

January 29, 2007

To: Executive Committee

From: Budget Committee

Subject: Capital Variance Report for the Nine-month Period Ended September 30, 2006

Recommendations:

The Budget Committee recommended to the Executive Committee that:

- 1. Council approve the technical adjustments in Appendix 2 (TTC) and Appendix 3 (EMS) of the report (January 12, 2007) from the Deputy City Manager and Chief Financial Officer, to reallocate funds between projects with no incremental impact on the 2006 Approved Capital Budget; and**
- 2. the appropriate staff be authorized and directed to take the necessary action to give effect thereto.**

Financial Impact

As shown in Table 1 below, Tax Supported Programs spent \$563.5 million or 37.1 percent of the 2006 approved cash flow of \$1.520 billion during the nine-month period ended September 30, 2006. Projected spending to year-end is estimated at \$1.251 billion or 82.3 percent of the 2006 approved cash flow. Excluding projects that are uncontrollable (defined as projects impacted by unforeseen natural or environmental factors), Tax Supported Programs' projected spending to year-end is approximately 85.8 percent.

Table 1								
Corporate Capital Variance Summary								
for the Nine-month Period Ended September 30, 2006								
(\$000s)								
	2006 Approved Budget	January to September 2006				Projection to Year End		
		Total		% of		Total		%
		Actuals YTD Sept 2006	% Spent	Controllable Expenditures Spent		Actuals to Y/E	% Spent	Controllable Expenditures Spent
Tax Supported Programs:								
Citizen Centred Services - "A"	185,126	60,042	32.4%	35.9%		110,502	59.7%	65.2%

Citizen Centred Services - "B"	440,026		109,079	24.8%	29.4%		342,760	77.9%	86.4%
Internal Services	162,023		47,257	29.2%	29.7%		95,592	59.0%	60.2%
Other City Programs	35,286		13,933	39.5%	40.9%		27,060	76.7%	77.8%
Agencies, Boards & Commissions	697,957		333,164	47.7%	47.7%		674,702	96.7%	96.7%
Total - Tax Supported	1,520,417		563,475	37.1%	39.8%		1,250,616	82.3%	85.8%
Rate Supported Programs:									
Toronto Parking Authority	39,709		7,828	19.7%	51.4%		10,902	27.5%	69.9%
Toronto Water	394,468		162,824	41.3%	44.8%		312,534	79.2%	74.8%
Total Rate Supported	434,177		170,652	39.3%	45.2%		323,436	74.5%	74.5%
Total	1,954,594		734,127	37.6%	40.6%		1,574,052	80.5%	84.3%

Rate-Supported Programs spent \$170.652 million or 39.3 percent of the 2006 approved cash flow of \$434.177 million, and project spending by year end of 74.5 percent.

In accordance with the City's Carry Forward Policy, unspent capital funds will be carried forward to 2007 in order to complete work on specific projects, where required. Based on projected spending to year-end, it is estimated that a total amount of \$380.542 million or 19.5 percent of the 2006 Council approved cash flow will be brought forward to 2007, with no incremental impact on 2007 Capital Budget and financing requirements.

Background:

The Budget Committee on January 26, 2007, considered a report (January 12, 2007) from the Deputy City Manager and Chief Financial Officer.

for City Clerk

Merle MacDonald/mh
Item BU3-1

**Capital Variance Report for the Nine-month Period Ended
September 30, 2006**

Date:	January 12, 2007
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\FP\bc07006Fp - wo (AFS #2865)

SUMMARY

The purpose of this report is to provide the City of Toronto Capital Variance Report for the nine-month period ended September 30, 2006, and projected actual expenditures for the year ending December 31, 2006. Further, the report requests Council's approval of budget adjustments to reallocate capital funding in order to effectively deliver the capital program.

Capital spending during the first nine months of 2006 totalled \$734.127 million or 37.6% of the 2006 approved cash flow of \$1.954 billion. Projected expenditures to December 31, 2006, are estimated at 80.5% of the approved cash flow. The under expenditure is primarily attributed to the inability to find or secure suitable sites; delays in securing funds from cost-sharing partners; 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 will be completed under-budget. Unspent funds will be carried forward to 2007 on an as required basis, in accordance with the City's Carry Forward Policy.

Appendix 2 details a number of budget adjustments which reallocate capital budget funding between projects in order to streamline the TTC budget reporting.

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RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer, recommends that:

1. Council approve the technical adjustments in Appendix 2 (TTC) and Appendix 3 (EMS) to reallocate funds between projects with no incremental impact on the 2006 Approved Capital Budget;
2. the Budget Committee forward this report to the Executive Committee for its consideration; and,
3. the appropriate staff be authorized and directed to take the necessary action to give effect thereto.

FINANCIAL IMPACT

As shown in Table 1 below, Tax Supported Programs spent \$563.5 million or 37.1% of the 2006 approved cash flow of \$1.520 billion during the nine-month period ended September 30, 2006. Projected spending to year-end is estimated at \$1.251 billion or 82.3% of the 2006 approved cash flow. Excluding projects that are uncontrollable (defined as projects impacted by unforeseen natural or environmental factors), Tax Supported Programs' projected spending to year-end is approximately 85.8%.

Table 1 Corporate Capital Variance Summary for the Nine-month Period Ended September 30, 2006 (\$000s)							
	2006 Approved Budget	January to September 2006			Projection to Year End		
		Total		% of Controllable Expenditures Spent	Total		% Controllable Expenditures Spent
		Actuals YTD Sept 2006	% Spent		Actuals to Y/E	% Spent	
Tax Supported Programs:							
Citizen Centred Services - "A"	185,126	60,042	32.4%	35.9%	110,502	59.7%	65.2%
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Rate-Supported Programs spent \$170.652 million or 39.3% of the 2006 approved cash flow of \$434.177 million, and project spending by year end of 74.5%.

In accordance with the City's Carry Forward Policy, unspent capital funds will be carried forward to 2007 in order to complete work on specific projects, where required. Based on projected spending to year-end, it is estimated that a total amount of \$380.542 million or 19.5% of the 2006 Council approved cash flow will be brought forward to 2007, with no incremental impact on 2007 Capital Budget and financing requirements.

ISSUE BACKGROUND

This report is provided pursuant to good business practice and budgetary control. As part of the City's 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 decisions that require approval of Council and/or committee.

To improve the usefulness of capital variance reporting, beginning with this variance report, actual expenditures reflect only expenditures incurred for goods and services received during the reporting

period. In situations where goods and / or services have been received but the payment has not been reported, appropriate accruals were made to ensure that expenditures are reported in the period in which they are incurred.

COMMENTS

CAPITAL VARIANCE BY PROGRAM

Citizen Centred Services “A”

For the nine-month period ended September 30, 2006, actual capital expenditures for this Cluster totalled \$60.042 million or 32.4% of the 2006 Approved Capital Budget of \$185.126 million. This Cluster’s spending rate will accelerate to 60% by year-end. Exclusion of uncontrollable projects would result in improvement of the spending rate to 65% by year-end. Capital spending performance for Citizen Centred Services “A” programs is summarized below.

Children’s Services spent \$5.118 million or 30.9% of its 2006 approved cash flow of \$16.565 million. Children’s Services projects spending of \$9.004 million or 54.4% of its approved cash flow by year-end. The projected under-expenditure is primarily attributed to the Province’s share of Health and Safety projects of \$4.0 million which the Province has confirmed will not be forthcoming in 2006; and, delay in construction of new child care centres (\$2.8 million) due to the difficulty in finding appropriate sites.

Court Services spent \$0.073 million or 2.8% of its approved cash flow of \$2.6 million during the nine-month period ended September 30, 2006, and projects expenditures totaling \$1.350 million or 51.9% by year-end. The under-spending is mainly due to a delay in finalizing the RFP for the POA Application Development project. Repair and renovation work for Courthouse Facilities South and East has been rescheduled for completion in March 2007.

Economic Development, Culture and Tourism spent \$6.098 million or 34.9% of its approved cash flow of \$17.465 million, and is projecting to spend \$11.616 million or 66.5% by year-end. Year to date under-spending is mainly attributed to delays in finalizing 2 lease agreements (the Guild Revitalization (\$0.635 million) and the John Street Roundhouse projects (\$0.300 million)), and delays in scheduling the St. Lawrence Centre for the Arts Renewal project (\$0.630 million) around theatre operations. In addition, Council approved the reallocation of \$0.700 million from the Guild Revitalization 2006 project to the Don Valley Brickworks project which is delayed awaiting environmental approvals until 2007. The BIA Streetscape Improvement Program is under spent by \$1.1 million primarily due to delays in the design and permit phases. All other projects are proceeding on schedule.

Emergency Medical Services (EMS) spent \$3.961 million or 43.7% of its 2006 approved cash flow of \$9.054 million during the nine-month period ended September 30, 2006. EMS estimates that spending will be \$6.520 million or 72.0% by year-end. The projected under spending is primarily due to the following projects: Asset Management of \$0.839 million of which funds will be fully committed by year-end but repairs are expected to be completed in early 2007; CACC & Systems of \$0.545 million due to procurement delays; and, the Engineering Technology project (\$0.380 million) as a result of a mid-year contract cancellation and the recent awarding of a new contract.

Homes for the Aged spent \$4.22 million or 58.6% of its approved cash flow of \$7.2 million, and is on target to spend 100% of its 2006 approved cash flow by year-end.

Parks, Forestry & Recreation spent \$31.579 million or 27.6% of its 2006 approved cash flow of \$114.482 million and projects spending of \$64.207 million or 56.1% by year-end. The under-spending is mainly attributed to the Community Centres project (\$13.324 million), the Park Development project (\$11.898 million), the Arena project (\$5.002 million), the Special Facilities project (\$4.255 million) and the Facility Components project (\$3.082 million). Under-spending occurred in the third quarter largely as a result of inclement weather. As a result, roofing projects, asphalt projects, exterior site work, park construction projects and playground replacement came to a halt.

Shelter, Support and Housing Administration spent \$8.993 million or 50.6% of the 2006 approved cash flow of \$17.76 million. Year-end expenditures are projected to be \$10.604 million, or 59.7% of the approved cash flow. Under-spending is mainly due to the following projects:

- ♦ 717 Broadview Avenue project (\$1.99 million) will be closed, as the Family Shelter is no longer required. Council requested that the program identify the most appropriate use for the site, including consideration for Affordable Housing with the program to report back by the spring of 2007;
- ♦ Bethlehem United Shelter project (\$2.34 million): expenditures are projected to be \$0.25 million or 10.7% of the approved cash flow by year-end; construction has been delayed to the 4th quarter, as project drawings and the site plan application have not been finalized;
- ♦ Other shelter projects (\$0.74 million): expenditures are projected to be \$0.05 million by year-end, or 6.8% of the approved cash flow. These projects are in the design stage, and reflect delays due to difficulties in locating sites;
- ♦ Shelter Management Information System project (\$2.027 million): expenditures are projected to be \$0.914 million by year-end, or 45.1% of the approved cash flow. The termination of the contract with the vendor in February 2006, has resulted in development delays;
- ♦ Capital Maintenance projects (\$1.069 million): expenditures are projected to be \$0.6 million by year-end, or 56.1% of the approved cash flow, reflecting delays in developing engineering specifications for three roof replacements/repairs and bathroom design/repairs; and
- ♦ The HVAC system upgrade project (\$0.4 million): expenditures are projected to be \$0.05 million by year-end, or 12.5% of the approved cash flow; the project is delayed pending an air quality/ airflow regulation review.

Citizen Centred Services “B”

Actual capital expenditures for this Cluster during the nine months ended September 30, 2006, totalled \$109.079 million or 24.8% of the 2006 approved cash flow of \$440.026 million. By year end, the spending will approximate \$342.760 million or 77.9%. It is projected that spending on controllable projects will be 86.4%. Capital spending performance for Citizen Centred Services “B” programs is summarized below:

Policy, Planning, Finance and Administration (formerly *Cross Divisional Projects and Business Support Services*) capital expenditures for the nine months ended September 30, 2006 totalled \$2.218 million or 31.1 % of the 2006 approved cash flow of \$7.141 million. The Program projects that spending by year end will approximate 54.5% and attributes the under spending to following projects:

- ♦ The Toronto Infrastructure Data Standards project has been delayed due to challenges in compiling the remaining infrastructure data sets. The integration between the data warehouse and the operating system has been deferred to allow Toronto Water to assume responsibility of data maintenance. The project is expected to be completed in late 2007. Funding of \$0.513 million will be carried forward to 2007.
- ♦ I.T. Disaster Recovery Plan - Issuance of RFP for external consultants was delayed until August 2006. Therefore, a deferral of \$0.377 million to 2007 is expected.
- ♦ The Document Management System initiative has been delayed due to changes in Corporate IT's schedule for hiring consultants. The project team has been working with IBM and are finalizing both the Agreement and the Statement of Work. This was expected to be complete by the end of October, with work starting later in November 2006. It will require funding of \$0.295 million to be carried forward to 2007.
- ♦ IBMS Building Division Requirements - Issuance of an RFP for external consultants has been delayed until the first of 2007. PPF&A was directed by the Contract Management Office to combine this RFP for an IVR solution with Revenue Services. The RFP has been finalized and PPF&A is awaiting Purchasing and Material Management Division release of the document sometime within the next couple of weeks. A vendor should be in place to start work sometime in early 2007. Funding of \$0.350 million will be carried forward to 2007.

City Planning spent \$2.891 million or 31.0% of its approved cash flow of \$9.334 million during the nine months ended September 30, 2006, and projects spending of \$6.592 million or 70.6% of its approved cash flow by year-end.

The 31.0% spending rate as of September 30, 2006, is caused by delays in OMB hearing dates which has resulted in \$0.868 million unspent cash flow. As well, challenges in hiring staff for the Union Station Design Study has resulted in \$0.199 million unspent and resident concerns and a need to report to Council for the Don Mills Environmental Assessment Study has resulted in Zero spending as of September 30 for this \$0.500 million project. Lastly, application workload constraints has resulted in a mid year commencement of the 2006 Avenue Studies, it is now anticipated that this \$0.210 million project will be completed in 2007.

It is projected that by year end City Planning will spend \$6.592 million of their Capital Budget, which equates to a spending rate of 70.6%. The under-spending is mainly attributed to the following projects;

Delays in OMB hearing dates have resulted in projected year end spending of \$0.375 million or 43.3% of planned OMB legal and mediation costs.

Late commencement of the Don Mills Environmental Assessment Study is projected to result in year end spending of \$0.085 million or 17.0% of this projects planned budget.

Workload constraints which will move the anticipated completion of the 2006 Avenue Studies into 2007 is projected to result in year end spending of \$0.042 million or 20.0% of the planned budget for this project.

Emergency Management Plan's 2006 approved cash flow of \$0.570 million was 67% or \$0.380 million spent as of September 30, 2006. Actual expenditures by year-end are projected to be \$0.570 million or 100% of the 2006 Approved Capital Budget. The 2006 Emergency Management Plan Capital Budget includes carry forward funding from 2005 into 2006 of \$0.570 million for the Emergency Back Up-Systems project. With the completion of the Emergency Back-Up Systems project in 2006, the Emergency Management Plan Capital Budget will be closed. 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 for the period ended September 30, 2006 totalled \$5.755 million or 41% of the 2006 approved cash flow of \$14.091 million. Fire Services is presently forecasting that all projects will be 77% spent at year-end.

- The Computer Aided Dispatch/Record Management System (CAD/RMS), represents 19% of the 2006 Approved Capital Budget and 28% of cumulative spending to the third quarter. The project was 61% spent as of September 30, 2006 and is projected to be 69% spent by year-end. The final phase of the implementation of the record management component of the CAD system has been deferred to 2007 where the majority of the funds are for contract payments to the system development company upon completion of acceptance testing.
- Asset Management projects represent 22% of the 2006 Approved Capital Budget and 9% of cumulative spending to the third quarter. Asset Management projects for 2006 were 17% spent as of September 30, 2006 and are projected to be 100% spent by year-end which is a marked improvement over the 2005 spend rate of 41%. It is projected, based on the current estimates from Corporate Facilities, that capital project activities and spending will continue in accordance with plans.
- HUSAR projects represent 35% of the 2006 Approved Capital Budget and 41% of cumulative spending to the third quarter. HUSAR projects, which include the HUSAR Facility scheduled for 100% spending in 2006, were 48% spent as of September 30, 2006. The HUSAR/JEPP 05/06 Project which includes equipment and supplies, was 55% spent by the third quarter

representing \$1.040 million of a budget of \$1.909 million. Any further spending will need to be deferred to 2007 in order to have the unspent funds re-approved for cost-sharing by the Federal JEPP program. Due to the Federal fiscal year cut-off of March 31, 2006, there was insufficient time to spend total shared funding.

Solid Waste Management Services spent \$5.139 million or 19.2% of its 2006 Approved Capital Budget of \$26.811 million. The under-spending is mainly attributed to the following projects:

- ♦ **Diversion Facilities** - A large portion of the under-spending is attributable to the Additional Source Separated Organic (SSO) Processing Capacity Project (\$3.200 million). This project will be delayed pending Council approval of a final SSO preferred option and will be deferred to 2007. Funding of \$1.350 million for the Reuse Centre project will be 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) is delayed as it will take longer than expected to develop an end market for the compost-like product. Under-spending of the Modifications at Commissioners Street project (\$1.127 million) is attributed to the lengthy approval process for the retrofit of the Materials Recovery Facility. The Dufferin Container Line Upgrade project (\$0.850 million) will be delayed because of continued negotiations with Stewardship Ontario to assist with its funding. The startup of the Residual Waste Management Environmental Assessment project (\$425K) is delayed.
- ♦ **Transfer Station Asset Management** - A large portion of the under-spending is attributed to the new staff facilities project at Dufferin Transfer Station (\$0.900 million). This project will be deferred to 2007 due to delays in the design process. 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 is another factor that has contributed to under-spending. The Weigh-scale System project (\$0.511 million) will be delayed due to contract negotiations with the service and software provider. The purchase and installation of a perimeter fence for \$0.600 million at Bermondsey Transfer Station will be delayed and unspent funds will be carried forward to 2007 as work is currently underway to determine the requirements of the Customs-Trade Partnership Against Terrorism Agreement.
- ♦ **Perpetual Care Landfill** - Under-spending in this project results from the postponement of investigative and construction work at various old landfills, including the Scarborough Landfill. The timelines for the projects within the overall work plan has been extended. Unanticipated technical complications experienced in conducting investigative work, will delay the ability to obtain approvals and undertake planned construction work. The major under-spent projects are: Old Landfill Remediation - Scarborough (\$0.754 million), and Old Landfill Survey - Scarborough (\$0.471 million). These projects will be carried forward to 2007.

Transportation Services' capital expenditures for the nine months ended September 30, 2006 totalled \$83.751 million or 23.8% of the 2006 approved cash flow of \$352.161 million. As most expenditures are usually concentrated in the final quarter, Transportation Services is presently forecasting total program spending rate of 81.3% at year-end. Most projects, except for the following, are presently forecasted to be at, or close to 100% spent by year-end:

- ♦ The Dufferin Jog Elimination is projected to be 35% spent by year-end based on activity to the third quarter. This represents \$5 million of the 2006 approved cash flow of \$14.4 million. This project has been delayed due to property expropriations; however demolition tenders have been issued.
- ♦ The North Yonge Centre project will be 65% spent by year-end. This represents \$7.1 million of the 2006 approved cash flow of \$10.8 million. The delay is due to property acquisitions. The construction phase is currently projected to be on schedule.
- ♦ The Morningside/Finch Rail Grade Separation project will be 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.
- ♦ St. Clair Dedicated Right of Way – which is projected to be 60% spent at year-end or \$19.0 million out of a budget of \$31.950 million for Phase 2 of the project. This is a multi-year project which is projecting a 30% year-end completion rate on a total project cost of \$65 million for Transportation Services (fully recoverable from the TTC). As of the second quarter, no expenditures had occurred since the project was pending the outcome of the judicial review instituted as the result of legal challenges to the project. The first tenders have been awarded and, as of the third quarter, expenditures have begun to increase towards year-end.

Waterfront Revitalization Initiative spent \$8.944 million or 29.9% of its 2006 approved cash flow of \$29.917 million during the first nine months of 2006. The overall year-to-date under-expenditure of \$21.0 million is due to the fact that the City has not yet released funding for those projects that are pending completion of the corresponding Contribution Agreements, as well as other issues identified below.

It is anticipated that of the 2006 approved cash flow of \$29.917 million, \$20.659 million or 59% will be spent by the end of the year. The under-spending is mainly attributable to delays in the implementation of the West Don Lands as the Risk Assessment/Risk Management plan was submitted to the Ministry of the Environment six months later than originally planned. As a result, other project components such as flood protection work are being deferred to 2007 (\$4.5 million), delays in the Port Union project due to land acquisition issues (\$1.7 million). The unspent amount of \$9.258 million will be carried forward to 2007.

Internal Services

Internal Services' Programs spent \$35.356 million or 21.8% of their 2006 approved cash flow of \$162.023 million. The capital spending projection to year-end is estimated at \$95.592 million or 59.0%. Capital spending performance for Internal Services' Programs is summarized below:

Facilities and Real Estate – spent \$19.448 million or 45.5% of its \$42.753 million 2006 approved cash flow. The program projects spending of 93.6% of its approved cash flow by year-end. The spending rate is consistent with the project schedule for construction. Typically, the majority of cash flow funding is spent in the third and fourth quarters, after construction is tendered and awarded.

Financial Services spent approximately \$1.530 million or 23.3% of its 2006 approved cash flow budget of \$6.568 million and anticipates spending \$2.945 million or 44.8% by year-end. Under spending is mainly due to the breakdown in negotiations with the selected vendor regarding the Accounts Payable, Document Management and Imaging Initiatives (\$1.400 million) and the Workflow and Document Management Project for the Revenue Services Division (\$0.700 million). The need to negotiate with the new vendor has resulted in the delay of these projects. In addition, a delay in finalizing wage harmonization for part-time employees has resulted in a delay in the Collective Agreement Implementation Project (\$0.400 million). The Revenue System – Phase II - Unified Cashiering System/IVR has also been delayed (\$0.600 million).

Fleet Services' capital spending rate for the nine month period ended September 30, 2006 is \$17.245 million or 21.3% of its 2006 approved cash flow of \$80.916 million. Fleet Services expects to spend \$31.892 million or 39.4% of the 2006 approved cash flow by year end. The major portion of the 2006 unspent approved cash flow to be carried forward is expected to be spent in the first six months of 2007, as staff prepare the tenders and specifications, and complete the procurement process in 2006. The manufacturers' build out dates for vehicles usually extend beyond the current year.

Technology End of Lease Strategy/Sustainment - Funding in the amount of \$3.148 million or 65.9% of the \$4.776 million 2006 approved cash flow was spent on the Technology End of Lease project. It is expected that this project will be completed in 2006 with projected spending of \$3.836 million or 80.3% of its 2006 approved cash flow by year-end.

Funding in the amount of \$3.780 million or 23.4% of the 2006 approved cash flow of \$16.138 million was spent on the Sustainment project. The project is on track to spend \$10.605 million or 65.7% of its approved cash flow by year end. The project has experienced a slight delay due to efforts to coordinate the new RFP for desktops and notebooks with Toronto Police Services. Monitor deployment has also had to be temporarily suspended until storage space could be obtained as Computer for Schools Ontario (CFSO) will no longer accept the City's displaced equipment. There will be some savings realized due to an overestimation of the number of items not currently in the inventory that have needed replacement to date.

Information and Technology's spending for the nine month period ended September 30, 2006 totalled \$2.107 million or 19.4% of the 2006 approved cash flow of \$10.872 million. Many of the projects are moving through their planning phase and towards the RFP and RFQs stage. The majority of the 2006 approved cash flow will be spent in the 4th quarter, as staff have prepared the

tenders and specifications in the first half of the year. Information and Technology forecasted their spending rate to be \$6.304 million or 58.0% by year end. The projected spending rate reflects difficulties in recruiting qualified staff and delays in the contract negotiation and tendering process. Some projects will be completed under budget, which contributes to the under-spending.

Other City Programs

Other City Programs collectively reported actual expenditures of \$10.941 million or 30.8% of their 2006 Approved Capital Budget of \$35.561 million in 2006. Collectively, these programs project spending of \$27.060 million or 76.7% of their 2006 approved cash flow by year-end. Capital spending performance for Other City Programs is summarized below.

City Clerk's Office spent \$3.319 million or 62.1% of their 2006 approved cash flow of \$5.341 million during the nine-month period ended September 30, 2006. The City Clerk's Office project spending of \$4.571 million or 85.6% of the 2006 approved cash flow by year end. The under spending is due to delays in the Print Shop relocation project with a site search continuing, and developing planning requirements in the CAP-ATIPIMAGE (scanner/imaging system to respond to the City's Access to Information requests from the public) project and On-Line Electronic Production Workflow System.

Energy Retrofit Program – As at September 30, 2006 the Energy Retrofit Program expenditures were \$6.007 million or 37.8% of the 2006 approved cash flow. All projects are under construction and the spending rate at the year-end is projected at 91.1%. Under expenditures are due to an anticipated delay in implementation of energy retrofit initiatives at Exhibition Place, Arenas and Fire Stations.

The Union Station Project, with a 2006 approved cash flow of \$5.462 million has actual spending of \$3.294 million for the period ending September 30, 2006. Union Station is in the process of coordinating the completion of the York Street Expansion Joint Project with GO Transit. Union Station is also awaiting approval from Parks Canada, in coordination with the TTC regarding sewer alignments before starting with repairs to the Front Street Pedestrian Bridge Project. Contracts for the Replacement of Skylights and the West Window projects have been awarded and are anticipated to be completed by December 31, 2006.

Nathan Phillips Square Project, with a 2006 approved cash flow of \$0.275 million has had zero spending for the period ending September 30, 2006. The Program projects that 100% of the 2006 approved cash flow will be spent by year end. The International Design Competition for Nathan Phillips Square has been launched and the selection and award of the winning design will be completed by March of 2007.

3-1-1 Project - This project has incurred expenditures of \$1.314 million or 15.8% of its 2006 approved cash flow of \$8.318 million. Management is projecting to spend \$3.771 million or 44.6% by year-end. There are three primary contributors to this variance:

- A review carried out by an independent consultant identified that, given the complexity of the technology model, the initially proposed schedule was too aggressive and placed unacceptable risk on the project. As a result, the RFP dates for the core technology component were 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 accounts for an under-expenditure of \$1.050 million or 13% of the 2006 approved cash flow.

- Due to delays in hiring, activities on the knowledge base content development and business process reviews were significantly restricted, resulting in an additional under-expenditure of \$1.500 million or 18% of the 2006 approved cash flow.
- All Facility Retrofit RFP responses received were over the budget and the RFP had to be reissued. Approximately \$1.200 million or 15% of the 2006 approved cash flow will be carried forward to 2007 as a result of this delay.

Agencies, Boards and Commissions (ABCs)

Collectively, Agencies, Boards and Commissions (ABCs) spent \$333.164 million or 47.7% of their 2006 approved cash flow of \$697.956 million; and project spending of \$674.702 million or 96.7% by year end. Individual ABC performance is discussed below:

Exhibition Place - As at September 30, 2006, Exhibition Place spent \$11.927 million or 71% of its 2006 Approved Capital Budget. The Program projects its spending rate at year-end to be 96%. The projects giving rise to the variance are as follows:

- ♦ Queen Elizabeth Building - Chiller Replacement Phase 2 (\$0.45 million) - The replacement of the chiller may be postponed since tenders have been coming in much higher than budget. Only 11% of the 2006 funding is expected to be spent by year-end, with the balance to be carried forward into 2007.
- ♦ Coliseum Lighting (\$0.3 million) - The scope of this work has been broadened with supplemental funding from the Energy Retrofit Program NTC Lighting project. Only 50% of the 2006 funding is expected to be spent by year-end, with the balance to be carried forward into 2007 to complete the expanded project.
- ♦ Direct Energy Centre - Renovation of Salons and Washrooms (\$0.2 million) - This project was delayed because additional feasibility analysis was required. Only 75% of the 2006 funding is expected to be spent by year-end, with the balance to be carried forward into 2007.
- ♦ Music Building Windows (\$0.1 million) – This project was delayed since Exhibition Place had been awaiting consultants' reports to determine whether leaks were originating from the windows, as initially suspected, or from the roof. As such, only 60% of the 2006 funding is expected to be spent by year-end, with the balance to be carried forward into 2007.

Toronto and Region Conservation Authority (TRCA) - As at September 30, 2006, TRCA spent \$3.525 million or 41.3%, of its 2006 approved cash flow of \$6.0 million, and is on target to spend 100% by year-end. The year-to-date under-spending has arisen from deferrals due to delays in approvals, incomplete environmental assessments and protracted negotiations. In addition, work on several projects was not scheduled to begin until the fourth quarter.

Toronto Parking Enforcement Unit spent \$2.078 million or 57.2% of its 2006 Approved Capital Budget of \$3.633 million during the first nine months of 2006. The implementation of the

Handheld Parking Devices project is progressing as planned. It is projected that the approved 2006 cash flow will be fully spent by year end.

Toronto Police Service spent \$38.712 million or 57.7% of its 2006 approved cash flow of \$67.132 million during the first nine months of 2006. The Police Service is projecting that \$49.090 million or 73.1% of its 2006 approved cash flow will be spent by year-end, resulting in unspent funding of \$16.922 million to be carried forward to 2007. The projected under-spending is primarily due to delay 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 2007, design is anticipated to commence in 2007 with construction starting in second quarter 2008.

Toronto Public Health spent \$1.939 million or 52.1% of its 2006 approved cash flow of \$3.721 million. Year-end capital expenditures are projected to be \$2.721 million or 73.1% of the 2006 approved cash flow. The projected under expenditure is attributed to the following three projects: PHIPA System Compliance project (\$0.373 million) as a key information security software required for the completion of the project is only 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 Animal Services On-Line Licence System project (\$0.364 million) due to staff turnover resulting in the completion of the second and final version of the application being deferred to 2007.

Toronto Public Library spent \$9.269 million or 60.1% of its 2006 approved cash flow of \$15.412 million as of September 30, 2006 and projects that 90.3% or \$13.920 million will be spent by year-end. Most projects are progressing as planned, with the following exceptions:

- The Jane / Sheppard Neighbourhood Library Relocation, a joint project with Shelter, Support & Housing Administration, continues to experience delays in obtaining development approval, resulting in a projected under-expenditure of \$0.318 million or 74% of the 2006 Approved Capital Budget.
- The construction of the Bloor/Gladstone Project has been delayed to the 4th quarter, due to lengthy approval process given the heritage designation of this building, resulting in a projected under-expenditure of \$0.200 million or 37% of the 2006 Approved Capital Budget.
- The S. Walter Stewart Branch Renovation contract was awarded in June 2006, however, unexpected construction delays result in a projected under-expenditure of \$0.773 million or 42% of the 2006 Approved Capital Budget, and,
- A delay in the Toronto Reference Library (TRL) fire alarm system project, for which project specifications and vendor selection is currently underway, results in a projected under-expenditure of \$0.200 million or 50% of the 2006 Approved Capital Budget.

Toronto Transit Commission (TTC) spent \$246.300 million or 44.6% of its 2006 approved cash flow of \$552.435 million during the nine-month period ended September 30, 2006. It is anticipated that the TTC will spend 100% of its 2006 approved cash flow by year end. The TTC is currently

addressing the unspecified reduction of \$33.0 million included in the 2006 Approved Capital Budget.

Yonge/Dundas Square - The Yonge-Dundas Square Board of Management spent \$0.057 million of its \$0.755 million cash flow during the nine month period ended September 30, 2006. The Program expects to complete the stage canopy project by the end of 2006 and to spend \$0.640 million or 84.8% of its 2006 approved cash flow by year-end. The lighting project will be completed by mid-2007 requiring a cash flow carry forward of \$0.115 million into 2007.

Toronto Zoo spent \$4.306 million or 48% of its 2006 approved cash flow of \$9.010 million, and projects spending of 78.7% by year-end. The projected year-end under-spending of \$1.915 million is mainly attributed to the delayed implementation of certain information system modules (\$0.542 million) and the North Site Detailed Design (\$0.398 million) as well as the need to re-tender for the refurbishment of the Australasia Exhibit due to higher than anticipated initial bids (\$0.723 million).

Rate Supported Programs:

For the nine months ended September 30 of 2006, Rate Supported Programs spent \$170.652 million or 39.3% of their 2006 Approved Capital Budget of \$432.177 million. Collectively, these Programs project spending of \$323.436 million or 74.5% by year-end.

Toronto Water's 2006 approved cash flow of \$394.468 million was 41.3% or \$162.824 million spent as of September 30, 2006. Actual expenditures by year-end are anticipated to be \$312.534 million or 79% of the 2006 Approved Capital Budget, as reported in the 3rd Quarter Capital Budget Variance Report.

The significant increase in projected year-end actual expenditures for 2006 is the result of construction proceeding 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 and, in several cases, proceeding ahead of schedule. In addition, more than 80% of the linear infrastructure program for water and wastewater services has been tendered.

Toronto Parking Authority's (TPA) 2006 cash flow of \$39.709 million was 20% or \$7.828 million spent as of September 30, 2006. Actual expenditures by year-end are anticipated to be \$10.902 million or 27% of the 2006 Approved Capital Budget. This level of capital spending results from a combination of factors which includes, delays arising from the unavailability of appropriate sites and 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 Adjustments:

Toronto Transit Commission Project Consolidation

The TTC is requesting in-year technical adjustments for several of its capital projects, as outlined in Appendix 2. These adjustments will streamline the TTC's accounts by consolidating several subprojects into a few major projects. For instance, the Reconstruction of Streetcar Overhead sub-

project will be rolled into the Traction Power project. This will facilitate the tracking of costs and reporting by both the City and the TTC and make the level of detail consistent across all of the TTC's projects. In total, these technical adjustments do not change the TTC's approved capital budget for 2006. There are no financial impacts resulting from these changes.

Emergency Medical Services Project Reallocation

Emergency Medical Services requests approval to reallocate unspent funds of \$0.400 million from the Mobile Data Communications to offset overspending of the Asset Management Project resulting from higher than anticipated costs in the construction of 6 Bay Vehicle Building Addition for 100 Turnberry Avenue, in accordance with specifications as required by Facilities and Real Estate. The Mobile Data Communications Project is projected to be under spent due to the re-design of the control system.

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Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Appendix 1 - Consolidated Statement for Nine Months Ended September 30, 2006

Appendix 2 - List of TTC Projects for Reallocation

Appendix 3 – EMS Technical Adjustment Request