also been less spending than planned on continuous service payments and contract spares for hybrid buses in 2007.

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 nine-month period ended September 30, 2007 totalled \$0.173 million or 70.6% of the 2007 Approved Capital Budget of \$0.245 million. The full amount of the 2007 Approved Capital Budget will be spent by year-end.

Toronto Zoo spent \$2.172 million or 13.8% of its 2007 Approved Capital Budget of \$15.707 million during the nine months ended September 30, 2007. Projected expenditures to year end will increase to \$6.7 million or 42.7% of the 2007 Approved. Under-sending is primarily attributed to the following projects:

- ◆ The "*Tundra*" construction project was delayed due to 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 a contract was awarded in June 2007 and construction commenced in August. The Tundra project will be 20.2% spent by year-end.
- ◆ Phase II of the *North Zoo Site Redevelopment Design* and planning commenced in August / September. It is projected that spending will approximate 51% of the 2007 Approved Capital Budget resulting in an estimated funding carry forward of \$0.612 million to 2008.

Rate Supported Programs:

For the nine months ended September 30, 2007, Rate Supported Programs spent \$132.578 million or 30.3% of their 2007 Approved Capital Budget of \$437.507 million. It is estimated that spending to year end will be \$297.140 million or 67.9% of the 2007 Approved Capital 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 30.8% or \$126.354 million spent, as at September 30, 2007. Actual expenditures by year-end are anticipated to be \$286.578 million or 70% of the 2007 Approved Capital Budget. This represents an increase of \$22.456 million or 8% in spending over the 2006 rate of 67% or \$264.545 million.

The 2007 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 the summer, effectively shutting down construction on several multi-million dollar contracts such as the digester refurbishment at the Ashbridges Bay and the Humber Wastewater Treatment Plants, and waste activated sludge upgrades at the Humber Wastewater Treatment Plant. Activities have now accelerated given that the labour disruption has been resolved. The delay in obtaining Environmental Assessment approvals from the Ministry of the Environment has also contributed to the lower than targeted capital spending rate.

Toronto Parking Authority's (TPA) 2007 Approved Capital Budget of \$27.506 million was 22.6% or \$6.224 million spent, as at September 30, 2007. Actual expenditures by year-end are anticipated to be \$10.562 million or 38.4% of the 2007 Approved Capital 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,
- ◆ Time lags in joint venture arrangements.

In-year Budget Adjustments (see Appendix 2):

Waterfront Revitalization Initiative

City Council approved that starting in 2007, one time proceeds from divestiture of the City's investment in the Toronto Hydro Corporation Promissory Note be contributed to a newly created Strategic Infrastructure Partnership Reserve Fund to finance the City's major tax-supported strategic infrastructure programs including the Waterfront

Redevelopment. Consequently, Council approval is being sort to change the funding source for various Waterfront Revitalization Initiative sub-projects from debt to the Strategic Infrastructure Partnership Reserve Fund with no impact on the 2007 Approved Capital Expenditure Budget (see Appendix 2). The net effect of this adjustment is to reduce debt by \$10.693 million and to increase draws from the Strategic Infrastructure Partnership Reserve Fund by a corresponding amount.

Toronto Public Library (TPL)

Technology Asset Management Program (TAMP) development is well underway, and requires an acceleration of cash flow from 2008 of \$0.240 million (funded by debt), and offset by a cash flow deferral of \$0.240 million from the Toronto Reference Library Renovation & Expansion capital project. Similarly, the *Jane / Dundas Neighbourhood Library Renovation* project is underway - Construction of the Jane / Dundas Neighbourhood Library renovation capital project is anticipated to be substantially completed by the end of 2007. Cash flow of approximately \$0.400 million (funded by debt) will be accelerated from 2008, offset by a cash flow deferral of \$0.400 million from the Toronto Reference Library Renovation & Expansion capital project.

Toronto Transit Commission

Toronto Transit Commission requests reallocations of funds totalling \$10.9 million from the Subway Car Purchase project (\$7.6 million) and the Bus Purchase project (\$3.3 million) to the York Bus Rapid Transit Way project (\$2.0 million), Wilson Yard Fleet Accommodation project (\$1.1 million), Intelligent Transportation and Technical Systems project (\$5.0 million) and Mount Dennis Bus Garage (\$2.8 million). The reallocations are required for the following reasons:

- ♦ to pay for additional property related costs for the construction of the York Bus Rapid Transit Way (approved by Council September 27, 2007);
- ♦ to advance the electrification and signalization of three storage tracks at the Wilson Yard (approved by Budget Committee October 16, 2007);
- ♦ to fund higher than anticipated costs for various Intelligent Transportation and Technical Systems (ITT&TS) projects (Computer Information System state of good repair, Common Vehicle Work Order, Fare Media Management System, Purchasing Module Replacement), and to begin work on other ITT & TS projects (Next Bus Arrival, Internet Trip Planning, Automated Customer Notification, E-Commerce project and Next Train Arrival); and,
- ♦ to move forward approved funding for the Mount Dennis Bus Garage from 2008 to 2007.

In total, this budget adjustment does not change the TTC's 2007 Approved Capital Budget 2009 - 2011 Approved Capital Plan.

Facilities and Real Estate

The 519 Church Street Community Centre Addition Phase II project was approved in 2006. The approved funding for this project was \$0.746 million from the Section 37 agreements (which was available at the time) and \$1.454 million from cash donations from the community. During 2007, an additional \$0.554 million was received from the Section 37 funding. Accordingly, it is recommended that the funding source for the project be adjusted to reflect the Section 37 increase of \$0.554 million and a commensurate reduction in community cash donations with no impact on the expenditure budget for this project.

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SIGNATURE

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ATTACHMENTS

Appendix 1 – Consolidated Capital Variance Report for the Nine Months ended September 30, 2007

Appendix 2 – Budget Adjustments to 2007 Council Approved Capital Budget