

## **Budget Committee**

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|---------------------|-----------------------------|----------------|---|
| <b>Meeting No.</b>  | 40                          | <b>Contact</b> | Merle MacDonald,<br>Committee Administrator |
| <b>Meeting Date</b> | Monday, November 17, 2008   | <b>Phone</b>   | 416-392-7340                                |
| <b>Start Time</b>   | 9:30 AM                     | <b>E-mail</b>  | buc@toronto.ca                              |
| <b>Location</b>     | Committee Room 2, City Hall |                |   |

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| <b>Budget Committee</b>   |   |  |
|---|---|--|
| Councillor Shelley Carroll (Chair)<br>Councillor Paul Ainslie (Vice-Chair)<br>Councillor Maria Augimeri | Councillor A. A. Heaps<br>Councillor Joe Mihevc | Councillor Gord Perks<br>Councillor Kyle Rae |

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

**Confirmation of Minutes - September 19, October 17, 23, 24, 30, and November 5, 2008**

## Communications/Reports

### 2009 CAPITAL BUDGET

|        |        |  |  |           |
|--------|--------|--|--|-----------|
| BU40.1 | ACTION |  |  | Ward: All |
|--------|--------|--|--|-----------|

## Budget Committee Recommended 2009 Capital Budget and 2010 - 2018 Capital Plan and Forecast

### Origin

(November 10, 2008) Report from Acting Deputy City Manager and Chief Financial Officer

### Summary

This is to advise that the Budget Committee Recommended 2009 Capital Budget and 2010-2018 Capital Plan and Forecast report will be on the Supplementary Agenda for the Budget Committee meeting of November 17, 2008.

### Background Information

Staff Report - Placeholder for Supplementary Agenda

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17341.pdf>)

## 1a Programs deferred by the Budget Committee on November 7, 2008 to wrap-up

### Origin

(November 7, 2008) Memo from Budget Committee

### Summary

Programs deferred by the Budget Committee on November 7, 2008 to wrap-up:

#### f. Parks, Forestry and Recreation

1. That Budget Committee add the following sub-projects in Ward 37, with Section 37 agreement funds which have been received:
  - a. Playground equipment and waterplay for Trudelle Park with a total project costs of \$0.300 million and cash flow of \$0.030 million in 2009 and \$0. 0270 million in 2010; and
  - b. Ward 38 Playground Improvements with a total project cost of \$0.110 million and cash flow of \$0.110 millions in 2009.

- c. add \$100,000 for McCowan Park.
- 2. That Parks, Forestry and Recreation staff review the appropriate level of funding required to deliver small parks improvement projects and report back to Budget Committee prior to the 2010 Capital Budget process.

**y. Sony Centre (Hummingbird)**

- 1. That Council approve the 2009 Recommended Capital Budget for the Sony Centre for the Performing Arts including a reduction to the previously approved project cost of \$38.1 million, and a 2009 cash flow of \$26.493 million and a future-year commitment of \$1.0 million comprised of the following:
  - a. New cash flow funding for 3 change of scope sub-projects that require cash flow of \$23.4 million in 2009 and \$1.0 million in 2010; and
  - b. 2008 approved cash flow for 2 previously approved sub-projects with carry forward funding from 2008 to 2009 totalling \$3.093 million;
- 2. Council consider an incremental operating impact of \$3.8 million arising from the shutdown and post construction fit-out period, emanating from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 operating budget; and
- 3. Council approve all sub-projects conditionally, subject to the receipt of third party commitments and funding during 2009 to the satisfaction of the Budget Committee, and if such financing is not forthcoming, all sub-projects be reassessed by City Council.

**ee. Toronto Transit Commission**

- 1. Council approve the 2009 Recommended Capital Budget for TTC with a total project cost of \$859.706 million and a 2009 cash flow of \$749.710 million and future year commitments of \$2.785 billion. The 2009 Recommended Capital Budget consists of the following:
  - a. New Cash Flow Funding for:
    - i. 47 new sub-projects with a 2009 total project cost of \$859.706 million that requires cash flow of \$85.912 million in 2009 and a future year commitment of \$341.830 million in 2010; \$244.591 million in 2011; \$98.801 million in 2012; \$43.863 million in 2013; and \$44.709 million in 2014;
    - ii. 63 previously approved sub-projects with a 2009 cash flow of \$663.798 million and a future year commitment of \$596.803 million in 2010; \$478.764 million in 2011; \$179.949 million in 2012; \$202.875 million in 2013; \$202.341 million in 2014;

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\$139.807 million in 2015; \$142.396 million in 2016; and, \$68.509 million in 2017;

- b. 2008 approved cash flow for 10 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$82.169 million.
2. Council approve new debt costs of \$0.365 million in 2009 and incremental costs of \$2.988 million in 2010; \$7.276 million in 2011; \$5.328 million in 2012; \$1.950 million in 2013; \$0.973 million in 2014 and \$0.798 million in 2015 resulting from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets.
3. Council approve transfers to capital funding from the following capital reserves (the amounts to include carry forward funding of 2008 unspent funds) of: \$69.600 million from the Provincial Gas Tax Revenues for Public Transit Reserve Fund (XR3018); \$33.072 million from the CSIF Reserve Fund (XR3020); \$4.375 million from the TTIP Reserve Fund (XR3023); \$22.392 million from the ORSIF Reserve Fund (XR3024); \$55.444 million in Metrolinx funding from the MoveOntario 2020 Reserve Fund (XR3025); \$57.000 million in Capital Reserve funding also from the MoveOntario 2020 Reserve Fund (XR3025) and \$131.200 million from the Toronto York Spadina Subway Extension Working Capital Fund (XR3027).
4. Council approve the 2010-2013 Recommended Capital Plan for TTC totalling \$1.560 billion in project estimates, comprised of \$55.380 million in 2010; \$260.594 million in 2011; \$650.157 million in 2012; and \$594.155 million in 2013.
5. Council consider operating impacts of \$8.336 million from 2009 to 2013 emanating from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets.
6. Council approve in principle the 2014-2018 Proposed Capital Forecast for TTC totalling \$2.094 billion in project estimates, comprised of \$525.059 million in 2014; \$380.786 million in 2015; \$397.122 million in 2016; \$446.070 million in 2017; and \$344.794 million in 2018, and that this forecast be used as a foundation for preparing the 2010 to 2019 Capital Plan and Forecast as part of the 2010 Capital Budget process.
7. The TTC and City staff continue discussions with the other orders of government on increasing funding for transit in the City of Toronto as outlined in the 2009-2013 Recommended Capital Plan, including funding for the Transit City Plan through MoveOntario 2020 and that, if funding is not forthcoming, the TTC and City review their priorities with regard to major vehicle purchases.
8. Council approve cash flow funding of \$206.028 million in 2009 and future year commitments for the Spadina Subway Extension, with \$42.076 million in funding carried forward from 2008; a 2009 cash flow of \$89.124 and a future

year commitment of \$74.828 million in 2010, given that the project is now fully funded.

9. Council approve cash flow funding of \$17.1 million in 2009 for the Transit City Plan to enable the project to continue moving forward in the first quarter of 2009 and that, if Provincial funding of at least \$17.1 million has not been received by April 2009, the TTC reduce spending on other projects by \$17.1 million.
10. The TTC in conjunction with City staff report back to Budget Committee when confirmation of Provincial and / or Federal funding for the Transit City Plan is received.
11. The TTC report back to Budget Committee when it receives confirmation of funding for the purchase of 204 new Light Rapid Transit Vehicles, being conditional on a one third cost share from the Province and a one third cost share from the Federal government, and that the TTC not enter into any long-term commitments before such funding is confirmed.
12. The TTC report back to Budget Committee when it receives confirmation of funding for the purchase of 36 SRT cars and that the TTC not sign contracts for the purchase of SRT cars until the project has received full Provincial or Federal funding.
13. The TTC report back to Budget Committee as part of the June 30, 2009 Capital Budget Variance Report on specific project reductions equal to the 2009 recommended 10% unspecified reduction of \$47 million to accommodate anticipated under spending in 2009.
14. The TTC submit future capital budget submissions that reflect the recommended 10% budget reductions for the five year period, identifying specific project expenditure adjustments and including all required supporting documentation and financing by project.

**(Deferred from November 7, 2008 - 2008.BU39.1e)**

## **1b Transit City Light Rail Plan: Status Update for October 2008**

### **Origin**

(October 24, 2008) Letter from General Secretary, Toronto Transit Commission

### **Recommendations**

The Toronto Transit Commission recommends to the Budget Committee that:

- a. City Council approve a further \$13.6 million to allow all Transit City projects to

proceed without interruption until Metrolinx and the Province confirm their provision of this funding on or around April 2009, subject to Toronto City Council approving this budget and project commitment as part of the TTC's 2009-2013 Capital Program;

- b. City Council approve this additional approval in the amount of \$18.8 million as part of the TTC's 2009-2013 Capital Program budget request;
- c. City Council request Metrolinx for reimbursement of this additional funding, which is required to allow continued progress on Toronto's part of the MoveOntario 2020 Plan; and
- d. in order to stay on schedule with the Transit City Program, the Commission request the City to meet with TTC staff to determine resource requirements beyond the Sheppard LRT, Etobicoke-Finch, Eglinton and the Yards/Maintenance Facilities and take all necessary action to ensure Transit City can be delivered on schedule.

## Summary

Advising of the action taken by the Toronto Transit Commission on October 23, 2008.

## Background Information

Letter from Toronto Transit Commission

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17405.pdf>

Report from the Toronto Transit Commission

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17406.pdf>

**(Deferred from November 7, 2008 - 2008.BU39.1f)**

## **1c Transit City Light Rail Plan: Status Update for April 2008**

### Origin

(June 24, 2008) Letter from Budget Committee

### Summary

Advising that the Budget Committee on June 17, 2008, deferred consideration of the following Recommendation 7 contained in the letter (April 28, 2008) from the General Secretary, Toronto Transit Commission, to the 2009 Budget process:

- “7. Forward this report to the City Budget Committee noting that, if Metrolinx does not approve this funding for use in 2008, then the City will have to approve an additional \$5.2 million in 2008 budget and commitments, or it will not be possible to complete the work planned for the balance of 2008;”.

## Background Information

Letter from the Budget Committee

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17407.pdf>)

Letter from the Toronto Transit Commission

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17408.pdf>)

TTC Report

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17410.pdf>)

## 1d Capital Variance Report for the Nine-month Period Ended September 30, 2008

### Origin

(November 6, 2008) Report from Acting Deputy City Manager and Chief Financial Officer

### Recommendations

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

1. Council approve the in-year budget adjustments detailed in Appendix 2 which decreases the 2008 Council Approved Budget by \$ 25,000 with no impact on debt.
2. Budget Committee forward this report to the Executive Committee for its consideration.

### Summary

The purpose of this report is to provide the City of Toronto Capital Variance Report for the nine-month period ended September 30, 2008, and projected actual expenditures to December 31, 2008. Further, the report recommends adjustments to the 2008 Council Approved Capital Budget in order to ensure effective delivery of the City's capital program.

Capital expenditures for Tax Supported Programs during the nine month period ended September 30, 2008 totalled \$783.0 million, representing 37.7 percent of the 2008 Approved Capital Budget of \$1.911 billion (see Appendix 1). City Operations spent \$277.4 million or 30.6 percent of the 2008 Approved Capital Budget of \$906.2 million; while Agencies, Boards and Commissions spent \$505.7 million or 43.1 percent of their collective 2008 Approved Capital Budget of \$1.2 billion. Rate Supported Programs spent \$167.7 million or 38.4 percent of the 2008 Approved Capital Budget of \$436.8 million. The above spending levels are consistent with prior years' performance (40.5 percent in 2007, 37.6 percent in 2006). It is noted that capital project activities tend to be concentrated in the latter half of the year; therefore, capital spending rates will accelerate during the last quarter of the year in accordance with capital project plans and schedules.

As shown in Appendix 1, projected expenditures to year-end are estimated at \$1.949 billion or 77.5 percent of the total 2008 Approved Capital Budget of \$2.515 billion. Tax Supported Programs estimate spending of 78.4 percent, while Rate Supported Programs estimate spending of 73.2 percent of their respective 2008 Approved Capital Budget by year-end. Projected under-expenditures to year-end are primarily attributed to unanticipated delays in construction

start-up; challenges in hiring qualified staff; unanticipated legal and environmental issues; reduced funding support from the Province on cost-shared projects; and the need to revise design plans.

### **Financial Impact**

As summarized in Table 1 below, for the nine months ended September 30, 2008, actual expenditures for Tax Supported Programs totalled \$783.0 million or 37.7 percent of a 2008 Approved Capital Budget of 2.078 billion. By comparison, these Programs spent 42.8 percent of their 2007 Approved Capital Budget during the same period in 2007. Tax Supported Programs project a spending rate of 78.4 percent or \$1.63 billion by the end of 2008.

Rate Supported Programs spent \$167.7 million or 38.4 percent of their 2008 Approved Capital Budget of \$436.7 million. It is projected that by year-end, actual expenditures will approximate \$319.7 million or 73.2 percent of the 2008 Approved Capital Budget. By comparison, these Programs spent 67.9 percent of their 2007 Approved Capital Budget during the same period in 2007.

Projected expenditures to year-end are estimated at \$1.949 billion or 77.5 percent of the total 2008 Approved Capital Budget of \$2.515 billion. By comparison, projected expenditures at nine months in 2007 were \$1.944 billion or 80.5 percent of the 2007 Approved Capital Budget of \$2.414 billion.

### **Background Information**

Staff Report - Capital Variance for the Nine-month Period Ended September 30, 2008

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17337.pdf>)

Appendix 1 - Consolidated Capital Variance Report for the Nine-months ended September 30, 2008

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17342.pdf>)

Capital Variance - Budget and Technical Adjustments

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17343.pdf>)

Capital Projects Recommended for Closure

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17344.pdf>)

## **1e Administrative Amendments to Reserve Fund Accounts - 2008**

### **Origin**

(November 10, 2008) Report from Acting Deputy City Manager and Chief Financial Officer

### **Summary**

This is to advise that a report which recommends the creation of various Reserve Fund accounts will be on the Supplementary Agenda for the Budget Committee meeting of November 17, 2008.

### **Background Information**



Staff Report - Placeholder for Administrative Amendments to Reserve Fund Accounts  
<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17360.pdf>

## **1f      Redevelopment of the St. Lawrence Market North Property**

### **Origin**

(November 6, 2008) Report from Acting Deputy City Manager and Chief Financial Officer

### **Summary**

The purpose of this report is to advise that a staff action report entitled "Redevelopment of the St. Lawrence Market North Property" will be on the Supplementary Agenda for the Budget Committee meeting scheduled for November 17, 2008.

### **Background Information**

Staff Report - Placeholder for Supplementary Report  
<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17339.pdf>

## **1g      Toronto Police Service - Transfer of Capital Funds (In-car Camera Capital Project)**

### **Origin**

(November 10, 2008) Letter from Executive Committee

### **Summary**

Advising that the Executive Committee on November 10, 2008:

1. referred the report (October 10, 2008) from the Chair, Toronto Police Services Board, to the Budget Committee for consideration at its meeting scheduled to be held on November 17, 2008, together with the 2009 Capital Budget; and
2. requested the Acting Deputy City Manager and Chief Financial Officer to submit a report to the aforementioned meeting of the Budget Committee with respect to the request from the Toronto Police Services Board for a transfer of funds from the Computer Assisted Scheduling of Courts (CASC) project to the In-Car Camera project.

### **Background Information**

Letter from Executive Committee - Toronto Police Service - Transfer of Funds (In-car Camera Capital Project)

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17361.pdf>

Staff Report - Chair, Toronto Police Services Board

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17362.pdf>

## Regular Business

|        |        |  |  |           |
|--------|--------|--|--|-----------|
| BU40.2 | ACTION |  |  | Ward: All |
|--------|--------|--|--|-----------|

### **Operating Variance Report for the Nine-month Period Ended September 30, 2008**

#### **Origin**

(November 6, 2008) Report from Acting Deputy City Manager and Chief Financial Officer

#### **Recommendations**

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

1. Council approve an expenditure increase of \$0.300 million in the 2008 Non-Program Operating Budget funded from the Arbitration and Legal Awards Reserve to enable the City Solicitor to pay court orders and legal settlement faster and more efficiently.
2. Council approve the technical adjustments detailed in Appendix D to amend the 2008 Council Approved Operating Budget between Programs with no Net Budget impact in order to ensure accurate reporting and financial accountability.
3. Budget Committee forward this September 30, 2008 Operating Variance Report to the Executive Committee for its consideration.

#### **Summary**

The purpose of this report is to provide Council with the City of Toronto Operating Variance for the nine-month period ended September 30, 2008, together with operating variance projections for the year ending December 31, 2008; and to obtain Council's approval for amendments to the City of Toronto Operating Budget between Programs to ensure accurate reporting and financial accountability with no increase to the 2008 Council Approved Net Operating Budget.

At the end of the nine-month period ended September 30, 2008, actual net expenditures were under budget by \$12.528 million or 0.5 per cent of the 2008 Operating Budget. Projections to year-end indicate that the 2008 Council Approved Net Operating Budget will be under-spent by \$6.882 million or 0.2 per cent. As indicated in Appendix A, City Operations project a favourable variance at year-end of \$4.657 million primarily due to under-expenditures in various City Programs including Social Services, Office of the Treasurer, and Shelter, Support and Housing Administration. These under-expenditures are partially offset by significant over-expenditures in Transportation Services because of higher than budgeted snow removal costs and increases in new winter maintenance and salt contracts to be incurred in the fourth quarter.

Agencies, Boards and Commissions (ABCs) collectively project an unfavourable variance at year-end of \$5.705 million net as a result of increased employee benefit costs, higher than expected overtime expenses, increased snow removal costs due to higher than normal snowfall

in early 2008, as well as passenger revenue loss during the 2-day transit strike in April all attributed to Toronto Transit Commission (TTC) – Conventional Services. Corporate Accounts will be under-spent by \$7.930 million attributed to delays in issuing new debt given uncertain capital market conditions resulting in lower than budgeted debt charges of \$5.000 million; higher than budgeted interest, dividend and investment earnings of \$4.746 million, and higher than expected revenue of \$1.810 million generated from off-street and on-street parking facilities by Toronto Parking Authority. These favourable variances will be partially offset by higher than planned vacancy rebates and tax deficiencies.

### Financial Impact

Net expenditures for the nine-month period ended September 30, 2008 were under budget by \$8.128 million or 0.3 per cent (See Table 1). Projections to year-end indicate a net operating budget under-expenditure of \$6.882 million or 0.2 per cent. The Acting Deputy City Manager and Chief Financial Officer will monitor expenditures of Programs and ABCs projecting over-expenditures by year-end, and will institute appropriate strategies to ensure that the spending is on budget at year-end.

### Background Information

Staff Report - Operating Variance Report for the Nine-month Period Ended September 30, 2008

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17338.pdf>)

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| BU40.3 | Information |  |  | Ward: All |
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### Reserves and Reserve Funds Variance Report - September 30, 2008

#### Origin

(October 27, 2008) Report from Treasurer

#### Summary

The purpose of this report is to provide information on reserve and reserve fund balances as at September 30, 2008, activity in reserves and reserve funds during the third quarter of 2008, and projected year-end balances. The vast majority of these funds have been committed to fund capital projects and known future liabilities, leaving minimal amounts for discretionary spending.

### Background Information

Staff Report - Reserve and Reserve Funds Variance Report - September 30, 2008

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17358.pdf>)

Reserves and Reserve Funds - Appendices A, B, C & D

(<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17359.pdf>)