

June 14, 2007

To: Executive Committee

From: Budget Committee

Subject: 2006 Final Year-End Capital Variance Report

**Recommendations:**

**The Budget Committee recommended to the Executive Committee that City Council:**

- 1. approve an increase to the total project cost and cash flow of \$53 million for the Exhibition Place - Soccer Stadium Construction project fully funded by the Federal and Provincial governments and private sector partners in order to reflect the flow through of these funds to the City's accounts, along with additional 2006 carry forward funding adjustments which then total \$45.073 million to the 2007 Approved Capital Budget as detailed in Appendix 2 attached;**
- 2. approve closure of completed projects as detailed in Appendix 3, and in accordance with the Financial Control By-law direct that, after fully funding overspent projects, any remaining unspent funds be returned to original funding sources;**
- 3. authorize and direct the appropriate staff to take the necessary action to give effect thereto.**

**Financial Impact**

As shown in Table 1 below, Tax Supported Programs spent \$1.077 billion or 70.2% of the 2006 approved cash flow of \$1.533 billion during the year ended December 31, 2006. By comparison, spending in 2005 approximated 68.1% and in 2004, 67.7% of the respective Council approved cash flow, reflecting an improvement in spending performance over previous years. When uncontrollable projects are excluded, the 2006 Tax Supported Program spending rate increases to 72.8% of the 2006 approved cash flow. Projects are deemed uncontrollable when they are subject to conditions that are not within the control of staff, such as unforeseen natural or environmental factors, and dependencies on third party performance.

<b>Table 1</b> <b>Corporate Final Capital Variance Summary</b> <b>for the Year Ended December 31, 2006</b> <b>(\$000s)</b>				
	2006 Approved Budget	2006 Actuals		
		\$	%	% of Controllable Budget Spent
<b>Tax Supported Programs:</b>				
Citizen Centred Services - "A"	193,093	108,621	56.3%	61.0%
Citizen Centred Services - "B"	441,006	246,562	55.9%	57.3%
Internal Services	162,597	83,686	51.5%	53.0%
Other City Programs	33,482	22,027	65.8%	69.2%
Agencies, Boards & Commissions	702,852	615,990	87.6%	89.6%
<b>Total - Tax Supported</b>	<b>1,533,029</b>	<b>1,076,886</b>	<b>70.2%</b>	<b>72.8%</b>
<b>Rate Supported Programs:</b>				
Toronto Parking Authority	30,209	8,211	27.2%	54.0%
Toronto Water	394,468	264,545	67.1%	70.9%
<b>Total Rate Supported</b>	<b>424,677</b>	<b>272,756</b>	<b>64.2%</b>	<b>70.2%</b>
<b>Total</b>	<b>1,957,706</b>	<b>1,349,642</b>	<b>68.9%</b>	<b>72.3%</b>

Rate-Supported Programs spent \$272.757 million or 64.2% of the 2006 approved cash flow of \$424.677 million. Excluding uncontrollable projects, the spending rate improves to 70.2%.

In accordance with the City's Carry Forward Policy, City Programs, Agencies, Boards and Commissions are permitted to request Council approval to adjust their prior year carry forward funding requirement based on updated information after year-end. As indicated in the attached Appendix 2, an additional carry-forward funding adjustment of \$45.073 million is required to complete 2006 capital projects. The additional carry forward funding requirement will have no incremental debt impact since associated previously approved financing will be similarly brought forward.

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

#### Background:

The Budget Committee on June 13, 2007, considered a report (June 6, 2007) from the Deputy City Manager and Chief Financial Officer providing the City of Toronto Final Capital Variance Report for the year ended December 31, 2006.

for City Clerk



## **STAFF REPORT ACTION REQUIRED**

### **2006 Final Year-End Capital Variance Report**

<b>Date:</b>	June 6, 2007
<b>To:</b>	Budget Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2007\Internal Services\FP\bc07017FP-wo (AFS #2992)

### **SUMMARY**

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The purpose of this report is to provide the City of Toronto Final Capital Variance Report for the year ended December 31, 2006. This variance report was prepared using audited financial information for the year ended December 31, 2006.

Capital expenditures during 2006 totalled \$1.349 billion or 68.9% of the approved cash flow of \$1.958 billion. The under-expenditure was primarily attributed to the inability to find or secure suitable sites in accordance with planned timeframes; a legal challenge with respect to the St. Clair Dedicated Right of Way project which resulted in a judicial review, unanticipated delays in securing funds from cost-sharing partners; and, significantly higher than expected rainfall which delayed performance of roofing and asphalt projects, exterior site work, park construction projects and playground replacement work. In addition, several projects were completed under-budget. In accordance with policy, these projects will be closed and unspent funds will be returned to the original Council approved funding source.

In accordance with the City's Carry Forward Policy, this report requests approval to carry forward financing for unspent 2006 projects not previously identified and included in the 2007 Capital Budget. The additional carry forward request is \$45.073 million.

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## RECOMMENDATIONS

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The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve an increase to the total project cost and cash flow of \$53 million for the Exhibition Place - Soccer Stadium Construction project fully funded by the Federal and Provincial governments and private sector partners in order to reflect the flow through of these funds to the City’s accounts, along with additional 2006 carry forward funding adjustments which then total \$45.073 million to the 2007 Approved Capital Budget as detailed in Appendix 2 attached;
2. Council approve closure of completed projects as detailed in Appendix 3, and in accordance with the Financial Control By-law direct that, after fully funding overspent projects, any remaining unspent funds be returned to original funding sources;

3. the Budget Committee forward this report to the Executive Committee for its consideration; and,
4. Council authorize and direct the appropriate staff to take the necessary action to give effect thereto.

## FINANCIAL IMPACT

As shown in Table 1 below, Tax Supported Programs spent \$1.077 billion or 70.2% of the 2006 approved cash flow of \$1.533 billion during the year ended December 31, 2006. By comparison, spending in 2005 approximated 68.1% and in 2004, 67.7% of the respective Council approved cash flow, reflecting an improvement in spending performance over previous years. When uncontrollable projects are excluded, the 2006 Tax Supported Program spending rate increases to 72.8% of the 2006 approved cash flow. Projects are deemed uncontrollable when they are subject to conditions that are not within the control of staff, such as unforeseen natural or environmental factors, and dependencies on third party performance.

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Rate-Supported Programs spent \$272.757 million or 64.2% of the 2006 approved cash flow of \$424.677 million. Excluding uncontrollable projects, the spending rate improves to 70.2%.

In accordance with the City's Carry Forward Policy, City Programs, Agencies, Boards and Commissions are permitted to request Council approval to adjust their prior year carry forward funding requirement based on updated information after year-end. As indicated in the attached Appendix 2, an additional carry-forward funding adjustment of \$45.073 million is required to complete 2006 capital projects. The additional carry forward funding requirement will have no incremental debt impact since associated previously approved financing will be similarly brought forward.

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

## ISSUE BACKGROUND

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

This report provides the financial year-end capital spending based on year-end audited financial statements.

## COMMENTS

### CAPITAL VARIANCE BY CLUSTER AND PROGRAM

#### Citizen Centred Services "A"

For the year ended December 31, 2006, actual capital expenditures for this Cluster totalled \$108.621 million or 56.3% of the 2006 Approved Capital Budget of \$193.093 million. Capital spending performance for Citizen Centred Services "A" programs is summarized below.

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

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

- All Facility Retrofit RFP responses received were over the approved budget allocation and the RFP had to be reissued. Approximately \$1.663 million or 20% of the 2006 approved cash flow will be carried forward to 2007 as a result of this delay.

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

***Court Services*** spent \$0.401 million or 15.4% of its 2006 approved cash flow of \$2.6 million. All Court Services projects are funded from the Provincial Offences Courts Stabilization Reserve Fund, thus have no impact on the City's debt. The under-spending is mainly attributed to delays in implementing the POA Application Development Project. The process to identify the technological requirements for the projects took longer than anticipated. The RFP for one of the technology projects, Digital Audio Recording, closed in December 2006. It is anticipated that this project will be completed in 2007. The Courthouse South District Facilities renovation work involves several facilities at different locations. While minor renovations are nearing completion, the major construction component at Old City Hall was delayed in 2006. During the early stage of this project, unanticipated electrical capacity concerns were resolved: a design firm has since been identified and the project has resumed.

***Economic Development, Culture and Tourism:*** The Program spent \$11.601 million or 73.0% of its approved cash flow of \$15.882 million. Under-spending is mainly attributed to: the Don Valley Brick Works project (\$0.775 million) delayed by environment approvals until 2007; delays in scheduling the St. Lawrence Centre for the Arts Renewal project (\$0.359 million) around theatre operations; delays in the permit phases for the BIA Streetscape Improvement Program (\$0.846 million); construction delays for the Casa Loma project (\$0.254 million) and design delays for the Canada's Walk of Fame project (\$0.300 million).

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

- ♦ cancellation of a contract for the Engineering Technology project (\$0.996 million) as the supplier was unable to fulfil the terms of the contract resulting in the awarding of a new contract later in the year;
- ♦ re-assessment of requirements identified by an audit review conducted on EMS' power supply system which delayed the Emergency Power Supply project (\$0.545 million);
- ♦ delays in the delivery of materials before construction work can begin for the CACC System project (\$0.455 million); and,

- ♦ delays in the demolition / construction of 6 bay storage sheds (\$0.925 million) as the estimated cost from an RFP exceeded the funding allocated for this project requiring a re-evaluation of other capital projects.

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

**Parks, Forestry & Recreation** spent \$64.784 million or 56.0% of its 2006 approved cash flow of \$115.714 million. The aggregate under-spending of \$50.930 million is mainly attributed to the Community Centres project (\$13.260 million), the Park Development project (\$10.881 million), the Arena project (\$6.113 million), the Special Facilities project (\$3.923 million) and the Facility Components project (\$2.558 million). As indicated in the preliminary year-end variance report, spending in the last three months of the year was largely limited as a result of inclement weather: heavy rain resulted in the ground being waterlogged, and roofing projects, asphalt projects, exterior site work, park construction projects and playground replacement came to a halt. By the time the weather did allow for construction to re-start, the holiday season commenced and little progress was made. In all, year-end outstanding commitments of \$24.3 million (21% of the total budget) are comprised of tenders and contracts that required better weather in order to be completed.

In addition to weather concerns, some of the year-end under-spending was due to extended community consultations, requests to defer work so as not to interfere with facility programming, and delays that occur when projects include the participation of third parties. For instance, with respect to under-expenditures in Park Development, land for Port Union Village Park was not transferred from the developer until December 2006, resulting in \$0.715 million being unspent for this particular initiative. Likewise, the South Etobicoke Community Centre expansion which alone accounts for \$1.9 million of under-spending within the Community Centres project, was dependent upon the Toronto District School Board first erecting its building resulting in this project being postponed because of the Board's construction delays. Finally, the addition of new projects to the budget late in the year often results in non-completion by year-end. For example, Section 37 agreements become available during the year and projects are added to the budget in the late summer or early fall, with very little prospect of completion until the following year. Parks, Forestry & Recreation is experiencing a 75% spending rate for state of good repair initiatives versus 56% for its capital budget overall.

**Shelter, Support and Housing Administration** spent \$9.697 million or 54.6% of the 2006 approved cash flow of \$17.760 million. Principal contributors to the under-spending were the shelter renovation projects including Eva's Youth, Bethlehem United, and 717 Broadview with approved cash flow of \$4.83 million and spending of \$0.183 million; and delay in the development of the Shelter Management Information System (SMIS) with approved cash flow of \$2.027 million and spending of \$0.684 million. Delays in finalizing drawings and selecting appropriate contractors resulted in under spending for the Eva's Youth and Bethlehem United projects. Given that the demand for family shelter accommodation in the City has decreased, the 717 Broadview shelter project is no longer required, and will be closed. As previously reported to Council, the contract for the SMIS development has been terminated. The contract with the vendor was terminated as it was



determined that in-house development of the Shelter Management Information System was considered faster and cheaper than continuing with the current vendor or contracting out with another vendor.

### Citizen Centred Services “B”

Actual capital expenditures for this Cluster during the year ended December 31, 2006, totalled \$246.542 million or 55.9% of the 2006 approved cash flow of \$441.006 million. Capital spending performance for Citizen Centred Services “B” programs is summarized below:

***Policy, Planning, Finance and Administration***’s capital expenditures for the twelve months ended December 31, 2006 totaled \$3.445 million or 48.2% of the 2006 approved cash flow of \$7.141 million. Asset preservation projects (\$1.616 million) were completed by year-end. Also completed was the Development Application Tracking System project (\$0.508 million) that now will provide a tracking and costing system for management of planning and development applications. The 2006 phase of the Plan / Drawing Database (\$0.266 million) which will scan hardcopy documents for Technical Services, Solid Waste Management Services and Transportation Services Divisions was also completed.

Of the \$3.697 million in underspending in 2006, the majority is attributable to the following 3 projects:

- ♦ Toronto Infrastructure Data Standards - \$0.426 million or 38.5% of the 2006 approved cash flow of \$1.108 million for this project was spent. The project has been delayed due to challenges in compiling the remaining infrastructure data sets. The project is expected to be completed in late 2007. 2006 carry forward funding of \$0.157 million was approved and \$0.525 million will be deferred until 2012.
- ♦ IBMS Building Division Requirements - \$0.150 million or 30% of the 2006 approved cash flow of \$0.500 million for this project was spent. Issuance of a Request for Proposal (RFP) for external consultants was delayed until Q1 2007, as directed by the Contract Management Office in order to combine this RFP with another for Revenue Services. With the awarding of the contract, project completion is expected in December 2007. 2006 carry forward funding of \$0.350 million was approved.
- ♦ Computer System Integration - There was no spending on this project in 2006, which had a 2006 approved cash flow of \$0.323 million. The project plan was revised as a result of the deferral of the Enterprise Application Interface project to include the integration of contract management and payroll information into the existing Project Tracking Portal System. 2006 carry forward funding of \$0.323 million was approved.

***City Planning*** spent \$4.779 million or 51.2% of its 2006 Approved Capital Budget of \$9.334 million. The major expenditures in 2006 included Civic Improvement projects totalling \$1.579 million. These ensured the special treatment of important streets and places, which will improve the look and feel of the public realm. There were also expenditures of \$1.419 million for the continued development of the new Zoning By-Law. In 2006, \$0.596 million was spent on Development

Charge Funded Studies which was necessary to properly guide new development. There was also spending of \$0.430 million on the new Official Plan.

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

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

***Emergency Management Plan*** –spending on this project totalled \$0.421 million or 73.9% of the 2006 Approved Cash Flow of \$0.570 million. With the completion of the Emergency Back-Up Systems project in December of 2006, the Emergency Management Plan project is effectively completed and is recommended for closure. Future capital funding, if any, will be budgeted directly within the appropriate program area.

The Emergency Back Up-Systems project was not transferred to an appropriate program area within the former Works and Emergency Services Department given that the 703 Don Mills Road facility houses a number of computer and communications equipment which are shared among several programs.

***Fire Services'*** capital expenditures totalled \$10.430 million or 74% of the 2006 approved cash flow of \$14.091 million. The following projects were completed in 2006: HUSAR Facility (\$2.517 million), Fire Station Alerting System Improvements (\$0.118 million), In- Floor Hoists - Toryork (\$0.050 million). Asset Management projects which comprise 22% or \$3.168 million of the total 2006 approved cash flow were 86% spent (\$2.708 million).

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

- ♦ HUSAR projects - \$0.251 million of the under-expenditure is attributed to funding of the HUSAR Facility and \$0.869 million for HUSAR/JEPP 05/06 project which funds equipment and supplies. Due to the Federal fiscal year end of March 31, 2006, there was insufficient time to spend total shared funding on the subsequent phase of the project, HUSAR/JEPP 06/07 which resulted in 11% expenditure or \$0.030 million out of a budget of \$0.270 million.
- ♦ The Computer Aided Dispatch/Record Management System (CAD/RMS) - The CAD/RMS was 68% spent (\$1.792 million) as at December 31, 2006. The final phase of the record management component of the CAD system implementation was deferred to 2007 when the CAD/RMS acceptance testing and outfitting of the Command Post Vehicle and software will be completed.
- ♦ The Harbourfront Public Education/Training Centre project – The project with a \$0.200 million budget in 2006 is dependent on funding from other levels of government, public contributions and other fund raising initiatives. Funding from the Provincial and Federal governments as well as other sources was not realized in 2006; as a result, the project start date has now been deferred to between 2014 and 2016.
- ♦ Other Projects - the following projects with an approved cash flow of \$0.669 million were under-spent due to procurement and planning delays. The Training Facilities Renovation, Communication Centre Quality Assurance & Back-up Consoles projects and the Toryork Bays Extension study had a combined 2006 total expenditure of \$3,991 or 0.6%.

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

Of the \$18.397 million under-expenditure, \$10.836 million (or 59%) is attributed to Diversion Facilities, \$4.498 million (24%) to Transfer Station Upgrades, and \$2.093 million (11%) to Perpetual Care of Landfills. The under-spending is mainly attributed to the following projects:

- ♦ Diversion Facilities – 18% of the under-spending is attributable to the Additional Source Separated Organic (SSO) Processing Capacity Project (\$3.316 million). This project has been delayed pending Council approval of a final SSO preferred option and was deferred to 2007. Funding of \$1.350 million for the Reuse Centre project was carried forward to 2007 due to delays in getting approval for the Ingram site. The start-up of the Mechanical - Biological Treatment Facility Project (\$2.0 million) was delayed because it took longer than expected to develop an end market for the compost-like product. Under-spending of the Modifications at Commissioners Street project (\$1.139 million) was caused by a lengthy approval process for the retrofit of the Materials Recovery Facility. The Dufferin Container Line Upgrade project (\$0.850 million) was delayed because of continued negotiations with Stewardship Ontario to assist with its funding. The startup of the second round of consultations for the Residual Waste

Management Environmental Assessment project (\$0.543 million) was delayed to first obtain agreement on a framework for the EA process.

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

***Transportation Services'*** capital spending totalled \$200.547 million or 56.8% of the 2006 approved cash flow of \$353.141 million. Transportation's capital work consists of two main categories of capital projects: State Of Good Repair and Infrastructure Enhancement.

- ♦ State of Good Repair projects for bridges, local and major roads and expressways total \$160.226 million or 46% of the 2006 approved cash flow and are 71% spent at year-end (\$113.709 million). The major expenditures in 2006 included major road reconstruction and resurfacing (\$24.070 million), local road reconstruction and resurfacing (\$39.041 million), sidewalk construction (\$9.119 million), rehabilitation and repair of 7 city bridges (\$25.827 million) and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$8.674 million).
- ♦ Infrastructure Enhancement projects totalled \$166.054 million or 47% of the 2006 approved cash flow and are 43% spent at year-end (\$70.996 million). The major expenditures in 2006 were related to the Front Street Extension for the purchase of 9 Hanna (\$12.667 million), work on the Simcoe Street Tunnel to improve traffic flow south of Front Street (\$5.030 million), various construction projects for streetcar track replacement (\$10.036 million), widening and reconstruction of the pavement on Ellesmere Road from Warden Avenue to Kennedy Road (\$6.152 million), completion of the Milner Connector at Morningside/401, start of work on the St. Clair Dedicated Right of Way from Tweedsmuir to Gunns Road (\$6.163 million), start of demolition work on the Dufferin Jog Elimination project (\$2.633 million) and continued enhancement of the City's Cycling Infrastructure by construction of bike lanes and traffic calming measures (\$2.510 million).

Of the \$151.495 million in total under-expenditure, \$46.517 million (or 30%) is for state of good repair projects and \$93.995 million (or 62%) is for Infrastructure Enhancement projects. Planning delays and the late start of State of Good Repair projects resulted in under expenditures for major road reconstruction and resurfacing (\$15.075 million), rehabilitation and repair of city bridges (\$9.745 million), local road reconstruction and resurfacing (\$7.293 million), repairs to the Gardiner Expressway and Don Valley Parkway (\$4.884 million) and Backlog Priority Elimination Local & Major Roads (\$3.937 million). Under-spending on key Infrastructure Enhancement projects is attributed to the following:

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

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

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

- ♦ \$6.295 million in under-spending is attributed to delays in the West Don Lands and East Bayfront components of the Precinct Implementation. The Risk Assessment/Risk Management plan for the West Don Lands was filed with the Ministry of the Environment by the Ontario Realty Corporation 6 months later than what was originally expected, since the process was more complex than anticipated and required the resolution of numerous technical issues. The

East Bayfront project implementation experienced minor delays waiting for completion of a Contribution Agreement between the TWRC, the Province of Ontario and the City of Toronto.

- ♦ The Pier 4 Rehabilitation project requires a carryforward funding of \$1.500 million into 2007. These funds were to renovate a City-owned heritage building for public and museum purposes. Negotiations with potential tenants for the building are ongoing, with finalization expected in 2007. Once a tenant is secured, spending will commence.
- ♦ The East Bayfront/West Don Lands District Energy project was under-spent by \$1.445 million due to unreleased funds pending completion of the revised project scope definition by the TWRC and corresponding Contribution Agreement.

### Internal Services

Internal Services' Programs spent \$83.685 million or 51.5% of their 2006 Capital Budget of \$162.598 million. Capital spending performance for Internal Services Programs is summarized below:

***Facilities and Real Estate*** spent \$34.645 million or 80.5% of its 2006 approved cash flow of \$43.027 million. Under-spending is attributed to the following projects:

- ♦ Business Integration Project - \$0.682 million or 48% of the 2006 approved cash flow of \$1.421 million was spent in 2006. The project was delayed due to the need to resolve various systems issues, resulting in \$0.739 million being carried forward into 2007.
- ♦ Emergency projects at three different locations (1530 Markham Road, 5 Bathurst Street and 1978 Lakeshore Boulevard) collectively incurred expenditures of \$0.298 million or 37% of their 2006 cash flow of \$0.804 million. These projects were identified late in 2006 and work could not be completed by year-end, resulting in \$0.506 million being carried forward into 2007.
- ♦ Spending on the Carpet Replacement project at North York Civic Centre was \$0.017 million or 3.8% of the 2006 approved cash flow of \$0.439 million. Due to scheduling conflicts, this project could not be completed in 2006. The 2007 work schedule has been confirmed and funds in the amount of \$0.422 million has been carried forward into 2007.

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

- ♦ Breakdown in negotiations with the selected vendor to provide the technology requirements for the Accounts Payable, Document Management and Imaging Initiatives (\$1.4 million) and the Workflow and Document Management Project for the Revenue Services Division (\$0.552 million) delayed spending in 2006. A new vendor was selected and an agreement was signed in December, 2006.
- ♦ A delay in finalizing wage harmonization for part-time employees delayed the Collective Agreement Implementation Project (\$0.520 million).

- ♦ Delays in issuing the Request for Proposal until late in 2006 due to staffing capacity to complete the lengthy process in addition to their regular responsibilities delayed the Revenue System – Phase II - Unified Cashiering System (\$0.831million); the E-Procurement (\$0.335 million) and Revenue Services–Integrated Voice Recognition (\$0.200 million) projects.
- ♦ Replacement of the Parking Tag Scanner was delayed pending evaluation of the handheld ticket writers and identification and analysis of need for the System. As a result, the Parking Tag Management Software Upgrade feasibility study was deferred to 2007 resulting in a total of \$0.311 million to be spent in 2007 on these two projects.
- ♦ The Spadina Subway Extension project is expected to be completed in 2007 utilizing the balance of funding of \$0.278 million.

**Fleet Services'** capital spending for the year ended December 31, 2006 was \$26.544 million or 32.8% of the 2006 approved cash flow of \$80.916 million. The majority of the vehicles ordered were not deliverable as planned because the manufacturers' build out dates for vehicles extended beyond 2006. Purchase orders totalling \$40.824 million have been issued against the unspent balance of \$54.372 million.

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

Spending on the **Sustainment** project during 2006 totalled \$10.707 million or 66.3% of the 2006 approved cash flow of \$16.138. The Sustainment project realized savings totalling \$3.799 million mainly due to favourable pricing (notably on monitors and servers), and less equipment being required for replacement than planned. Part of this resulted from the Toronto Public Library assuming budget responsibility for their monitor replacement. In addition, Fire Services and EMS were not ready for equipment replacement in 2006; however these units will be replaced in 2007.

**Information and Technology's** capital spending for the year ended December 31, 2006 was \$6.189 million or 56.9% of its 2006 approved cash flow of \$10.872 million. The under spending is due to delays in contract negotiations, and tendering process delays caused by the need to coordinate the participation of various Programs. In addition, several projects experienced staffing issues arising from difficulties in recruiting suitable IT professionals.

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

- ♦ SAP Archiving project - unforeseen staff changes at SAP Canada, and price changes related to the Statement of Work, which is the specification of the deliverables expected of the consultant, resulted in further negotiation. An amount of \$0.366 million or 81.3% of the 2006 approved cash flow of \$0.450 has been carried forward to 2007.
- ♦ The SAP project for Human Resources Personnel Development, the Organization Publisher and the SAP Solution Manager has incurred expenditures of \$0.243 million or 42% as the Human

Resources Division's internal re-organization, delayed the hiring of two Human Resources staff backfills required for the projects.

- ♦ The Document Imaging & Management – Core Development project: The contract negotiations were more difficult than expected and additional IBM requirements were identified subsequent to the original plan. The Document Management agreement was not signed until November 28, 2006, and Phase 1 planning started in December 2006. The revised target is to complete all procurement during the first six months of 2007 in order to meet IBM's requirements. An amount of \$0.749 million or 100% of the 2006 approved cash flow has been carried forward to 2007.
- ♦ The Document Management – Litigation Pilot project was 6% or \$0.030 million spent due to prolonged contract negotiations which resulted in the contract being signed in early December 2006. Phase 1 Project Initiation deliverables have been identified, and Phase 2 – Macro Design, which includes documenting all the business requirements for the Legal Services Prosecutions Unit, and the infrastructure, testing strategy, deployment plan and acquisition of hardware commenced January 8, 2007.
- ♦ The Data Management project – was delayed because of several factors, including difficulties in staff recruitment caused by a lack of suitable staff in the market place resulting in a longer search period. In addition, the vendor announced release of a newer version of Java that will be better suited to the City's Web infrastructure. Therefore, additional development and business process improvement work is being deferred to 2007 in preparation for this new release of the product. An amount of \$0.983 million or 69% of the 2006 approved cash flow of \$1.425 million has been carried forward to 2007.

#### Other City Programs

Other City Programs collectively reported actual expenditures of \$22.026 million or 65.8% of their 2006 Approved Capital Budget of \$33.482 million in 2006. Capital spending performance for Other City Programs is discussed below.

***The City Clerk's Office's*** capital spending for the year ended December 31, 2006 was \$3.903 million or 73.1% of its 2006 approved cash flow of \$5.341 million. Under-spending is the result of the following projects having been completed at lower than budgeted costs: the Electronic Filing System project due to lower external professional services costs; and, the Print Equipment replacement project as a result of buying at an auction market. In addition, some projects have been delayed: the Council Vital Records project due longer than planned time taken to hire qualified technical staff; and the Meeting Management Initiative experienced longer planning timelines to incorporate and implement additional Governance and City of Toronto Act changes.

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



**Energy Retrofit Program's** actual expenditures for 2006 totalled \$14.281 million or 89.9% of the 2006 approved cash flow of \$15.889 million. The following projects were the principal causes of the under-expenditure:

- ♦ Exhibition Place Energy Retrofit, 5 Buildings project – The construction work was delayed because the time to obtain pricing for the geothermal project was longer than anticipated. An amount of \$0.710 million or 51% of the 2006 approved cash flow of \$1.394 million has been carried forward to 2007.
- ♦ Arenas Energy Retrofit – Under-spending is mainly due to unanticipated construction delays, resulting in \$0.140 million or 2% of the 2006 approved cash flow of \$7.000 million has been carried forward into 2007.
- ♦ Exhibition Place Energy Retrofit, Tri-generation project – This project was delayed because of later than planned commissioning of the tri-generation unit, due to difficulties in obtaining suitable times for a power shutdown. As a result, \$2.399 million of the 2006 approved cash flow of \$2.974 million or 80.7% was spent by year-end and \$0.575 million has been carried forward to 2007.

The **Union Station Project** had expenditures totalling \$3.710 million or 65.4% of its 2006 approved cash flow of \$5.676 million in 2006. The Pedestrian Bridge project was under-spent by \$1.440 million due to delays in receiving approval from Parks Canada and co-ordinating the project with the TTC. Repairs are expected to commence in the first quarter of 2007. In addition, the Northwest Path extension study was delayed due to the need to re-issue a Request For Proposal to undertake an environmental assessment study rather than a feasibility study resulting in under-spending of \$0.117 million. These funds have been carried forward to 2007 and will fund the environmental assessment study.

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

#### Agencies, Boards and Commissions (ABCs)

Collectively, Agencies, Boards and Commissions (ABCs) spent \$615.989 million or 87.7% of their 2006 approved cash flow of \$702.521 million. Individual ABC performance is discussed below:

**Exhibition Place** spent \$15.391 million or 91% of its 2006 Approved Capital Budget of \$69.859 million. The under-spending is mainly attributed to the following projects:

- ♦ Queen Elizabeth Building - Chiller Replacement Phase 2 project (\$0.450 million) - The replacement of the chiller was delayed since tenders came in much higher than budgeted. Only 56% of the 2006 funding was spent by year-end; the unspent amount has been carried forward to 2007.
- ♦ Coliseum Lighting (\$0.300 million) - This work was delayed in order to coordinate it with the broadened scope of the Energy Retrofit Program NTC Lighting project. Only 59% of the 2006 funding was spent by year-end; the balance has been carried forward to 2007.
- ♦ Direct Energy Centre - Renovation of Salons and Washrooms (\$0.200 million) - This project was delayed because additional feasibility analysis was required to determine how best to address deficiencies such as storage and partitioning. Only 69% of the 2006 funding was spent by year-end; the balance has been carried forward into 2007.
- ♦ Music Building Windows (\$0.100 million) - This project was delayed until Exhibition Place received the consultants' reports to determine whether leaks were originating from the windows, as initially suspected, or from the roof. Only 18% of the 2006 funding was spent by year-end; the unspent funds have been carried forward into 2007.
- ♦ Soccer Stadium (\$62.800 million) - Even though the construction of the soccer stadium has been completed, this project requires an additional \$53.327 million in funding to be carried forward from 2006 to 2007 to accommodate the processing of invoices for \$0.327 million in City-funded expenses and \$53.000 million in expenses funded by the federal government (\$27.000 million), the Province of Ontario (\$8.000 million) and the private sector partner, Maple Leaf Sports and Entertainment (\$18.000 million). A budget adjustment of \$53.000 million to reflect the flow through of these funds through the City's accounts is recommended in this report.

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

***Toronto Parking Enforcement Unit*** spent \$3.318 million or 91.3% of its 2006 approved cash flow of \$3.633 million in 2006. The implementation of the Handheld Parking Devices project was completed as planned below budget by \$0.315 million. The unspent funds of \$0.300 million provided for Bylaw Harmonization was not utilized as Transportation Services completed the required work internally. The unused funds have been returned to Transportation Services.

***Toronto Police Service*** spent \$41.902 million or 62.4% of its 2006 approved cash flow of \$67.132 million during 2006. Excluding the purchase of land which is outside of TPS control, the Toronto Police Service has spent 75.6% of its 2006 Capital Budget. Major expenditures in 2006 included the construction of the new 23 Division (\$10.704 million), Handheld and Mobile Radio Replacement (\$8.262 million), Police Vehicle Replacement (\$5.033 million), and the New Training Facility (\$3.008 million).

Of the \$25.230 million under-expenditure in 2006, \$14.307 million (57%) is related to Facilities projects, \$2.036 million (8%) is for Equipment Lifecycle Replacement, and \$8.861 million (35%) is for Information Technology and Other projects.

Facilities - The under-spending in new facilities is primarily due to delays in acquiring land for new Police facilities, and includes 14 Division (\$5.229 million), 11 Division (\$2.700 million), 41 Division (\$3.254 million), and 54 Division (\$1.708 million). For instance, a site was identified for a new 11 Division facility, however, due to various legal and environmental issues, it was not feasible to utilize this site. The Board has requested City Facilities & Real Estate staff to expand and expedite their search for an alternative site for the facility. With respect to a new 14 Division, the City is currently in discussions with the Toronto District School Board to acquire an identified property. Assuming successful acquisition of this property in 2007, design is anticipated to commence in 2007 with construction starting in second quarter 2008. In addition, the construction of the New Training Facility which was expected to start in 2006 is delayed to the first quarter 2007 (\$1.090 million), however this is offset by accelerated expenditures in the construction of 23 Division (\$0.296 million). The project for 23 Division is on budget, and is expected to be completed in the second quarter 2007.

Information Technology & Other - Remaining under-expenditures are primarily related to delays with several Information Technology Projects including the Digital Video Asset Management project (\$2.098 million) which was delayed due to the RFP process to hire project staff; the Time Resource Management System functionality upgrade (\$1.956 million) was delayed to stabilize the environment related to initial implementation before proceeding with upgrades; the Human Resources Management System functionality upgrade (\$1.437 million) was delayed to assess the ramifications of the acquisition of Peoplesoft by another vendor; and the Strong Authentication Security Improvement project (\$0.607 million) was delayed to hire a consultant to purchase/develop the software. Funding for these IT projects has been carried forward into 2007.

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

**Toronto Public Library** spent \$12.468 million or 80.9% of its 2006 approved cash flow of \$15.415 million at year-end. The under-spending of \$2.944 million, approved by Council to carry forward into 2007, is mainly attributed to the following projects:

- ♦ The Jane / Sheppard Neighbourhood Library Relocation project was delayed as the development approval issues experienced by co-developer Shelter, Housing & Support have not been resolved, resulting in an under-expenditure of \$0.372 million;
- ♦ A longer than planned approval process, given this building's heritage designation, delayed construction of the Bloor/Gladstone Library Expansion Project, resulting in an under expenditure of \$0.479 million;
- ♦ A number of recently awarded construction tenders were higher than expected, which made it necessary to modify the design of the S. Walter Stewart Branch Renovation to stay within the

approved funding. As a result, the construction phase of the project was delayed, resulting in an under-expenditure of \$0.896 million; and,

- ♦ A Fire System Audit conducted at the Toronto Reference Library (TRL) revealed that the scope and specifications of the project to replace the existing fire alarm had to be expanded to include additional electrical and mechanical building components that were not compatible with the new fire alarm system, delaying the vendor selection and resulting in an under-expenditure of \$0.354 million.

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

- ♦ 80 low floor diesel buses, as well as 150 low floor diesel/electric hybrid buses (\$148.9 million), were purchased to replace obsolete buses. An initial payment toward the purchase of 234 subway cars (\$105.5 million) was made. Streetcar track was installed with the majority of the work done on St. Clair Street West between Yonge and Tweedsmuir and also between Bathurst and Vaughan (\$29.1 million). Construction of the Mount Dennis Bus Garage continued (\$30.0 million) in anticipation of 100 new ridership growth buses to be delivered in 2007.
- ♦ A significant part of the underspending is attributable to the six projects listed below:
  - Surface Track - \$29.100 million or 68.7% of the 2006 approved cash flow of \$42.366 million for this project was spent. The underspending is mainly due to the deferral of work on the Reserved Transit Lanes on Fleet Street (to 2007), of Special Trackwork - St. Clair West Station (to 2007) and of Bathurst & Hillcrest Yard work (to 2009). The underspending was partially offset by increased costs for the Judicial Review on St. Clair Avenue West.
  - Equipment – Various - \$1.300 million or 21.6% of the 2006 approved cash flow of \$6.025 million for this project was spent. The underspending is mainly due to the decision to combine the Greenwood Carhouse Vehicle Exterior Wash work with Wilson Carhouse Exterior Wash work and reschedule to 2007, as well as to defer the Ventilation Upgrade and Modification work at the Arrow Road & Malvern Bus Garages to 2007 which resulted from delays in completing the design.
  - Fire Ventilation Upgrade - \$7.500 million or 53.0% of the 2006 approved cash flow of \$14.160 million for this project was spent. The underspending is due to delays in completing work at York Mills and additional work related to fan design which have caused the project to continue into 2007. As well, Second Exit work at College Station and Castle Frank Station to provide for the installation of elevators under Easier Access program was deferred to 2007. This work was deferred due to the need for a revised design to allow for the daily use of the second exits.

- Other Building & Structure Projects - \$11.200 million or 46.6% of the 2006 approved cash flow of \$24.024 million for this project was spent. The underspending is mainly due to design work and masonry rehabilitation work being delayed due to a lack of resources both internally and externally. The rehabilitation work could not begin in 2006 before the onset of winter weather. This has resulted in delays until 2007 to projects including various Facility Renewal projects, the Spadina Subway Extension to York University and the Environmental Assessment for Waterfront West Streetcars CNE to Roncesvalles.
- Purchase of Buses - \$148.900 million or 96.9% of the 2006 approved cash flow of \$153.626 million for this project was spent. The underspending is due mainly to preliminary acceptance of 6 buses in late 2006 which deferred the final acceptance payment into 2007. Commissioning for 32 buses also will be completed in 2007 along with spare and test parts.
- Purchase of Subway Cars - \$105.500 million or 95% of the 2006 approved cash flow of \$111.065 million for this project was spent. The variance is due to changes in the escalation contract terms of payment and projected delivery schedule, impacted by a delay in the expected contract award. The final negotiation of the subway car contract with Bombardier was awarded December 21, 2006.

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

***Toronto Zoo*** spent \$3.992 million or 43% of its 2006 approved cash flow of \$9.340 million by year-end. The year-end under-spending of \$5.348 million is mainly attributed to tendering issues. During the course of the year, a number of tenders came in over-budget, thereby requiring the Zoo to revise and re-scope the requirements of various projects in order to stay within budget. The subsequent re-tendering of these projects has resulted in significant under-spending for the year and the need to carry-forward unspent funds from 2006 to 2007.

Of the \$5.348 million unspent in 2006, \$4.297 million is due to such tendering problems for the North Zoo Site Redevelopment Project (Detailed Design & Tundra Construction - \$2.573 million), for the refurbishment of the Australasia Exhibit and Pavilion Roofing (\$1.381 million), and for Grounds and Visitor Improvements (\$0.342 million). Aside from these tender issues, the delayed implementation of certain information technology modules (\$0.602 million), and the ongoing electrical/mechanical refurbishment of various buildings (\$0.251 million) account for most of the remaining under-expenditure.

Rate Supported Programs:

For the year ended December 31 of 2006, Rate Supported Programs spent \$272.757 million or 64.2% of their 2006 Approved Capital Budget of \$424.677 million. Excluding projects delayed because of uncontrollable factors, the spending performance would have improved by 7.4% to 70.2%.

**Toronto Water** spent \$264.545 million or 67% of its 2006 Approved Capital Budget of \$394.468 million. This level of capital spending by Toronto Water represents a significant improvement of almost \$62.000 million or 30% compared to the 2005 spending of \$202.900 million.

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

Although progress was made on the District Replacement program during the summer months, a similar rate was not sustained for the fall and winter, due primarily to the rainy weather. The budget for these projects has been committed and will see completion in early 2007.

In addition, several of Toronto Water's projects, such as the Digester Refurbishment Project, experienced lower than expected performance at the end of 2006. Asbestos issues delayed the work at the Ashbridges Bay Treatment Plant.

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

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

#### Technical Adjustment and Additional Carry-forward Funding:

In accordance with the City's Carry-Forward Policy, City Programs, Agencies, Boards and Commissions are permitted to adjust their prior year carry forward requirements based on updated information after year-end. These adjustments are reported to Council as part of the 2006 Final Year-End Capital Variance Report and if necessary, again as part of the First Four Months 2007 Capital Variance Report.

The Exhibition Place – Soccer Stadium Construction project needs to be increased by \$53 million gross, \$0 net to reflect the full project cost and financing from the federal government (\$27.000 million), the Province of Ontario (\$8.000 million) and the private sector partner, Maple Leaf Sports and Entertainment (\$18.000 million). It is therefore recommended that Exhibition Place 2006 Approved Capital Budget be adjusted accordingly.

Additional carry forward adjustments in the amount of \$45.073 million (inclusive of the Exhibition Place Soccer Stadium Construction project) is required to complete 2006 capital projects, as listed in Appendix 2. The additional carry forward funding requirement will have no incremental new debt impact since associated previously approved financing will similarly be brought forward.

Additional Carry-forward Funding for Previously Approved Projects:

In accordance with the City's Carry-Forward Policy, it is acknowledged that the City Programs, Agencies, Boards and Commissions are permitted to adjust their prior year carry-forward requirements based on updated information after year-end. These adjustments are reported to Council as part of the 2006 Final Year-End Capital Variance Report and if necessary, again as part of the First Four Months 2007 Capital Variance Report. Additional carry forward adjustments in the amount of \$45.073 million is required to complete 2006 capital projects, as listed in Appendix 2. The additional carry-forward funding requirement will have no incremental new debt impact since associated previously approved financing will similarly be brought forward.

Capital Projects Recommended for Closure:

Appendix 3 represents the projects that were completed in 2006 or had no activity in the last two years, which are recommended for closure. These projects have an aggregate budget of \$1.385 billion and actual expenditures of \$1.116 billion. In accordance with the Financial Control By-law, the Financial Planning Division has reviewed these projects and the Deputy City Manager and Chief Financial Officer recommends that they be closed. After fully funding any project over-expenditures, remaining unspent and uncommitted funds resulting from the closure of these projects will be returned to their original funding sources.

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## **SIGNATURE**

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Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

Appendix 1 – 2006 Final Consolidated Capital Variance Statement  
Appendix 2 – Additional 2006 Carry Forward Adjustments  
Appendix 3 – Projects Recommended for Closure