TORONTO Agenda Regular

Executive Committee

Meeting No.	7 (Special)	**Contact**	Patsy Morris, Committee Administrator
Meeting Date	Monday, April 16, 2007	**Phone**	416-392-9151
Start Time	9:30 AM	**E-mail**	pmorris@toronto.ca
Location	Committee Room 1, City Hall		

Executive Committee		
Mayor David Miller (Chair) Councillor Joe Pantalone (Vice-Chair) Councillor Brian Ashton Councillor Shelley Carroll	Councillor Glenn De Baeremaeker Councillor Paula Fletcher Councillor Norm Kelly Councillor Gloria Lindsay Luby Councillor Giorgio Mammoliti	Councillor Pam McConnell Councillor Joe Mihevc Councillor Howard Moscoe Councillor Kyle Rae

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Declarations of Interest under the *Municipal Conflict of Interest Act.*

Confirmation of Minutes – March 26, 2007

Speakers/Presentations - A complete list will be distributed at the meeting.

Communications/Reports

EX7.1	ACTION			Ward: All

2007 Recommended Operating Budget

(April 13, 2007) Submission from the Budget Committee

Recommendations

The Budget Committee recommended that:

A. Council approve the following recommendations contained in the report (April 11, 2007) from the City Manager and the Deputy City Manager and Chief Financial Officer (BU11.1):

“1. the 2007 Budget Committee Recommended Tax Supported Operating Budget of $7.797 gross and $3.221 billion net, comprised of the following:

i. a Recommended Base Budget of $7.746 billion gross and $3.206 billion net as detailed in Appendix 1; and

ii. New and Enhanced Services Budget of $51.268 million gross and $14.448 million net, as detailed in Appendix 1;

2. the 2007 Budget Committee Recommended Operating Budget for the Toronto Parking Authority totalling $57.805 million;

3. a residential property tax increase of 3.8% or $49.114 million and a Commercial, Industrial, and Multi-residential tax increase of 1.267% or $23.504 million;

4. the increases in user fees and charges included in the 2007 BC Recommended Operating Budgets of City Programs, Agencies, Boards and Commissions;

5. the use of reserves and reserve funds totalling $131.266 million as a source of funds to balance the 2007 Budget Committee Recommended Operating Budget;

6. require the Province of Ontario to pay for the 2007 funding deficit of $71 million resulting from unilateral provincial 'capping' of Ontario Works - Cost of Administration ($29.3 million); Shelter Per Diem ($29.1 million); and, Child Care services which was not indexed to inflation and has been frozen at levels established in 1995 ($13 million);

7. the Program Recommendations for City Programs, Agencies, Boards and Commissions as detailed in Appendix 3, subject to the following amendments:

    a. funding for the Parks, Forestry and Recreation Divisional Safety and Security Plan be reduced from $500,000 to $350,000 for 2007 and reallocated to the following items:

        i. Community Engagement Program for $28,800 in 2007 and annualization of $50,264 in 2008;

        ii. Intercultural Youth Initiatives and Diversity Outreach for $36,200 in 2007 and annualization of $72,392 in 2008; and

        iii. the Toronto District School Board (TDSB) pool S.H. Armstrong continue to be used by the City for programs, drop-in usage and permitting (add back $85,000 in 2007);

8. the reports, transmittals and communications that are on file with the City Clerk's Office (including Appendix 4 herewith attached) as considered by the Budget Committee at its 2007 budget review meetings be received; and

9. authorize and direct the appropriate City Officials to take the necessary action to give effect thereto;";

B. the $71 million Provincial funding shortfall be:

    i. partially funded from $30 million from the City's share for the Spadina Subway Extension project; and

    ii. the $41 million remaining Provincial funding shortfall be offset by a further one-time use of City reserve funds, and that the Deputy City Manager and Chief Financial Officer report directly to the Executive Committee at its meeting of April 16, 2007, on which City reserve funds will be utilized;

C. the City Solicitor be instructed to apply for a judicial interpretation of the Province of Ontario's cost-sharing obligations for various cost-shared social services; and

D. Council approve the following Recommendations 1, 2, 3 and 5, contained in the report (April 11, 2007) from the Deputy City Manager and Chief Financial Officer, entitled "2006 Preliminary Year-end Operating Variance Report": (BU11-2)

"1. Council approve the allocation of the 2006 preliminary net operating surplus of $81.429 million to City reserve funds in accordance with City approved policy as follows: Capital Financing Reserve Fund ($74.458 million), Capital Financing Reserve Fund ($2.971 million) for future TTC bus purchases, and TTC Stabilization Reserve Fund ($4.000 million) for an employee benefit liability provision;

2. Council approve the allocation of the 2006 extraordinary item (property tax credits unclaimed for three or more years) of $49.000 million to the City's Capital Financing Reserve Fund in accordance with City approved policy;

3. Council approve the technical adjustments made to amend the 2006 Council Approved Operating Budget between Programs to ensure accurate accountability and reporting (no increase to the overall 2006 Council Approved Operating Budget) as detailed in Appendix D; and

5. Council authorize and direct the appropriate City Officials to take the necessary action to give effect thereto.".

Summary

The purpose of this report is to present the 2007 Budget Committee (BC) Recommended Operating Budget for City Programs, Agencies, Boards and Commissions, and to request Council's approval of the services, service levels and spending plans proposed therein.

The 2007 Recommended Operating Budget totals $7.797 billion gross and $3.221 billion net. To deliver services approved by City Council in 2006 this budget includes a base budget of $7.746 billion gross and $3.206 billion net. Compared to 2006, the 2007 BC Recommended Base Budget reflects a gross expenditure increase of $139.343 million or 1.8%. This confirms that expenditures have been contained through the City's continuous improvement and efficiency initiatives. In addition, investments in new and enhanced services that are aligned to Council priorities and the Mayor's mandate total $51.268 million gross and $14.448 million net.

In accordance with Executive Committee guidelines and directions, the 2007 Recommended Operating Budget continues the strategic process of balancing short-term needs against long-term objectives. Furthermore, it sets the framework for implementing Council's policy agenda and the Mayor's commitment to a prosperous, inclusive city that is safe, economically strong, clean and green, transit friendly, creative and a place where everyone has a chance to succeed. This budget maintains service levels needed by residents and businesses. As has been the case in prior years, on average, more than 60% of property tax revenue is earmarked to pay for police, fire, emergency medical services, transit, garbage collection and recycling, libraries, parks and roads – services that impact the quality of life of residents.

Notwithstanding significant efficiency savings and productivity increases achieved during the past three years, recurring revenues continue to be insufficient to fund expenditures and essential reserve and reserve fund contributions. For the most part, the 2007 revenue deficit has

been driven by the City's obligation to pay for under-funded provincially mandated services from the property tax base. As a result, to balance the 2007 Operating Budget the City has had to rely on unsustainable, one-time revenues including reserve / reserve fund draws of $211 million. These one time revenues will contribute to a beginning revenue shortfall / pressure in 2008.

Background Information

2007 Recommended Operating Budget
(http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-2878.pdf)

Communications

(April 13, 2007) Submission from Budget Committee - EXMain
(http://www.toronto.ca/legdocs/mmis/2007/ex/comm/communicationfile-1103.pdf)

1a 2007 Operating Budget - Required Reserve Contribution to Balance the Budget

(April 13, 2007) report from the Deputy City Manager and Chief Financial Officer

Recommendations

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council authorize the Deputy City Manager and Chief Financial Officer to:

   (i) transfer funds in the amount of $71.0 million to the 2007 Non-Program Revenue Budget – Other Corporate Revenue Account from the following accounts:
   - a) Land Acquisition Reserve Fund ($32.5 million)
   - b) City Parking Reserve Fund ($5.0 million)
   - c) Social Assistance Stabilization Reserve Fund ($3.5 million), and
   - d) Move Ontario Trust ($30.0 million)

   (ii) amend the 2007 Operating Budget accordingly;

2. transfer $131.3 million from the Capital Financing Reserve Fund to the Non-Program Revenue Budget – Other Corporate Revenue Account;

3. Council authorize the Deputy City Manager and Chief Financial Officer to close any accounts with nil balances that result from Recommendation No. 1 and the City Solicitor to be authorized to introduce a bill at Council, at a later date, to amend Municipal Code 227 – Reserve and Reserve Funds – to delete any such accounts from the Code; and

4. the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

The 2007 Budget Committee Recommended Base Operating Budget includes $76.0 million of draws from reserve funds to support social service cost shared programs such as the Social Assistance Stabilization Reserve Fund, Ontario Works Reserve Fund and Social Housing Stabilization Reserve Fund, exclusive of funding for new/enhanced services. The utilization of these accounts will result in a significant operating budget pressure in 2008 and beyond for the cost shared social services programs.

This report identifies the withdrawal of an additional $131.3 million from the Capital Financing Reserve Fund (following the transfer from the 2006 operating surplus), $41.0 million from other reserves and $30.0 million from the Move Ontario Trust for a total of approximately $278.3 million to be utilized as a one-time funding source for the 2007 Operating Budget. The majority of the recommended withdrawals are from accounts which normally would finance capital expenditures and so, in the long run, the City's debt financing will most likely increase as a consequence of this withdrawal unless capital expenditure plans are reduced in the future or alternate funding is found. The impact of the recommended action will be reviewed as part of the 2008 budget process and could adversely affect both the capital and operating expenditure plans.

Table 1 below, a reconciliation of the City's reserves and reserve funds, is designed to show the significant impact that the one-time only draws from reserve funds will have on the City's future flexibility in responding to risk and adverse circumstances. Specific accounts are excluded because of the non-discretionary purpose of the reserve account:

- Obligatory funds that are governed by legislation or agreement as explained in the Comments section of this report
- The Capital - State of Good Repair accounts, Vehicle accounts, Land Acquisition accounts and Water reserves that are required to fund significant capital backlogs and future capital contracts approved by Council.
- Working Capital and Capital Financing that are required to provide flexibility and stability for the over-all City operations should funds be required for any major unforeseen circumstance.
- Accounts with significant accounting and/or legislative requirements and other long-term risks, such as:
    - Benefit accounts and the Insurance Reserve Fund which are already significantly underfunded.
    - Community services accounts required to meet social, community, cultural and recreational plans.
    - Stabilization accounts required to stabilize the revenue flows from Agencies, Boards and Commissions and major social/community service programs.
    - Arbitration and Legal Awards required on a continual basis to meet the results of litigation (other Corporate Commitments).

Summary

This report identifies $202.3 million of reserve funds required to balance the 2007 Operating Budget. The funds are composed of $131.3 million already recommended by the Budget Committee and the replacement for the $71 million which was to be provided by the Province to fund its cost-sharing shortfall. This report recommends that $131.3 million be provided from the Capital Financing Reserve Fund, $41.0 million be provided from other reserve funds and the remaining $30.0 million be provided from the City's share of interest earnings in the Move Ontario Trust.

Use of funds in this manner is an extraordinary decision needed to avoid significant service reductions and/or significant increases in property taxes as previously noted to Committee and Council. Also, it must be emphasized that the City has utilized more than $1.3 billion in capital and other reserves for operating revenues since 2001. Discretionary Reserves are no longer available in 2008 and beyond, resulting in the City facing service and/or tax impacts without sustainable revenues.

Resolving the City's structural fiscal operating position will require significant restructuring of financial responsibilities (uploading cost shared programs/social services) and appropriate sharing of revenues which grow with the economy (e.g. GST).

Background Information

2007 Operating Budget - Required Reserve Contribution to Balance the Budget
(http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-2889.pdf)

EX7.2	ACTION			Ward: 6

Amendment to the Council Authority for the Construction and Operation of the Proposed Lakeshore Lions Arena Complex

(April 13, 2007) report from the Deputy City Manager and Chief Financial Officer and the General Manager of Parks, Forestry and Recreation

Recommendations

The Deputy City Manager and Chief Financial Officer and the General Manager of Parks, Forestry and Recreation recommend that:

1. the recommendations adopted by Council at its meeting in September 25-27, 2006 under Clause 21 of Report 7 of the former Policy and Finance Committee be amended and supplemented as outlined in detail in Attachment 1.
2. Staff be granted the authority to give effect to the foregoing.

Financial Impact

Revised Project Costs:

The total project cost authorized by Council in September 2006 was $29 million, inclusive of any applicable taxes. In December 2006, City staff were informed by the Lions that its contractor, Giffels Design-Build Inc. could no longer commit to the original construction price quoted, due to rising costs, and advised that the construction cost would now be $33 million. With additional identified development costs ($650,000), the total project cost is now acknowledged at $33,650,000, plus GST. The reasons and elements of the cost increase are discussed in the body of this report. The Lions advise and have provided a qualified opinion that the GST payments would be fully refundable from the Canada Revenue Agency (CRA), so that the cost of the project net of taxes would remain at $33,650,000.

Financing Terms:

The Lakeshore Lions have obtained a commitment from their lender to provide an additional floating-rate loan facility for the difference between the City's $29 million loan guarantee and the revised total project cost. Further, the lender has committed to a more favourable interest rate, for both the $10 million floating-rate loan to be guaranteed by the City and the additional loan estimated at $3.65 million (assuming a $1 million loan from the City's Energy Efficiency Office) on essentially the same terms, with the loan having priority over the remaining credit facilities. The interest rate to be obtained on the floating-rate facilities is 1.4% below the prime rate, currently estimated at 4.6%, as compared to the 5.5% (prime rate less 0.50% inclusive agent's fee) previously estimated in the September 2006 approval. The lower interest rate together with other construction timing savings improves the project cash flows and supports the higher project cost. An additional $1 million loan, interest free, is also anticipated to be provided from the City's Energy Efficiency Office for the state-of-the-art heat recovery system incorporated in the design.

Given the revised project cash flows, and the additional condition recommended in this report that requires the Lakeshore Lions to increase their proportion of operating surpluses toward retirement of debt (75%-85%) in order to repay the loans as soon as possible and mitigate City's risk, the floating-rate facilities will be fully repaid in just over 18 years as compared to the originally anticipated timeframe of 16 years.

The proposed term of the floating facilities is competitive and commensurate with the City's guarantee.

With respect to the $19 million fixed-rate loan facility to be guaranteed by the City, the lender has changed the terms in response to the City's request for early retirement or prepayment options at years 10 and 20 without penalty. The interest rate can no longer be fixed for the 35-year term, but rather must be reset at each renewal period. The interest rate proposed by the lender is calculated as sum of: (i) the yield on the Government of Canada bond maturing closest to the maturity date of the initial term (or respective renewal term); (ii) the prevailing capital markets interest rate swap premium for an interest rate swap of equivalent duration; and (iii) 0.60% per annum for the initial term (reduced to 0.35% in subsequent renewal terms). For the initial 10-year term, the agent's fee of an additional 0.25% interest rate is to be included in the loan repayments to be made by the Lakeshore Lions.

The total interest obligation for all the loan facilities is estimated at $33.5 million inclusive of $2.5 million in capitalized interest arising during the construction period, made up of:

1. $10 million on the floating rate facilities,
2. $10 million to the end of year 10 (the prepayment option juncture) on the 35-year fixed rate loan. This includes $1.5 million in capitalized interest, $425,000 as the agent's fee, and $8 million loan interest.
3. $13.5 million of loan interest on balance of the term (years 10-35)

The proposed term of the fixed rate facility, before the addition of the agent's fee (0.25%) is competitive and commensurate with the City's guarantee, totalling 4.94% at current rates, or about 0.79% above the Canada 10-year benchmark bond yield of 4.15%. The City's current cost of borrowing for 10-year debt is about 4.75%, or 0.60% over the Canada bond, inclusive of commission, however, staff would still consider the proposed rate as favourable given that it is from a third-party lender. The September report put a limit on the fixed-rate facility not to exceed 1.0% above the 30-year Canada benchmark bond. Because the revised terms transfers interest rate risk to the City due to the shortened 10-year renewable loan terms, staff recommend that the interest rate on the fixed-rate loan facility now not exceed 0.95% above the yield on the Canada 10-year benchmark bond, inclusive of agent's commission over the initial 10-year term, and for subsequent renewal terms, not to exceed: (i) the yield on the Government of Canada bond maturing closest to the maturity date of the initial term (or respective renewal term); (ii) the prevailing capital markets interest rate swap premium for an interest rate swap of equivalent duration; and (iii) 0.35% per annum.

Sensitivity Analysis:

On the basis of the revised business pro-forma provided by the Lakeshore Lions, the arena operations should be self-sufficient to retire the debt on the facility over the 35-year loan period. The revised pro-forma forecasts a first-year operating surplus of approximately $141,000, followed by net operating profits averaging $92,000 in years two through five, inclusive of conditions recommended in this report that increase the required contributions by the Lakeshore Lions towards repayment of principal on the debt.

In the event that pro-forma revenue projections are not met, the arena operations may result in an operating deficit. Under the loan guarantee, the City would then be obligated to fund such deficits at levels adequate to service the debt until such time that the funding deficiency is remedied by the Lakeshore Lions or the City assumes or reassigns the responsibility for the continued operation of the facility. A condition imposed by the lender on the floating-rate facility is that this loan would take priority security interest in project cash flows. In essence, the interest on this loan would be paid first from project cash flows and ahead of the any interest repayment on the guaranteed loans.

The sensitivity analysis of the outcomes of revenue/expense risk is shown in the following chart:

Project Cash Flow Sensitivity Analysis

Cumulative Position – First 5 – Years of Operations
At Revenue and Expense Levels varied from Forecast
(TOTAL PROJECT COST - $33.65 Million)

Revenue Level	100%	100%	90%	90%
Expense Levels	100%	110%	100%	110%
Revenues	$21,032,726	$21,032,726	$19,279,350	$19,279,350
Expenses	($9,655,763)	($10,577,524)	($9,655,763)	($10,577,524)
Net Operating	$11,376,963	$10,455,202	$9,623,587	$8,701,826
Debt Service	($10,867,904)	($10,197,748)	($9,734,529)	($9,385,141)
Net Income - 5 yrs	$509,059	$257,454	($110,942)	($683,315)
Average Annual net income	$101,812	$51,491	($22,188)	($136,663)

The effects of the recent changes to the project cost and cost of financing results in lesser retained earnings accruing to the Lions during the first 5-years of operations at projected revenue, expense and debt service levels. The revised sensitivity analysis shows that a negative variance of 10 percent on expenses from that forecasted would result in reduced surpluses throughout the first five years of operations of the arena complex. Combined negative variances from forecasted levels beyond 10 percent of revenue and/or expenses would produce net income losses (deficits) as shown in the Chart above.

These financial risks, however, should be balanced against community benefits to be gained from this project. These include providing much needed prime-time ice rental capacity, 500 hours of non-prime time ice for the TDSB and 800 hours of prime time ice at City adult rates, and access to meeting rooms and facilities.

Additional Risk Mitigation Measures:

Given the sensitivity of the Lakeshore Lions revised business proforma to revenue, market demand, expenditure, interest rate, and tenant risk, together with the increased Project cost and debt servicing requirements, staff have reviewed the proposed changes and have identified and are recommending additional terms and conditions to mitigate the financial risk to the City and for continued support for this project by the City.

The risk mitigation measures precedent to the City entering into the revised capital loan guarantee agreement include:

1. Contractual commitment by Giffels Design-Build Inc. for guaranteed maximum construction price of approximately $33,000,000, including contingencies and site risks (up from $29 million in the original Council approval);
2. A letter of credit to the City in the amount of $0.5 million, to be first drawn upon in the event of any debt service deficiency (no change);

3. Obtaining a $1 million interest-free loan for the energy efficient design of the arena;
4. Securing a lower rate of interest on the floating-rate loan facilities;
5. A provision for renewal or early retirement of the fixed-rate loan facility, at the City's option and without any prepayment penalties, at the end of year 10 of the loan;
6. Requiring a greater contribution by the Lakeshore Lions towards the early repayment of principal on the floating-rate loan facilities, and a greater contribution to a reserve for repayment of the fixed-rate loan facility; and,
7. A provision for the accrual with interest of any debt deficiency payments made by the City, and securing of 100% of any operating surplus by City until such deficiency is remedied.

Summary

The purpose of this report is to seek further authority for the City of Toronto to enter into a long term lease with Lakeshore Lions Arena Incorporated to facilitate the development of a new four pad arena complex. The final fixed price project cost has risen to $33,650,000, inclusive of a state-of-the-art heat recovery system that maximizes energy efficiency that would qualify the project for an interest free loan estimated at $1 million from the City's Energy Efficiency Office, and thereby reduce the total amount of financing required from the Lakeshore Lions lenders to $32,650,000. The original loan guarantee by the City will remain at $29,000,000, with the balance being provided by the lender as debt unsecured by a City guarantee with priority over the remaining credit facilities as outlined in this report. This report further recommends requiring the Lakeshore Lions to increase the proportion of operating surpluses directed toward retirement of debt (75%-85%) in order to repay the loans as soon as possible and mitigate the City's risk.

In addition to providing a facility that will address the lack of available prime time ice, the project will fill the need for hockey league play, including practice time and tournaments. The Toronto District School Board (TDSB) will have access to 500 hours of non-prime time ice and the City will have access to 800 hours annually of prime time ice at City arena rates. Additional City benefits include access to meeting rooms.

In order to proceed with the revised project, City staff have negotiated new terms and conditions for the construction costs and overall project costs. As time is of the essence to initiate construction, a Council Authority is required to modify this project.

Background Information

Construction and Operation of the Proposed Lakeshore Lions Arena Complex
(http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-2875.pdf)

EX7.3	ACTION			Ward: All

Green Lane Landfill - 2007 Capital and Operating Budgets

(April 13, 2007) report from the Deputy City Manager and Chief Financial Officer

Recommendations

The Deputy City Manager and Chief Financial Officer recommends that:

(1) the 2007 Approved Capital Budget for Solid Waste Management Services be increased to reflect the $7.720 million in total project capital costs associated with 5 new sub-projects supporting the Green Lane landfill operation, funded from the Waste Management Reserve Fund Account and that the 2007 cash flows of $1.777 million and future year commitments of $5.943 million be approved.

(2) With respect to reserve funds, City Council:

- i) establish a reserve fund group within the State of Good Repair Discretionary Reserve Fund, called the "Solid Waste Group", to accumulate funds to support active and retired landfill sites,
- ii) rename the Solid Waste Management – Perpetual Care Account in the State of Good Repair Discretionary Reserve Fund as the Perpetual Care Account,
- iii) group the Perpetual Care Account and the Waste Management Account to the Solid Waste Group within the State of Good Repair Discretionary Reserve Fund,
- iv) establish within the Solid Waste Group two additional reserve fund accounts called the 'Green Lane Account' to hold funds resulting from any surpluses resulting from the operation of the Green Lane landfill site and the 'Green Lane Perpetual Care Account' to provide funding for the future costs of long-term, post-closure care of the Green Lane landfill site, and
- v) the Municipal Code Chapter 227 (Reserves and Reserve Funds) be amended by adding the Solid Waste Group and its reserve fund account to Schedule #5–State of Good Repair Discretionary Reserve Funds;

(3) the Solid Waste Management Services 2007 Operating Budget be amended by:

- i) increasing the Revenue Budget in an amount of $10.990 million to reflect the new revenues accruing to the City with its ownership of the Green Lane landfill site;
- ii) increasing the Expenditure Budget in the amount of:
  - a. $5.366 million for the new operating costs including the addition of 3 positions for Green Lane offset by savings in Michigan Disposal costs,
  - b. $2.500 million as a contribution to capital and corporate financing account (with the non-program budget adjusted accordingly for debt services costs); and
  - c. $3.124 million as a contribution to the Green Lane Reserve Fund Account.

(4) additional funds that become available in the Green Lane Reserve Fund Account between 2007 and 2011 be used to reduce the amount of short-term interest expense that would otherwise be required to be borrowed to permanently finance the acquisition;

(5) Council authorize the appropriate City of Toronto officials to take the necessary actions to give effect thereto and authority be granted for the introduction of the necessary Bills in Council to give effect to the foregoing.

Financial Impact

Based upon debt issuance of $100 million for a term of 20 years and using an assumed interest rate of 5.00% per annum, the 2007 Operating Budget impact is estimated to be $2.5 million forecasted for a June 30, 2007 debt issue. The annualized debt charge impact for 2008 is estimated to be $8.4 million.

The debt charges resulting from the acquisition will be financed through net revenue in Solid Waste Management's Operating Budget relating to landfill operations. The debt will be self-liquidating from 2007 to 2010 by utilizing revenue generated from existing contracts at Green Lane. From 2011 onward, the capital financing component that is being remitted to the operator of the Michigan site will then be available to finance and retire Green Lane's outstanding debt. Thus, the Green Lane landfill purchase will be financed from landfill revenues and reduced disposal and haulage costs and will not result in any additional tax burden to the City.

Future debt charges will be based upon the amount and timing of debt issuance until the full acquisition cost is permanently financed and will be included in the future operating budgets of Solid Waste Management Services. The forecasted debt charges over the term of the debentures equate to $24.50 per tonne of landfill capacity, which is at the low end of the range previously reported to Council.

The 5 year table below outlines the amendments required to the 2007 Capital and Operating Budgets and the annualized expenditure on an ongoing basis. The 2007 estimates represent nine months of operation of the Green Lane landfill effective April 1, 2007. Paid revenue will be increased by $10.990 million in 2007, and be annualized to $14.569 million in 2008. The Solid Waste Operating expenditures will be increased by $5.366 million in 2007 for Green Lane Operations offset by savings in Michigan disposal costs, and annualized to a full year's operating cost of $7.718 million in 2008. Other expenditure increases include debt service costs of $2.500 million in 2007 which are annualized to $8.357 million in 2008. Finally the 2007 Operating Budget will have a surplus of $3.124 million which will be contributed to the Green Lane Reserve Fund Account, and used to offset the short term interest expenses in 2008 to 2010, prior to the permanent financing in 2011 of the balance of the debt requirements. The 5-year Operating Plan assumes that the revenue over 5 years exceeds the incremental expenditures by $13.560 million, which will be contributed to the Green Lane Reserve Fund Account.

Summary

This report details a strategy for financing the Green Lane landfill acquisition by utilizing future revenues from the Green Lane landfill to finance the purchase of the landfill, and recommends the associated amendments to the Solid Waste Management Services 2007 Capital and Operating Budgets to reflect the increased costs and revenues of operating the Green Lane landfill site as a result of this capital acquisition. The City will use a combination of temporary and permanent financing between 2007 and 2011 with the timing dependent upon capital market conditions.

Background Information

Green Lane Landfill - 2007 Capital and Operating Budgets
(http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-2885.pdf)