



**STAFF REPORT  
ACTION REQUIRED**

**Capital Variance Report  
For the Four Months Ended April 30, 2007**

<b>Date:</b>	July 5, 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\bc07020FP-wo (AFS #4939)

**SUMMARY**

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The purpose of this report is to provide the City of Toronto Capital Variance Report for the four months ended April 30, 2007, and to request Council approval for additional 2006 carry forward funding adjustments, budget and technical adjustments, and closure of completed capital projects.

Capital expenditures for Tax Supported Programs during the four months period ended April 30, 2007 totalled \$420.982 million, representing 20.8% of the 2007 Approved Cash Flow of \$2.026 billion (see Appendix 1). City Operations spent \$260.273 million or 24.1% of the 2007 Approved Cash Flow of \$1.082 billion, while Agencies, Boards and Commissions spent \$160.709 million or 17% of their collective 2007 Approved Cash Flow of \$944.293 million. Rate Supported Programs spent \$28.273 million or 6.5% of the 2007 Approved Cash Flow of \$437.507 million. The above spending levels are consistent with prior years' performance. It is noted that total capital spending during the four months ended April 30, 2006 was 14.8%. Capital project activities tend to be concentrated in the latter half of the year, and it is anticipated that spending will accelerate during the summer months in accordance with capital project plans and schedules.

As shown in Appendix 1, projected expenditures to year end total \$2.175 billion or 88.3% of the total Approved Cash Flow of \$2.464 billion. Tax Supported Programs estimate spending 89.8%, while Rate Supported Programs estimate spending 81.2% of their respective 2007 Approved Cash Flow. Projected under-expenditures to year end are primarily attributed to delays in awarding contracts as a result of new directions from

Council with regards to the 3-1-1 Project; reductions and / or delays in receipt of funding commitments from other orders of government; staff reassignments to higher priority non-capital projects; and unanticipated legal and environmental issues.

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## RECOMMENDATIONS

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The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve a reduction to the 2007 Approved Cash Flow totalling \$11.511 million in order to adjust/correct overstated 2006 carry forward funding as detailed in Appendix 2 attached;
2. Council approve the technical adjustments detailed in Appendix 2 attached, in order to reallocate funds between projects with no incremental budget impact, and to

- increase the Toronto Public Library 2007 Capital Budget by \$17,000 (funded by development charges) to cover the unanticipated increased cost of construction materials for the Jane / Sheppard Neighbourhood Relocation project;
3. Council approve closure of completed projects with total project cost of \$90.221 million and actual expenditures of \$77.298 million 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 the original funding sources;
  4. the Budget Committee forward this report to the Executive Committee for its consideration; and,
  5. Council authorize and direct the appropriate staff to take the necessary action to give effect thereto.

## FINANCIAL IMPACT

As summarized in Table 1 below, for the four months ended April 30, 2007, actual expenditures for Tax Supported Programs totalled \$420.982 million or 20.8% of their 2007 Approved Cash Flow of \$2.026 billion. By comparison, these programs spent 14.8% of their 2006 Approved Cash Flow during the same period in 2006. Tax Supported Programs project a spending rate of 89.8% or \$1.819 billion at the end of 2007.

<b>Table 1 Corporate Capital Variance Summary for the Four Months Ended April 30, 2007 (\$000s)</b>					
	2007 Approved Budget	January to April 2007		Total Year	
		\$	%	Projected Actuals to Year-End \$	% of Plan
<b>Tax Supported Programs:</b>					
Citizen Centred Services - "A"	182,065	12,508	6.9%	150,130	82.5%
Citizen Centred Services - "B" (See Note)	700,784	232,847	33.2%	615,168	87.8%
Internal Services	165,211	13,638	8.3%	130,867	79.2%
Other City Programs	33,930	1,280	3.8%	31,437	92.7%
Agencies, Boards & Commissions	944,293	160,709	17.0%	891,707	94.4%
<b>Total - Tax Supported</b>	<b>2,026,282</b>	<b>420,982</b>	<b>20.8%</b>	<b>1,819,309</b>	<b>89.8%</b>
<b>Rate Supported Programs:</b>					
Toronto Parking Authority	27,506	1,561	5.7%	27,506	100.0%
Toronto Water	410,001	26,712	6.5%	327,842	80.0%
<b>Total Rate Supported</b>	<b>437,507</b>	<b>28,273</b>	<b>6.5%</b>	<b>355,348</b>	<b>81.2%</b>
<b>Total</b>	<b>2,463,789</b>	<b>449,255</b>	<b>18.2%</b>	<b>2,174,657</b>	<b>88.3%</b>

Note: Includes Greenlane Landfill

Rate Supported programs spent \$28.273 million or 6.5% of their 2007 Approved Cash Flow of \$437.507 million. It is estimated that by year-end, expenditures will approximate \$355.348 million or 81.2% of the 2007 Approved Cash Flow.

## 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 Committees and Council 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.

This report provides the capital spending for the first four months of 2007 with a view to providing year end spending estimates and identifying factors that negatively impact performance in the coming months to allow to institute any appropriate and necessary corrective action(s).

## COMMENTS

### CAPITAL VARIANCE BY CLUSTER AND PROGRAM

#### Citizen Centred Services "A"

For the four months ended April 30, 2007, actual capital expenditures for this Cluster totalled \$12.508 million or 6.9% of the 2007 Approved Cash Flow of \$182.065 million. Capital spending for Citizen Centred Services "A" is expected to increase to \$150.130 million or 82.5% of the approved cash flow by year-end. Capital spending performance, including explanations of significant under-spending for Citizen Centred Services "A" is summarized below.

**3-1-1 Project** actual expenditures totalled \$1.316 million or 7.8% of the Approved Cash Flow of \$16.939 million. Projected spending a year-end will be \$5.997 million or 35.4%. Overall, the spending rate will be lower than originally planned. At its March 2007 meeting, Council directed that a new call document for the 3-1-1 Technology RFP be issued. This resulted in an extension to the evaluation and recommendation schedule by approximately three months. This change to the schedule has delayed the expected technology award date into the third quarter of 2007. As a result of the Technology RFP extension, the completion of several other 3-1-1 component sub-projects dependent on the Technology RFP award have been moved to either the end of 2007 or early 2008. It is anticipated that significant spending will begin to occur in the first quarter and continue through the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2008. The rest of the project is on target.

**Children's Services** spent \$0.319 million or 3.3% of its 2007 Approved Cash Flow of \$9.704 million. Children's Services projected spending by year-end is \$3.754 million or 38.7% of its approved cash flow. This under-expenditure is primarily attributed to the Health & Safety project as the Program is currently not expecting to receive the \$4.0 million share of Provincial funding. The budgeted \$1.0 million debt municipal share for the Health & Safety projects is anticipated to be fully spent by year-end. Projections to year-end indicate that the Best Start project, which is fully funded from reserve will be

under-spent by \$1.95 million due to the reduction of Best Start allocation by the Province. As a result, the sub-project to design and build an additional municipality owned child care centre to be funded from Child Care Expansion Reserve Fund is currently under review. The remaining City funded projects are expected to be 100% spent by year-end.

**Court Services** spent \$1.015 million or 19.2% of the 2007 Approved Cash Flow during the first four months of 2007, and expects to spend \$3.114 million or 58.8% of its 2007 Approved Cash Flow of \$5.299 million by year-end. All projects are funded from a reserve, and have no impact on the City's debt. Phase 1 of the POA Application Development project is pending execution of the vendor contract for the supply and installation of Digital Audio Recording equipment and will be completed by year-end. The Courthouse Facility Renovation works will be 55.0% and 60.1% complete at the South and East Districts respectively by year end. The projected under-spending is primarily due to the start-up delay in Phase 2 (Court Case Records Management System) caused by the redeployment of technical and business staff to a higher priority non-capital project.

**Economic Development, Culture & Tourism** spent \$1.618 million or 8.8% of the 2007 Approved Cash Flow of \$18.434 million. The majority of the 2007 planned projects are underway and expected to be completed by the end of the year. The Program's projected expenditure at year end is \$16.651 million or 90.3% of the 2007 Approved Cash Flow.

**Emergency Medical Services' (EMS)** actual capital expenditures for the four months ended April 30, 2007, totalled \$2.837 million or 31.0% of the 2007 Approved Cash Flow of \$9.166 million. EMS projected expenditure to year-end is \$5.875 million or 64.1% of the approved cash flow. Most projects remain on schedule; however, Station Rehabilitation projects for Stations # 14, 17, 19, and 29 totalling \$2.471 million, are on hold pending Council decision on the Centralized Book-on Station (CBOS) system for EMS. Excluding these projects, the projected completion rate for EMS in 2007 will be 87.0%.

**Homes for the Aged** spent \$1.100 million or 10.2% of its 2007 Approved Cash Flow of \$10.800 million. All Homes for the Aged Maintenance projects are in process and on target. The Program projects that 100% of its approved cash flow will be spent by year-end.

**Parks, Forestry & Recreation** spent \$3.201 million or 3.4% of its 2007 Approved Cash Flow of \$93.984 million. The \$6.756 million projected under-spending is mainly due to the Community Centre project (\$4.1 million), because of change in scope to the Jenner Jean Marie Community Centre sub-project to include the Day Care Centre. The other contributor to the projected under-spending is the Park Development project (\$1.5 million), which is mainly due to delay in awarding the contract for the construction on the Wychwood Barns Phase Three sub-project. Capital spending is expected to reach \$87.228 million or 92.8% of the approved cash flow at year-end.

***Shelter, Support and Housing Administration*** spent \$1.033 million or 6.4% of the 2007 Approved Cash Flow of \$16.039 million. Projected capital spending by year-end is expected to be 93.6% of the 2007 Approved Cash Flow. All the major construction projects are well underway with the majority of the spending occurring in the second half of the year. Eva's Youth Shelter is on schedule and targeted for completion in February 2008. The Bethlehem United project is also progressing well and targeted for completion by October of this year. In May 2007, Council approved a plan to purchase 129 Peter Street. The site will become the new location for the former 110 Edward Street Shelter and the Assessment Referral Centre. The bulk of the spending for this project is planned for the second quarter as the City secures ownership of the property.

***Social Services*** spent \$0.067 million or 3.9% of its 2007 Approved Cash Flow of \$1.700 million. Social Services projects spending 100% of its cash flow by year-end. A request for proposal for the Ontario Work External Web project has been approved after a three month delay from the target date and it is expected that the project will be completed by year-end. The Data Mart Infrastructure Enhancement project and the Employment Assistance Management System are on target for completion by year-end.

#### Citizen Centred Services "B"

Actual capital expenditures for this Cluster during the four months ended April 30, 2007, totaled \$232.847 million or 33.2% of the 2007 Approved Cash Flow of \$700.784 million. Capital spending for this Cluster will increase to \$615.168 million or 87.8% of the 2007 Approved Cash Flow by year-end. Spending performance, including explanation of significant under-spending for Citizen Centred Services "B" is summarized below:

***City Planning's*** capital expenditures for the four months ended April 30, 2007 totalled \$0.754 million or 7.1% of the 2007 Approved Cash Flow of \$10.604 million. The Program's projected actual expenditures to year-end will total \$9.566 million or 90.2% of the 2007 Approved Cash Flow. The majority of the Program's projected year-end under-spending is attributed to the following projects;

- ♦ The Kingston Road Environmental Assessment Study for which projected expenditures will approximate \$0.150 million or 25% of the 2007 Approved Cash Flow of \$0.600 million by year-end. The projected under spending is the result of a delay in the Terms of Reference, which has been drafted but will not be submitted until the third quarter of 2007 due to the public consultation which was not completed until the second quarter of 2007. The Don Mills Environmental Assessment Study for which projected expenditures will approximate \$0.108 million or 25% of the 2007 Approved Cash Flow of \$0.433 million by year-end. The projected under spending is the result of a delay in the Terms of Reference submission. The completion of this project has been deferred to late 2008 or the first quarter of 2009; and,

- ♦ The OMB Legal Costs project for which projected expenditures will approximate \$0.400 million or 80% of the 2007 Approved Cash Flow of \$0.500 million by year-end. The projected under spending is the result of difficulties in the OMB scheduling hearing time. Pre-hearings and hearings have been scheduled in the second and third quarters of this year.

**Fire Services'** capital expenditures for the four months period ended April 30, 2007 totalled \$0.940 million or 10.6% of the 2007 Approved Cash Flow of \$8.841 million. Fire Services expects all projects to be 93.0% spent at year-end. It is expected that capital project activities and spending will increase during the next 3 quarters, in accordance with plans.

- ♦ As of April 30, 2007, the new Station C on Sheppard Ave. between Leslie St. & Bayview Avenue is 30% spent out of a total 2007 Approved Cash Flow of \$2.242 million and is expected to be complete in 2007.
- ♦ As of April 30, 2007, the Asset Management Projects are 0.7% spent out of a total 2007 Approved Cash Flow of \$1.971 million. Spending for the first period was focused on Asset Management projects from 2005; however, Corporate Facilities is currently projecting 100% spending on 2005/2006/2007 projects by year-end.
- ♦ As of April 30, 2007, HUSAR Projects are 18% spent out of a total 2007 Approved Cash Flow of \$1.379 million. Spending for the first period was focussed on HUSAR/JEPP 06/07, with 48% spent funding equipment and supplies. Fire Services is projecting 100% spending by year-end.
- ♦ Work continues to complete the Computer Aided Dispatch/Record Management System (CAD/RMS). As of April 30, 2007, this project is 0.9% spent out of a total 2007 Approved Cash Flow of \$0.535 million. The final phase of the record management component of the CAD system implementation was deferred to 2007 when the outfitting of the Command Post Vehicle and additional software requirements will be completed.

**Policy, Planning, Finance and Administration's** capital expenditures for the four months ended April 30, 2007 totalled \$0.360 million or 4.7% of the 2007 Approved Cash Flow of \$7.733 million. PPF&A is requesting a budget reduction of \$0.902 million as a result of the need to accommodate the two-year carry forward debt funding. This will reduce PPF&A's 2007 Approved Cash Flow to \$6.831 million. The Program is presently projecting to spend \$6.637 million by year end, which is 97.2% of the revised budget.

The majority of the Program's under-spending is attributed to the following 4 projects:

- ♦ Business Sustainment Systems - \$1.863 million or 95.5% of the 2007 Approved Cash Flow for this project is unspent. The Program expects to spend \$1.694 million or

86.9% of the 2007 Approved Cash Flow. The projected under-spending relates to Remote Computing which is behind schedule due to a delay in completing the Request for Quotes.

- ♦ Asset Preservation 2007 - \$1.009 million or 100% of the 2007 Approved Cash Flow for this project is unspent. However, the project is expected to be completed by year-end.
- ♦ Mainframe Application Replacement - \$0.927 million or 99.9% of the 2007 Approved Cash Flow is unspent. There have been some difficulties hiring the approved 4 Systems Integrators as proposed in the project time line. 3 System Integrators are expected to be hired by July 2007 and projected actual spending will be \$0.542 million or 58.4% of the 2007 Approved Cash Flow will be spent by year-end.
- ♦ I.T. Disaster Recovery Plan - \$0.663 million or 93.8% of the 2007 Approved Cash Flow for this project is unspent. Although the project is slightly behind schedule, it is expected that it will be completed by year-end.

***Solid Waste Management Services*** has spent \$221.852 million or 85.6% of its 2007 Approved Cash Flow of \$259.118 million. The major expenditures were related to the acquisition of the Green Lane Landfill site at \$221.741 million. Solid Waste Management Services is projecting that \$255.665 million or 98.7% of its 2007 Approved Cash Flow will be spent by year-end, resulting in unspent funding of \$3.453 million. Year-end under-spending is mainly attributed to the following projects:

- ♦ Diversion Facilities – Funding of \$1.450 million for the Reuse Centre project will be carried forward to 2008 due to delays in getting approval for the Ingram site. Final decisions will be presented to the Public Works & Infrastructure Committee at its meeting of June 27, 2007.
- ♦ Transfer Station Asset Management - The under-spending is attributed to the new staff facilities project at Dufferin Transfer Station (\$1.100 million). This project will be deferred to 2008 due to delays in finalizing the design specifications process to meet the new Toronto Green Development Standards.

***Transportation Services***' capital expenditures for the period ended April 30, 2007 totalled \$8.874 million or 2.5% of the 2007 Approved Cash Flow of \$358.787 million. This approved cash flow includes carry forward amounts from 2006 of \$112.654 million. As most expenditures usually occur after this date, Transportation Services is presently forecasting all projects to be \$279.379 million or 77.9% spent/completed at year-end. The projected actual expenditures include consideration of recommended re-allocations of funding to projects which are ready to proceed. These re-allocations are the subject of two reports which are currently on Budget Committee and Council agendas for July 10 and 16, 2007, respectively.



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

- ♦ Spending for State of Good Repair projects for bridges, local and major roads and expressways to April 30, 2007, total \$6.047 million or 3.8% of the 2007 Approved Cash Flow and are projected to be 98.9% spent at year-end (\$163.381 million). The major projected expenditures in 2007 include the following: local and major road reconstruction and resurfacing (\$88.533 million), sidewalk construction (\$11.918 million), rehabilitation and repair of city bridges (\$38.173 million) and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$22.577 million).
- ♦ Infrastructure Enhancement projects totalled \$1.768 million or 1.0% of the 2007 Approved Cash Flow for the four months ended April 30, 2007 and are projected to be 56.0% spent at year-end (\$95.968 million). The major expenditures in 2007 are for work on the Simcoe Street Tunnel to improve traffic flow south of Front Street (\$14.870 million), continuation of work on the St. Clair Dedicated Right of Way (\$44.787 million) and continuation of demolition work on the Dufferin Jog Elimination project (\$12.809 million).

Of the \$79.408 million in total projected under-expenditure at year-end, \$71.312 million (or 89.8%) is mostly due to under-spending on Infrastructure Enhancement projects such as:

- ♦ The St. Clair Dedicated Right of Way project is projected to be 16.7% spent at year-end or \$7.500 million out of a budget of \$44.787 million for Phase 2 of the project. This multi-year project will have a 19.1% year-end completion rate on a total project cost of \$71.472 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. As part of the recommended re-allocations, \$1.5 million of the approved future year commitment for 2008 is being advanced to 2007 to provide funding for changes to hydro enhancements and \$38.787 million is being deferred to 2008.
- ♦ The Bloor Street Transformation is only projected to be \$1 million spent in 2007 out of a 2007 Approved Cash Flow of \$13 million. The 2007 projected spending represents work carried forward from 2006. The project is currently under-going engineering and design change which should be finalized by the third quarter enabling most spending to occur in 2008/2009. As part of the recommended re-allocations, \$12 million of the approved cash flow for 2007 is being deferred to 2008.
- ♦ The Dufferin Jog Elimination project is projected to be \$5.509 million or 43.0% spent at year-end out of a budget of \$12.809 million. Construction has been delayed due to property expropriations; however demolition tenders were issued and work is proceeding. As part of the recommended re-allocations, \$7.3 million of the approved cash flow for 2007 is being deferred to 2008.
- ♦ The North Yonge Centre Service Road project is projected to be 58.8% or \$9.267 million spent at year-end out of a budget of \$15.767 million. The under-expenditure is due to a delay in property acquisitions. As part of the recommended re-allocations, \$6.5 million of the approved cash flow for 2007 is being deferred to 2008.

- ♦ The Morningside/Finch Rail Grade Separation project is projected to be 72.2% or \$12.947 million spent at year-end out of a budget of \$17.922 million. The under-spending is due to delays in property acquisitions/easements and late delivery of the structural steel. As part of the recommended re-allocations, \$4.975 million of the 2007 Approved Cash Flow is being deferred to 2008.

**Waterfront Revitalization Initiative's** capital expenditures for the four months ended April 30, 2007 totalled \$0.068 million or 0.1% of the 2007 Approved Cash Flow of \$55.701 million. The Program is projecting spending of 100% of the 2007 Approved Cash Flow by year-end.

The low spending performance during the first four months of 2007 is the result of no City funds being requested by and released to Waterfront Toronto in 2007. However, Waterfront Toronto has confirmed its intent to expend the full amount of the 2007 Approved Cash Flow for Waterfront Revitalization by year-end. Nevertheless, given the Corporation's on-going under-expenditure pattern the City will develop a Memorandum of Understanding with Waterfront Toronto confirming deliverables for 2008 on a project-by-project basis.

#### Internal Services

Internal Services' Programs spent \$13.638 million or 8.3% of their 2007 Approved Cash Flow of \$165.211 million. Capital spending for this Cluster will increase to \$130.867 million or 79.2% of the 2007 Approved Cash Flow by year-end. Spending performance for Internal Services Programs is summarized below.

**Facilities and Real Estate** (F&RE) spent \$2.541 million or 6.5% of its \$39.134 million Approved Cash Flow. F&RE projected capital expenditures is expected to be \$37.881 million or 96.8% of the 2007 Approved Cash Flow by year-end. The spending rate is consistent with project schedules for construction. Typically, spending accelerates during the third and fourth quarters, after construction is tendered and awarded.

**Financial Services'** capital spending for the four months ended April 30, 2007 was \$0.829 million or 7.7% of its 2007 Approved Cash Flow of \$10.763 million. Financial Services is projecting to spend \$6.388 million or 59.3% of its 2007 Approved Cash Flows of \$10.763 million by year end.

The reduced projected spending rate of 59% which equates to \$6.388 million spent at year end, is the result of delays in several initiatives:

- ♦ Workflow and Document Management and Imaging projects - Preliminary background work currently undergoing, is impacting spending of these projects. As a result, total under spending is projected at \$0.6 million at year end for Revenue Services;

- ♦ Delays in finalizing Local 79 wage harmonization during 2006, which resulted in under spending in the Collective Agreement Implementation project (\$0.4 million);
- ♦ Program Planning Information Development project (\$2.0 million) is currently re-assessing Phase 2 resource requirements which will impact spending;
- ♦ The Parking Tag Management Software Upgrade project (\$0.5 million) in Revenue Services will be deferred to 2008 due to extensive process and system requirements work with the Parking Tag Alternate Dispute Resolution.

***Fleet Services*** capital spending for the four months ended April 30, 2007 was \$8.141 million or 10.1% of the 2007 Approved Cash Flow of \$80.557 million. A net reduction of \$4.477 million to the 2007 Approved Cash Flow is requested in this report in order to adjust for excessive carry forward funding into 2007. This adjustment will reduce the 2007 Approved Cash Flow from \$80.557 million to \$76.080 million, with no impact to the approved vehicle replacement programs. Fleet Services projected expenditures to year end is \$60.391 million or 79.4% of its 2007 Approved Cash Flow. The projected under spending of \$15.689 million is primarily due to delay in procurements resulting from specification development and the expectation that vehicles and equipment will not be delivered until early 2008.

***The I & T Sustainment Project*** capital spending for the four months ended April 30, 2007 was \$1.229 million or 8.5% of the 2007 Approved Cash Flow (adjusted) of \$14.543 million. The Approved Cash Flow has been adjusted due to a debt reduction of \$1.659 million to the approved cash flow, as a result from a realignment of 2006 carry forward funding with actual unspent balances as reported in the final 2006 year end variance report. I&T Sustainment is projecting to be \$10.666 million or 73.3% spent by year-end. The under spending is primarily attributed to Voice Mail Replacement project (\$2.000 million) where the solution proposed by the existing service provider is not acceptable and as such an RFQ was approved in May 2007 thus deferring implementation to 2008. Other projects, such as the Service Desk Automatic Distribution Replacement project (\$0.250 million) has been deferred to 2008; Savings of \$3.026 million to date from the Servers project were realized due to server consolidations which resulted in fewer servers shut down to date in 2007. A lower cost per server and the shortage of storage facilities/disposal options for decommissioned equipment resulted in no spending in the Storage project (\$1.091million).

***Information and Technology's*** capital spending for the four months ended April 30, 2007 was \$0.899 million or 4.8% of the 2007 Approved Cash Flow of \$18.555 million. A debt reduction of \$0.229 million to the approved cash flow was approved in the Final 2006 Year End Capital Variance Report, resulting from a realignment of 2006 carry forward funding with actual unspent balances. Information and Technology is projecting to spend \$15.542 million or 84.8% of its 2007 Approved Cash Flows (adjusted) of \$18.326 million by year end. The major causes of the under spending is attributed to the Enterprise Application Implementation project which is connected to 3-1-1 initiatives where key dates have been extended, and are dependent on Council's approval of the 3-1-1 recommendations. The SAP Business Warehouse Implementation Project is under spent due to the deferral of the hardware, consulting and backfill expenditures to 2008.

The Website Redesign project is expected to continue into 2008 due to the complexity of the RFP required for this project.

### Other City Programs

Other City Programs collectively reported actual expenditures of \$1.280 million or 3.8% of their 2007 Approved Cash Flow of \$33.930 million. Capital spending for this group of Programs will increase to \$31.437 million or 92.7% of the 2007 Approved Cash Flow by year-end. Spending performance, including explanation of significant under-spending for Other City Programs is summarized below.

***The City Clerk's Office's*** 2007 Approved Cash Flow of \$11.630 million was 5.3% or \$0.616 million spent during the four months ended April 30, 2007. Projected actuals to year-end will approximate \$11.527 million or 99.2% of the 2007 Approved Cash Flow. It should be noted that year-end spending will significantly depend on finding a suitable relocation site for the Print Shop and related retrofitting, comprising \$9.366 million or 81% of 2007 Approved Cash Flow. The other significant project for 2007 is the Council Automation and Meeting Management Initiative which comprises 11% of the 2007 Approved Cash Flow.

The status for these projects is as follows:

- (a) Phase 2 of the work plan for the Meeting Management Information System project is being reviewed,
- (b) Training for Clear Language will be completed in July 2007, and
- (c) The Etobicoke Committee Council Room is currently undergoing modification.

Two projects have been completed with the purchase of Order Pickers for the Records Centre.

***The Energy Retrofit Program's*** actual expenditures during the four months ended April 30, 2007 totaled \$0.487 million or 5.3% of the 2007 Approved Cash Flow of \$9.226 million. All previously approved projects are completed or under construction. The spending rate at year-end is projected to be 74% or \$6.826 million, due to an unanticipated delay in the implementation of energy retrofits for Pools and Community Centres as well as longer than expected time to award contracts for two new projects: Solid Waste Stations and Police Buildings retrofits.

***The Union Station Project's*** actual expenditures during the four months ended April 30, 2007 totaled \$0.085 million or 0.8% of the 2007 Approved Cash Flow of \$11.131 million. This project is on schedule and it is projected that the 2007 Approved Cash Flow will be fully spent by year-end. The project includes ongoing work on the Pedestrian Bridge Reconstruction and the completion of the Building Condition Assessment. Work on the York Street expansion joint project will begin in April 2008, in co-ordination with GO Transit's work on the train tracks. An environmental assessment study is currently underway for the Northwest Path Connection project. Work has not started on the repairs of the Terazzo Flooring in the Great Hall or the Copper Roof. This work will commence

in August 2007. The consultation for the design and specification of the Security Project is currently underway. Tenders are being prepared for the security centre and video surveillance system installations. The Union Station South Access Tunnel (District Plan) project is being co-ordinated with, and will be undertaken by GO Transit on behalf of the City. It is anticipated that this project will be completed by March 2008.

***The Nathan Phillips Square Project***, with a 2007 Approved Cash Flow of \$1.693 million, incurred \$0.092 million in spending during the first four months of 2007. The Nathan Phillips Square Revitalization Design Competition was completed with the Competition Jury's announcement of the winning design on March 8, 2007. At its meeting of June 22, 2007, Council approved the staff report recommending approval to award the contract for architectural services to Plant Architect Inc. and Shore Tilbe Irwin & Partners, the winning design team. Implementation of the winning design is anticipated to begin in the third quarter of 2007.

***The Radio Communication System Replacement Project*** had no capital expenditures during the period ended April 30, 2007. The 2007 Approved Cash Flow is \$0.250 million with an additional future year commitment of \$0.250 million for 2008. It is expected that capital project activities and spending will increase during the next 3 quarters, in accordance with plans. Nominal spending is expected to occur during the summer as consultants are hired to review and implement a Governance Agreement among the three emergency services that will benefit from this project. As well, 2007 expenditures are expected to be incurred for training/educational initiatives for staff on the technical subcommittee in order to enhance knowledge of the current industry standards for radio communication.

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

Collectively, Agencies, Boards and Commissions spent \$160.709 million or 17.0% of the 2007 Approved Cash Flow of \$944.293 million. Capital spending for ABCs will increase to \$891.707 million or 100% of the approved cash flow by year-end. Spending performance, including explanations of significant under-spending for ABCs is summarized below.

***Exhibition Place*** spent \$1.077 million or 1% of its approved cash flow of \$86.714 million. The main reason for the projected under spending is that \$26.540 million for Phase 2 of the Conference Centre project will not be spent until 2008. The Program expects to spend 60.994 million or 70.3% of its budget by year-end.

***The GO Transit's*** 2007 Approved Cash Flow is \$20.0 million of which \$0.0 million was spent as at April 30. It is anticipated that the 2007 Approved Cash Flow of \$20.0 million representing the City's contribution will be fully issued by year-end.

***The Toronto and Region Conservation Authority (TRCA)*** received \$1.997 million or 33% of its 2007 Approved Cash Flow of \$5.992 million from the City of Toronto during

the four months ended April 30, 2007. TRCA anticipates that the entire 2007 Approved Cash Flow will be spent by year end.

**Toronto Police Service** spent \$12.359 million or 16.6% of its 2007 Approved Cash Flow of \$74.486 million during the first four months of 2007. The Police Service is projecting that \$54.805 million or 73.6% of its 2007 Approved Cash Flow will be spent by year-end. The projected year-end under-spending is primarily due to delays in the construction of new facilities. 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 late 2007, design is anticipated to commence in 2008 with construction starting in 2009.

**Toronto Public Health (TPH)** spent \$1.124 million or 23% of its 2007 Approved Cash Flow of \$4.880 million. TPH expects that the 2007 Approved Cash Flow will be fully spent by year-end. The Animal Services On-Line Licence, PHIPA System Compliance, Dental Strategy & Implementation, and HF/HL Mandatory Management Reporting projects are on schedule. There were delays in the implementation of the PH Surveillance and Management System project due to the late approval of Provincial funding. Approval has recently been granted and the project is now underway. The contract for the North York Dental Clinic project has been awarded. All projects are expected to be completed by year-end.

**Toronto Public Library** spent \$2.501 million or 13.9% of its 2007 Approved Cash Flow of \$18.032 million. The Program is projecting to spend \$18.108 million or 100.4% of its 2007 Approved Cash Flow by year-end, after reallocating \$0.510 million gross (\$0.487 million debt) from the S. Walter Stewart renovation capital project to the Jane / Sheppard Neighbourhood Library of \$0.527 million gross (\$0.487 million debt). The under-spending is mainly attributed to the following projects:

- ♦ The Thorncliffe Neighbourhood Library Renovation project is a co-development project with Parks, Forestry & Recreation and Children's Services. Drawings for construction tender are completed and construction is expected to start in the 3<sup>rd</sup> quarter of 2007;
- ♦ The project design for the 2007 to 2009 Toronto Reference Library Renovation/Retrofitting project is underway. A construction tender is anticipated to be awarded in September 2007 and construction is expected to start in October/November of 2007;
- ♦ Two RFPs have recently been issued for the Virtual Branch Services project and corresponding expenditures will occur in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2007;

- ♦ The Technology Asset Management Program 2007 to 2009 is underway. Purchase orders are being issued and the project is expected to be fully spent in 2007; and,
- ♦ The Jane / Sheppard Neighbourhood Library relocation, a joint project with the Shelter, Support & Housing Administration, was approved by Council in 2002. The project experienced delays as a result of development approval issues experienced by Shelter, Support & Housing Administration. The site plan review is in progress and construction is anticipated to begin in the 3<sup>rd</sup> quarter of 2007.

**Toronto Transit Commission's (TTC)** 2007 Approved Cash Flow of \$717.304 million was \$140.5 million or 19.6% spent as of April 30, 2007. Notwithstanding the current spending projection, it is anticipated that the TTC's spending will be at the 2007 Approved Cash Flow of \$717.304 or 100% million by year-end. The TTC is currently addressing the Council Approved unspecified reduction of \$52.175 million included in its 2007 Approved Cash Flow.

**Yonge/Dundas Square** Board of Management spent \$0.122 million of its \$0.245 million 2007 Approved Cash Flow during the four months ended April 30, 2007 and projects 100% spending by year-end. The under-spending is due to the Yonge-Dundas Square Lighting project with a cash flow of \$0.120 million which is dependent upon the completion of the canopy construction. The stage canopy is 95% complete and both projects are expected to be finished by the end of summer 2007.

**Toronto Zoo** spent \$0.677 million or 5.1% of its 2007 Approved Cash Flow of \$13.2 million. The "Tundra" project was delayed due to the redesign of Phase I in late 2006 and early 2007. The project was then re-tendered in first quarter of 2007 due to the original tender being over budget in 2006. Awarding of the tender is expected in June 2007 with construction planned to commence in July. The Tundra project is projected to be 51% completed in 2007 with \$3.6 million to be carried forward to 2008. Phase II of the North Zoo Site Design and planning will commence in August – September, 2007 and is projected to be 45% completed in 2007 with \$0.663 million to be carried forward to 2008. The rest of the Program's capital projects are on schedule at this time. The Program is projecting to spend \$8.944 million or 67.7% of its 2007 Approved Cash Flow at year-end.

#### Rate Supported Programs:

For the four months ended April 30, 2007, Rate Supported Programs spent \$28.273 million or 6.5% of their 2007 Approved Cash Flow of \$437.507 million. Projections to year end is expected to be \$355.348 million or 81.2% of the 2006 Approved Cash Flow.

**Toronto Water's** 2007 Approved Cash Flow of \$410.001 million was 6.5% or \$26.712 million spent as of April 30, 2007. Actual expenditures by year-end are anticipated to be \$327.842 million or 80% of the 2007 Approved Cash Flow. The high rate of projected year-end actual expenditures for 2007 is the result of construction nearing completion on several large projects, which include the McNicoll Watermain Project; Residue

Management Projects at R.C. Harris and R. L. Clark Water Treatment Plants and Digester Refurbishment Projects at Ashbridges Bay and the Humber Wastewater Treatment Plants. These projects are on schedule to achieve projected expenditure rates for 2007. In addition, the majority of the linear infrastructure program for water and wastewater services has been tendered.

**Toronto Parking Authority's (TPA)** 2007 Approved Cash Flow of \$27.506 million was 6% or \$1.561 million spent as of April 30<sup>th</sup>, 2007. Actual expenditures by year-end are anticipated to be \$27.506 million or 100% of the Approved Cash Flow. The level of actual capital spending results from a combination of factors which include the following:

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

Technical and In-year Budget Adjustments – See Appendix 2:

#### **2006 Carry Forward Funding Adjustments:**

**Transportation Services** - As part of the 2007 Capital Budget process, \$6,500 million was carried forward for the Milner Connector at Morningside & Hwy 401 project. While it was initially planned to spend the carry forward funds during the first quarter of 2007, the External Auditor recommended that, based on timing principles, \$6.132 million of the carry forward amount was in fact a 2006 expenditure, therefore, was not available for carry forward. A technical adjustment is proposed to reduce the 2006 carry forward for this project by \$6.132 million, with no incremental debt impact since the project was funded from the Development Charge reserve fund.

**Fleet Services** 2005 carry forward funding was overstated by \$4.477 million. As a result of this error, the total cash flow approved for the Program exceeds the total project cost. A carry forward adjustment is required to reverse the overstated amount, thereby bringing the total cash flows and project cost into balance.

**Policy, Planning, Finance and Administration** has recommended a correction / reduction to their 2007 Approved Cash Flow in the amount of \$902,000 gross and debt. The 5 projects that are listed in Appendix 3 were submitted in error as one year carry forward adjustments and subsequently approved by Council. The adjustment will have no impact on the 2007 approved debt levels.



## **Budget Reallocations:**

**Economic Development, Culture and Tourism** - A budget reallocation of \$100,000 gross and debt from the Casa Loma Restoration project to Outdoor Public Art for the Canadian Volunteers Memorial project is recommended. The tender for Casa Loma came in \$100,000 lower than the projected cost, while the Canadian Volunteer Memorial project tender was \$100,000 over the approved project cost. These two sub-projects are both within the Restoration and Preservation of Heritage Elements project.

**Shelter, Support and Housing Administration** - A budget reallocation of \$35,000 gross and debt from the Capital Repairs/Replacement - City Operated 2007 capital project to fund over-expenditure in Eva's Youth Shelter Replacement project is required. This adjustment has no incremental debt impact on the 2007 Approved Cash Flow and more accurately aligns the available cash flow to meet Shelter, Support and Housing Administration's needs

**Toronto Water** - Reallocation of 2007 cash flow and associated funding between projects with a gross amount of \$3.200 million and a net zero impact on the 2007 Capital Budget is requested. The reallocation is from the Island Winterization Contract project of \$2.500 million and Design of Transfer and Switch of \$0.700 million, to the Additional Backwash Wastewater Tanks project of \$3.200 million, as detailed in Appendix 2. This adjustment aligns the available 2007 cash flow to meet Toronto Water's business needs and commitments

## **Budget Adjustment:**

**Toronto Public Library** - Due to a lengthy delay in obtaining development approval, construction costs relating to the relocation of the Jane / Sheppard Neighbourhood Library have escalated requiring \$0.527 million gross budget increase over the \$2.102 million (gross) 2007 Approved Capital Budget. The Toronto Public Library Board has approved the increase to be partly offset by transferring \$0.510 from the under-spent S. Walter Stewart Renovation project (see Appendix 2), subject to Council approval. In addition, Council approval is required for an additional increase of \$17, 000 to be funded from Development Charges. These adjustments will have no incremental debt impact.

## Capital Projects Recommended for Closure – See Appendix 3:

Appendix 3 identifies projects that were completed in 2006 or had no activity during the last two years. These projects have an aggregate budget of \$90.221 million and actual expenditures of \$77.298 million. 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, the remaining unspent funds resulting from the closure of these projects will be returned to their original funding source.

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## **SIGNATURE**

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Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

Appendix 1 –Consolidated Capital Variance Report - Four Months ended April 30, 2007  
Appendix 2 – Budget and Technical Adjustments to 2007 Plan  
Appendix 3 - Projects Recommended for Closure