



STAFF REPORT ACTION REQUIRED

Preliminary Capital Variance Report for the Year Ended December 31, 2007

Date:	February 29, 2008
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\FP\bc08004FP – wo (AFS #6587)

SUMMARY

The purpose of this report is to provide the City of Toronto Preliminary Capital Variance Report for the year ended December 31, 2007, and to request Council's approval for budget adjustments which reallocate funds between projects with no incremental impact on the Council Approved 2007 Capital Budget. A final report will be submitted to Council following the completion of the external audit of the City's accounts and financial statements.

Capital expenditures for the year ended December 31, 2007 totalled \$1.684 billion or 69% of the approved budget of \$2.439 billion (see Appendix 1). The under-expenditure is primarily attributed to the inability to find or secure suitable sites in accordance with planned timeframes; delays in securing funds from cost-sharing partners; later than planned delivery of 161 buses to the Toronto Transit Commission due to an employee strike at the bus manufacturer; and late delivery of garbage packers, side loaders and street sweepers as a result of challenges faced by suppliers in acquiring major components for these vehicles. In addition, several projects were completed under-budget. Unspent funds for incomplete projects will be carried forward to 2008 on an as required basis, in accordance with the City's Carry Forward Policy.

CONTENTS

Topic	See page ...
Summary	1
Recommendations	2
Financial impact	3
Issue background	4
Comments	4
Capital Variance By Program / ABC	4
Capital Variance Rate Supported Programs	13
Budget and Technical Adjustments	14
Capital Projects Recommended for Closure	16
Contact	16
Attachments	16

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the budget and technical adjustments to the 2007 Approved Capital Budget as detailed in Appendix 2 attached.
2. Council approve draws of \$69.509 million from the Provincial Gas Tax Reserve Fund; \$41.015 million from the Canada Strategic Infrastructure Reserve Fund; \$75.000 from the Public Transit Capital Trust Reserve Fund; \$3.290 million from the Ontario Bus Replacement Program Reserve Fund; \$1.638 million from the Transit Technology Infrastructure Program Reserve Fund and \$44.564 million from the Ontario Rolling Stock Infrastructure Reserve Fund for a total of \$235.016 million to fund the provincial share of the Toronto Transit Commission 2007 actual capital expenditures.
3. Council approve closure of completed projects as detailed in Appendix 4, and in accordance with the Financial Control By-law, direct that, after fully funding overspent projects, any remaining unspent funds be returned to original funding sources.
4. The Budget Committee forward this report to the Executive Committee for its consideration.

FINANCIAL IMPACT

As shown in Table 1 below, Tax Supported Programs spent \$1.425 billion or 71.2% of the 2007 Approved Capital Budget of \$2.002 billion during the year ended December 31, 2007. By comparison, spending in 2005 approximated 68.3% and in 2006, 72.8% of the respective Council

Approved Budgets. Rate-Supported Programs spent \$259 million or 59.1% of their collective 2007 Approved Budget of \$437.507 million.

In accordance with the City's Carry Forward Policy, the 2008 Capital Budget, which was approved by Council at its December 11, 2007 meeting, included 2007 carry forward funding of \$305.122 million. This will enable staff to complete projects for which capital work was not completed in 2007 as planned. It should be noted additional adjustment to carry forward funding from 2007 into 2008 for previously approved projects will be included in the final year-end variance report based on 2007 final year-end results.

Table 1			
Corporate Capital Variance Summary			
for the Twelve Months Ended December 31, 2007			
(\$000s)			
	2007 Approved Budget	Actual Expenditures \$	Spent %
Tax Supported Programs:			
Citizen Centred Services - "A"	196,104	106,663	54.4%
Citizen Centred Services - "B"	648,911	538,092	82.9%
Internal Services	172,972	116,484	67.3%
Other City Programs	33,220	13,059	39.3%
Agencies, Boards & Commissions	950,647	650,906	68.5%
Total - Tax Supported	2,001,854	1,425,204	71.2%
Rate Supported Programs:			
Toronto Parking Authority	27,506	6,416	23.3%
Toronto Water	410,001	252,136	61.5%
Total - Rate Supported	437,507	258,552	59.1%
Total	2,439,361	1,683,756	69.0%

In compliance with prudent financial management practices, debt is issued only when needed to finance actual or committed capital expenditures. This strategy minimizes the incurrence of debt service costs and the resultant impact on the Operating Budget. A list of completed projects and / or projects that are otherwise recommended for closure will be included with the Final 2007 Year-end Capital Variance report. In accordance with the Financial Control By-law, uncommitted unspent funds from these completed capital projects will be returned to the original funding source.

ISSUE BACKGROUND

This report is provided in accordance with good business, financial management and control practices. As part of the City's accountability framework, capital variance reports are submitted to Council and Committees quarterly, in order to provide information on how the approved

capital works program is progressing, and on an exception basis, to identify issues that require the direction and / or approval of Council or Committee.

COMMENTS

CAPITAL VARIANCE BY PROGRAM

Citizen Centred Services “A”

Citizen Centred Services “A” capital expenditures during the year ended December 31, 2007 totalled \$106.663 million or 54.4% of the 2007 Approved Capital Budget of \$196.104 million. Capital spending performance for Citizen Centred Services “A” programs is summarized below.

3-1-1 Customer Service Strategy – Spending on this project totalled \$5.259 million or 21% of the 2007 Approved Budget of \$25.116 million. Under-spending is mainly attributed to the fact that a new call document for the 3-1-1 Technology RFP had to be issued, resulting in an extension to the evaluation and recommendation schedule by approximately three months. Completion of several other interrelated sub-projects also had to be extended. It is anticipated that significant spending will begin to occur with the contract award in the first quarter of 2008. The remainder of the project is on target.

Children’s Services spent \$1.569 million or 16% of the 2007 Approved Capital Budget of \$9.704 million. Of the under expenditure of \$8.135 million, \$5.950 million is attributed to the *Health and Safety/Playground* project as the \$4.0 million Provincial share was not available in 2007 and \$1.950 million for a *Best Start* capital project for municipally operated child care centres was cancelled due to the reduction of Best Start funding by the Province. The remaining under expenditure of \$2.184 million is mainly due to the delay in the construction of two new Child Care Centres: the *Thorncliffe Park Child Care Centre* project has commenced and is expected to be completed in 2008, and *Chester Le Child Care Centre* project is still under preliminary discussion with the Toronto District School Board. Excluding the under expenditure of the provincial subsidy of \$4.0 million and Best Start Funding of \$1.950 million, the Program’s year-end spending rate would have been 41.8% for controllable expenditures.

Court Services’ capital expenditures totalled \$0.844 million or 15.9% of its 2007 Approved Budget of \$5.299 million. All projects are funded from the Provincial Offences Court Stabilization reserve fund, and have no impact on the City’s debt. The under-spending is mainly attributable to the following:

- ◆ Due to a longer than planned tender process, only \$0.146 million or 14.6% of the \$1.0 million cash flow for phase 1 of the *Provincial Offences Act (POA) Application Development project - Digital Audio Recording (DAR)* was spent on installation and implementation of the equipment at the York Civic Centre court location by the end of 2007. Completion of this phase is expected in 2008 with the installation and implementation of the equipment at the East and South court sites.

- ◆ *Phase 2 of the Provincial Offences Act (POA) Application Development* project for the Computerized Court Case Record Management System with an approved cash flow of \$2.0 million was deferred to 2008 as professional & technical staff resources were redeployed to support other high priority projects.
- ◆ Capital expenditures on the *Courthouse Facilities Renovation* work in the South District were \$0.525 million or 27.3% of the approved budget. The remaining refurbishment work at Old City Hall was deferred to 2008 due to an unanticipated electrical capacity problem.
- ◆ *The Facility Renovation Work in the East District* was completed in 2007 at \$0.172 million or 45.8%. The portion relating to the construction of a sally port was cancelled. This sub-project is recommended for closure.

Economic Development, Culture & Tourism capital expenditures totalled \$14.710 million or 72% of the 2007 Approved Budget of \$20.455 million. Under-spending is mainly attributed to: construction delays for Casa Loma Restoration project(\$1.262 million); late start of the legal review process for both the *Todmorden Mills project* (\$0.132 million) and the *Fort York Restoration project* (\$0.300 million); the Don Valley Brickworks project was delayed to enable filming on site (\$0.411 million); the *John Street Roundhouse project* (\$0.512 million) which is dependant on external partner renovation plans required revisions to specifications in order to re-tender the *Zhong Hua Men Archway in the South Riverdale BIA Employment Revitalization project* (\$0.650 million).

Emergency Medical Services (EMS) spent \$5.882 million or 64.2% of its 2007 Approved Budget of \$9.166 million. The under-spending is primarily due to the following:

- ◆ *Station rehabilitation projects* (\$1.072 million) were delayed pending a decision on the *Centralized Book-on Station (CBOS)* project. The decision not to proceed with the *CBOS* project resulted in no rehabilitation work being done during 2007. Funding for the *Station rehabilitation* projects will be carried forward to 2008.
- ◆ The contract for the critical upgrades to the *EMS/Fire Headquarters' Power Supply System* project was recently awarded and project completion is expected in 2008 (\$0.993 million).
- ◆ Additional enhancements to the *Central Ambulance Communication Centre (CACC) system redesign* (\$0.642 million) identified by users delayed the course of the project were not completed in 2007 and the project is anticipated to be completed in 2008.
- ◆ *The Station #29 Rehabilitation project* (\$0.600 million) was delayed as the Program had difficulty finalizing an appropriate site to relocate this station without an increase in the project cost. The under expenditure will be carried forward into 2008.

Homes for the Aged's capital spending for the year-ended December 31, 2007 totalled \$7.787 million, or 72.1% of the 2007 Approved Budget of \$10.8 million. While most of the planned maintenance projects are on schedule, a few were faced with unexpected delays and required re-tendering due to bids coming in much higher than budget because of a strong construction market. In an effort to reduce costs, the Program has re-packaged and re-tendered projects to

encourage more competitive bids.

Parks, Forestry and Recreation (PF&R) spent \$59.062 million or 60% of its 2007 Approved Budget of \$97.825 million. \$38.309 million in funding is being carried forward to 2008. Of this amount, the Program has \$22.864 million in commitments through tenders and contracts on projects underway, plus another \$4.456 million awaiting finalization of agreements to acquire land and agreements for construction services through partnerships, as with the Toronto and Region Conservation Authority. In 2007, as in prior years, PF&R experienced delays due to extended community consultations, projects developed with other parties, and delayed receipt of third party funding. Some more significant areas of under-spending include \$2.189 million of *Storm Damage Repair*, undertaken by TRCA for Parks; \$2.101 million arising receipt of only one high bid, which required re-tendering for both the *CP PS Lead Trail (former railway right-of-way)* and the *Wychwood Barns Park*; and \$4.8 million for the *Jenner Jean-Marie Community Centre* where over-budget tendering required the three partner divisions to change the scope of the project.

Shelter, Support and Housing Administration spent \$11.301 million or 70.5% of the 2007 Approved Budget of \$16.039 million. The under-spending is primarily a result of the following:

- ◆ The *Shelter renovation* projects (*Eva's Youth*, *Bethlehem United*, *129 Peter Street*, totalling \$11.808 million, with spending of \$9.513 million): under spending mainly due to design modifications at *Eva's Youth*, resulting in spending delay of \$1.427 million;
- ◆ Development of the two IT projects, the *Shelter Management Information System (SMIS)* (\$1.732 million): under spending in *SMIS* of \$1.334 million due to the termination of the contract with the original vendor, resulting in an RFQ award in December for "off-the-shelf" product; the *Social Housing Administration System (SHAS)* (\$1.023 million): under spending of \$0.506 million due to difficulties in finding IT staff to develop the system;
- ◆ The *HVAC upgrade at Seaton House* (\$0.550 million): under-spending of \$0.468 million due to delays in approving the ventilation standards by Board of Health.

Social Services' capital expenditures totalled \$0.208 million or 12.2% of its 2007 Approved Budget of \$1.700 million. The under-expenditure of \$1.492 million is mainly attributed to a delay in the *External Web project* since a Request for Proposal (RFP) for the External Web contract took longer to issue than was originally anticipated.

Citizen Centred Services "B"

Capital expenditures for this Cluster during the year ended December 31, 2007, totalled \$538.092 million or 82.9% of the 2007 Approved Capital Budget of \$648.911 million. Capital spending in 2007 was 28.3% higher than in 2006, representing an additional \$297.7 million in expenditures. In addition, a number of contracts have been awarded but are not yet reflected in the actual results. Spending performance for programs within this Cluster is summarized below:

Policy, Planning, Finance and Administration's capital expenditures for the twelve months ended December 31, 2007 totaled \$4.051 million or 59.3% of its 2007 approved cash flow of \$6.831 million. The major expenditures in 2007 include the *Asset Preservation Project* (\$0.891 million), the *I.T. Disaster Recovery Plan project* (\$0.584 million) and *Computer System Integration project* (\$0.514 million). The under-spending of \$2.780 million of which \$1.685 million will be carried forward into 2008, is mainly attributed to the following:

- ◆ \$0.467 million or 84.4% of the 2007 approved cash flow of \$0.553 million for the *Remote Computing project* was unspent due to delays in procurement. The procurement process has resumed and it is anticipated that the project will be completed in 2008.
- ◆ The *MLS Enhanced Computer Technology project* - \$0.440 million or 97.8% of its 2007 approved cash flow of \$0.450 million was unspent due to delayed hiring of staff resources. It is expected that the first phase of the project will be completed in 2008.
- ◆ The *IBMS Building Division Requirements* of \$0.350 million or 100% of the 2007 approved cash flow of \$0.350 million was unspent as a result of prolonged negotiations with the vendor. The project has started in January 2008 and is expected to be completed in 2008.

City Planning spent \$3.911 million or 41.2% of its 2007 Approved Capital Budget of \$9.504 million. The under-spending of \$5.593 million, is mainly attributed to the following:

- ◆ *Civic Improvements projects* were under spent by \$1.870 million due to phasing of construction for the associated Transportation projects. These projects are now underway and will be completed in 2008.
- ◆ Continued development of the *New Zoning By-Law project* was under-spent by \$1.069 million due to insufficient staff resources. Project team fully staffed as of December 2007 and expenditures are anticipated to be in line with budget envelope in 2008.

Fire Services' spent \$6.383 million or 72% of its 2007 Approved Capital Budget of \$8.896 million. The under-spending of \$2.514 million is mainly attributed to the following projects:

- ◆ *Heavy Urban Search and Rescue (HUSAR) projects* were under spent by \$1.020 million due to a delay in Federal funding approval.
- ◆ *Toryork Bays Extension project* was under-spent by \$0.449 million due to a delay caused by the feasibility study and design issues. Fire Services will carry forward these funds to 2008 with the project proceeding to the construction phase.

The balance of the under-spending of \$1.045 million was mainly attributed to delays in procurement planning on the Asset Management, the Communication Centre Quality Assurance Study, the Antenna Tower and Headquarters Power Upgrade. As well, some projects were completed below budget and are recommended for closure as detailed in Appendix 3.

Solid Waste Management Services spent \$237.121 million or 89% of its 2007 Approved Capital Budget of \$266.298 million. The under-spending of \$29.177 million is mainly attributed to the

following projects:

- ◆ The *Diversion Facilities* project was \$19.2 million under spent at year-end because of longer than planned production lead times and slower roll-out of carts and the Council decision not to build the reuse centre at Ingram site.
- ◆ The *Transfer Station Asset Management* project was under spent by \$3.6 million at year-end mainly because of the new staff facilities at the Dufferin Transfer Station. Under-spending was due to delays in the tendering process to meet the new Toronto Green Development Standards.
- ◆ The *Residential Collection* project was under spent by \$3.9 million at year-end mainly caused by delays in evaluating collection vehicles for the Townhouse project.
- ◆ The *Perpetual Care of Landfill* project was under-spent by \$1.037 million at year-end. This includes \$0.489 million due to deferred project work on the leachate collection system at the Thackery Landfill and \$0.535 million for the postponement of investigative and remedial work at various old landfills.

Transportation Services' capital expenditures for the twelve month period ended December 31, 2007 totalled \$237.8 million or 79% of the 2007 Approved Budget of \$301.7 million. This represents an additional \$42.8 million in actual expenditures over the prior year. The major expenditures in 2007 included State of Good Repair for Roads of \$94.942 million, Bridge Rehabilitation of \$31.069 million and Infrastructure Enhancements of \$78.185 million. The Program's under-spending is attributed to the *Simcoe Street Underpass* project of \$3.667 million due to delays caused by work on the storm retention tank, the *Dufferin Jog Elimination* project of \$3.144 million due to construction delays caused by property expropriations, the *Morningside/Finch Rail Grade Separation* project of \$2.165 million due to delays in property acquisitions/easements and limited time to implement rail related work on CN lands and Various Construction Projects of \$7.221 million.

Waterfront Revitalization Initiative Staff reported an under expenditure of \$6.909 million mainly as a result of delays in the construction of the flood protection Landform in West Donlands; and funding that was not released to Waterfront Toronto for Letters of Credit to the City for construction and performance of municipal infrastructure.

Internal Services

Internal Services' Programs collectively spent \$116.484 million or 67.3% of their 2007 Approved Capital Budget of \$172.972 million. Capital spending performance for Internal Services Programs is summarized below:

Facilities and Real Estate spent \$51.153 million or 94% of its 2007 Approved Budget of \$54.598 million. The under-spending is attributed to delays in project start-up and the need to

better coordinate projects at various locations. In addition, the City Hall Second Floor Renovations project was deferred to 2009 which accounts for 1.6% of the variance.

Financial Services' capital expenditures totalled \$3.338 million or 31% of its 2007 Approved Budget of \$10.763 million. Under-spending is mainly attributed to the following:

- ◆ *Workflow and Document Management and Imaging* projects - requirements gathering and system design was completed (\$0.364 million or 19%). Revenue Services is working with the proponent on the design document, training and test plans.
- ◆ The development of an integrated project plan and project team with other key SAP projects (*Fixed Asset Accounting* project, *SAP technical and foundational upgrade* and *Enterprise Architecture*), all requiring Corporate and IT resources has resulted in the delays (\$1.385 million) of *Financial Planning, Analysis and Reporting System* sub-project Program, *Planning and Development* until early 2008.
- ◆ *The Parking Tag Management Software Upgrade* project (\$0.516 million) in Revenue Services will be deferred to 2008 due to delays in accommodating system requirements for the Parking Tag ticketing process.
- ◆ Delays in finalizing Local 79 wage harmonization awards for part-time employees during 2006 has resulted in under-spending in the *Collective Agreement Implementation* project (\$0.541 million).
- ◆ *Financial Planning, Analysis and Reporting System* sub-project *Business Plan Information System* (\$0.350 million) is under spent due to unanticipated delays acquiring resources to assist in the articulation and recommendations for the interim budget solution.
- ◆ *The Time Entry System* project has been completed under budget by \$0.278 million. The *Revenue Services – IVR* project (\$0.200 million) is expected to be implemented by the end of the second quarter in 2008 due to delays in completing contract negotiations in 2007.
- ◆ *Revenue Services – Phase II – Unified Cashiering System* (\$0.657 million) has been deferred to 2008 and 2009 due to unanticipated delays including the issuing of the Request for Proposal for the Cashiering Software.

Fleet Services' capital spending for the year ended December 31, 2007 was \$45.264 million or 59.5% of the 2007 Approved Budget of \$76.080 million. The under-spending was primarily due to a delay in the delivery of 54 garbage packers and eight side loaders for Solid Waste Management Services, and 11 street sweepers for Transportation Services. The manufacturers of the above vehicles experienced unanticipated delays in obtaining chassis and engines as a result of factory closures, and engines that met 2007 environmental standards. As a result, these vehicles will not be delivered until the first quarter of 2008.

Information and Technology's capital spending for the year ended December 31, 2007 was \$16.728 million or 53.1% of its 2007 Approved Budget of \$31.532 million. The under-spending is due to delays and savings as outlined below:

- ◆ *Sustainment Projects* (\$4.378 million). The under-spending is due to a number of factors including:
 - Delay in the *Voice Mail Replacement Project* because the solution proposed by the existing service provider is not workable. This project will continue into 2008.
 - Favourable pricing obtained for the *Enterprise Fax Replacement project*. Servers and Storage replacement completed was under budget as a result of server consolidations that led to reduced price and quantity requirements. Large scale deployment of desktop hardware/monitors was delayed due to limited disposal options for decommissioned equipment and lack of storage space.
- ◆ *Enterprise Patch Management* (\$0.741 million). This project will not proceed. I&T will continue with the investigation and testing of alternative patch delivery strategies. The long-term strategy for Enterprise Patch Management will be revisited in the Enterprise Systems Management (ESM) review.
- ◆ *SAP Business Warehouse Implementation* (\$0.735 million). Under-spending was due to changes in the scope and deliverables of this project.
- ◆ *Website redesign, Web Portal Infrastructure and Vignette Upgrade* (\$1.012 million). The Website Redesign project consists of three components: the WCM Vignette Upgrade, the Web Portal Infrastructure and the actual website redesign. The Website Redesign RFP has to coincide with the two strategies (Vignette and Portal) in order to accommodate the interdependencies and to avoid any implementation conflicts. This complex process has led to a delay in getting the RFP issued. These projects will be continuing into 2008.
- ◆ *Litigation Pilot Project* (\$0.809 million). Requirement documents took longer than scheduled to complete. A revised project schedule is being reviewed and this project is expected to be completed in early 2008.
- ◆ *Technology Asset Management* (\$0.657 million). The vendor has been unable to finish the design and build phase of the project due to resource and expertise issues. Information and Technology is pursuing other alternatives.

Other City Programs

Other City Programs collectively reported capital expenditures of \$13.059 million or 39.3% of their 2007 Approved Capital Budget of \$33.220 million. Capital spending performance for Other City Programs is discussed below.

The City Clerk's Office's capital spending for the year ended December 31, 2007 was \$1.455 million or 12.6% of the 2007 Approved Budget of \$11.555 million. The under-spending is mainly due to delays experienced in the relocation of the Print Shop which comprises \$9.365

million or 81% of the 2007 Approved Budget. This project is carried forward into 2008 with a revised project cost that is significantly less than originally estimated.

Energy Retrofit Program's actual expenditures for 2007 totalled \$5.513 million or 64.2% of the 2007 Approved Budget of \$8.591 million. The following projects were the principal drivers of the under-expenditure:

- ◆ *Pools and Community Centres* – Various project scheduling requirements of different sub-contractors resulted in variations to the originally anticipated schedule. An amount of \$1.0 million or 22% of the 2007 Approved Budget of \$4.500 million will be carried forward to 2008.
- ◆ *Solid Waste Stations and Police Buildings retrofit projects* – Delays in completing the construction contract and longer than expected times for design and engineering, has resulted \$0.810 million or 81% for Solid Waste Stations project and \$1.0 million or 100% for Police Building Retrofit Project of the 2007 Approved Budget being carried forward into 2008.

The ***Union Station Project*** had expenditures totalling \$5.476 million or 49% of the 2007 Approved Budget of \$11.131 million in 2007. The York Street Expansion Joint project was under-spent by \$0.202 million mainly due to construction delays. The project was being coordinated with GO Transit's work on the train tracks. The Pedestrian Bridge Project was under-spent by \$1.160 million a result of delays in receiving approval from Parks Canada and co-ordinating the project with the TTC. The Copper Roof Repairs project was deferred due to coordination issues with the Pedestrian Bridge Project and was under-spent by \$0.179 million. The Terrazzo Flooring project was under-spent by \$0.305 million. This project was delayed so it could be coordinated with the proposed Union Station Revitalization project. The Union Station Security Project was under-spent by \$3.784 million due to difficulties in obtaining Heritage approval from Parks Canada and Heritage Preservation Services.

The ***Nathan Phillips Square Project*** had spending of \$0.587 million representing 35% of the 2007 Approved Budget of \$1.693 million. The under-spending was due to the delays in purchasing architectural services until December 2007. Unspent funds of \$1.106 million will be carried forward and spent by the 2nd Quarter of 2008.

The Radio Communication System Replacement Project's capital expenditures totalled \$0.002 million out of a total approved cash flow of \$0.250 million. Expenditures were mainly incurred for project consultants and unspent funds of \$0.223 million will be carried forward to 2008.

Agencies, Boards and Commissions (ABCs)

Collectively, Agencies, Boards and Commissions (ABCs) spent \$650.906 million or 68.5% of their 2007 Approved Budget of \$950.647 million. Individual ABC performance is discussed below:

Exhibition Place's Preliminary Year-End Variance Report indicates actual expenditures of \$60.056 million or 69.2% of its 2007 Approved Capital Budget of \$86.814 million. This

spending rate is largely due to the deferral of spending on the Conference Centre to 2008 when construction will commence. Precise spending plans were not known at the time of project approval. In 2007, only \$1.019 million or 4% of the \$27.375 million budget for the Conference Centre was spent. On all other projects, capital expenditures totalled \$59.037 million or 99% of the approved budget of \$59.439 million.

Go Transit's 2007 Approved Budget is \$20.000 million. The City's 2007 contribution toward GO Transit growth capital expenditures was \$11.337 million. This contribution was part of a new agreement between the City and the Province on the City's future contributions to GO Transit. The under expenditure reflects a shift of costs to the first quarter of 2008.

Toronto and Region Conservation Authority (TRCA) spent 100% of its 2007 Approved Budget of \$5.992 million for the City's share of TRCA capital works within the boundaries of the City of Toronto.

The **Toronto Police Service** spent \$48.762 million or 65.6% of its 2007 Approved Capital Budget of \$74.357 million. The variance is primarily due to \$14.692 million of unspent funds for land acquisition, as the land for both *11 and 14 Divisions* will be purchased in 2008. Delays in the implementation of IT projects, primarily Computer-Assisted Scheduling of *Courts System*, *Police Community Automated Notification System*, and the *Geocoding Engine* has also resulted in \$2.430 million of further under-expenditures.

Toronto Public Health (TPH) spent \$3.013 million or 62% of its 2007 Approved Budget of \$4.879 million. The under expenditure is mainly due to the following: difficulty in hiring qualified IT staff and delays in acquiring hardware required for three projects: the *Healthy Families/Healthy Living Mandatory Management Reporting* (\$0.907 million), the *Personal Health Information and Protection Act (PHIPA)*, the *System Compliance* (\$0.337 million), the *Dental Strategy and Implementation* (\$0.209 million) projects. A change in the Provincial timelines delayed the implementation of the *PH Surveillance and Management System* project (\$0.393 million).

Toronto Public Library spent \$14.723 million or 80.6% of its 2007 Approved Budget of \$18.264 million. The under-spending of \$3.541 million, which will be carried forward into 2008, is mainly attributed to the following:

- ◆ The shortage of fabricated steel delayed construction in several projects, resulting in under-expenditures of \$0.240 million for the *S. Walter Stewart* project, \$0.946 million for the *Bloor / Gladstone* project, and \$0.339 million for the *Dufferin / St. Clair* project.
- ◆ The completion of the construction drawings of the *Toronto Reference Library Renovation / Retro-fitting* project was delayed as the logistic plan to keep the library open while proceeding with the major renovation was much more complicated to implement than originally assumed. In addition, the start of construction was also affected by the shortage of fabricated steel, resulting in an under-expenditure of \$0.797 million.

- ◆ The start of the *Jane / Sheppard Library relocation* project was delayed due to revisions in project scope and design as the construction contract had to be re-tendered to meet budget and City Planning requirements (\$0.227 million).
- ◆ Additional testing and evaluation was required due to minor changes to the *Integrated Library System (ILS)* software. This modification delayed project completion to February 2008, resulting in an under-expenditure of \$0.375 million. The delay in completion of the ILS project also affected the implementation of Virtual Branch upgrades, resulting in an under-expenditure of \$0.476 million.

Toronto Transit Commission's (TTC) 2007 Approved Capital Budget of \$720.954 million (including \$3.650 million of in-year adjustments approved by Council) was \$500.0 million or 69.4% spent as of December 31, 2007.

A significant part of the under-spending is attributable to the seven projects listed below:

- ◆ *Purchase of Buses* - \$88.400 million or 40.4% of the 2007 Approved Budget of \$218.754 million for this project was spent. The under-spending is due mainly to 161 buses not being delivered in 2007 as a result of a strike at the bus manufacturer.
- ◆ *Other Building & Structure Projects* - \$24.800 million or 54.9% of the 2007 Approved Budget of \$45.199 million for this project was spent. The under-spending is mainly due to design work and construction being delayed as a result of a lack of resources both internally and externally. This has resulted in delays until 2008 to projects including the *McBrien Building, Harvey Shop, Wilson Bus Garage* and the *Wheel-Trans facility*.
- ◆ *Communications* - \$16.800 million or 51.3% of the 2007 Approved Budget of \$32.773 million for the project was spent. The under-spending is due mainly to delays in installing the *Surface Vehicle Safety Camera System* as a result of technical issues and power supply problems.
- ◆ *Streetcar Overhaul* – \$10.100 million or 41.4% of the 2007 Approved Budget of \$24.400 million for the project was spent. The under-spending is due primarily to lower than anticipated penalties for cancelling overhaul work. This overhaul work is no longer necessary as a result of the decision to purchase new vehicles rather than overhauling the entire fleet.
- ◆ *Surface Track* - \$46.400 million or 85.5% of the 2007 Approved Budget of \$53.641 million for this project was spent. The under-spending is mainly due to the deferral of work on the Reserved Transit Lanes on St. Clair Avenue West from Vaughan to Oakwood.
- ◆ *Purchase of Subway Cars*- \$89.200 million or 92.8% of the 2007 Approved Budget of \$96.076 million for this project was spent. The variance is due to a redistribution of the milestone payments including contingency allowance to future years.

- ◆ Mount Dennis Bus Garage - \$29.100 million or 86.5% of the 2007 Approved Budget of \$33.642 million for this project was spent. The variance is due to construction of the bus garage and bus cleaning system being behind schedule and substantial completion not being achieved in 2007.

The TTC 2007 capital expenditures included \$235.016 million which were to be funded by the Province. The Province provided the City with funds for its share of qualifying transit capital projects which have been placed in specific reserve funds, and are drawn upon when the actual expenditures are incurred. To comply with the City's financial policies, this report requests Council approval to draw from the reserves funds as detailed in the Table below.

2007 TTC Provincial Funding	
Reserve Funds	\$Millions
Provincial Gas Tax Revenue	69.509
Canada Strategic Infrastructure	41.015
Public Transit Capital Trust	75.000
Ontario Bus Replacement Program	3.290
Transit Technology Infrastructure Program	1.638
Ontario Rolling Stock Infrastructure	44.564
Total	235.016

Yonge-Dundas Square capital expenditures for the twelve month are \$0.244 million or 99.3% of the 2007 Approved Capital Budget of \$0.245 million. The 2007 capital projects for the custom built stage and additional lighting components to address public safety and security concerns were 100 % completed by December 31, 2007 and the total cost was under budget by \$0.002 million.

Toronto Zoo spent \$6.433 million or 41% of its 2007 Approved Budget of \$15.707 million. The under spending is mainly attributed to tender issues. *Phase I of the North Zoo Site-Tundra* project (\$7.802 million) was awarded mid 2007 after it was re-tendered due to the original tender being over budget. *Phase II Design* (\$0.887 million) and *Grounds and Visitor Improvements* (\$0.279 million) were delayed as they too are part of the *Tundra* project. The delay caused by the *Tundra* project has resulted in significant under-spending for the year and the need to carry-forward unspent funds from 2007 to 2008 of \$9.274 million.

Rate Supported Programs:

For the year ended December 31, 2007, Rate Supported Programs spent \$258.552 million or 59.1% of their 2007 Approved Budget of \$437.507 million.

Toronto Water: The Program spent \$252.136 million or 61% of its 2007 Approved Capital Budget of \$410.001 million. This level of capital budget spending by Toronto Water represents a decline of \$12.409 million or 5% compared to the 2006 spending rate \$264.545 million.

Although actual spending declined slightly from 2006, 78% of the 2007 approved budget was committed through contracts that were awarded prior to year end. The 2007 water and wastewater rate setting process assumed a capital spending rate of 80%; however, several factors limited the Program's ability to achieve this rate. This included a lengthy labour disruption at the beginning of summer shutting down construction on several multi-million dollar contracts, such as the digester refurbishment and waste activated sludge upgrades at the Humber Wastewater Treatment Plant. Activities have now been accelerated given that the labour disruption has been resolved. The delay in obtaining Environmental Assessment approvals from the Ministry of the Environment also contributed to the lower than targeted capital expenditures. In anticipation of lower than anticipated capital spending, Toronto Water's 2008 Capital Budget was reduced by \$60 million.

Toronto Parking Authority (TPA) spent \$6.416 million or 23% of its 2007 Approved Capital Budget of \$27.506 million. The overall level of capital spending resulted from a combination of factors, which included delays arising from the unavailability of appropriate sites; delays due to on-going negotiations for identified sites; projects cancelled because of a low probability of finding an appropriate site; and time lags in joint venture arrangements.

Budget and Technical Adjustments (Appendix 2):

Toronto Water - Several Toronto Water multi-year facility upgrade projects are proceeding ahead of schedule and as such have exceeded their individual 2007 Approved Budget. To comply with City multi-year funding policy, other projects have been deferred to offset the accelerated funding requirement for those projects that are proceeding ahead of schedule. Similarly on the water main and sewer pipe program, where project funding is typically financed over two years, more than 80% of the program was tendered by mid-year and as a result, exceeded the 2007 Approved Budget. The recommended budget adjustments have no incremental impact on the overall 2007 Approved Capital Budget.

Transportation Services - Transportation Services requires in-year budget adjustments in order to reallocate funding for multi-year projects that are proceeding ahead of schedule and as such have exceeded their individual 2007 Approved Budget. The recommended budget adjustments will increase gross expenditures by \$19.813 million and will have no impact on debt for the 2007 Approved Capital Budget.

Facilities and Real Estate - Several Facilities and Real Estate's multi-year projects are proceeding ahead of schedule. In order to offset the accelerated funding requirements for those projects, several other projects proceeding slower than scheduled have been deferred. The recommended budget adjustments have no incremental impact on the 2007 Approved Budget for Facilities and Real Estate.

Exhibition Place – Exhibition Place requires an in-year budget adjustment to increase the gross expenditure for the Soccer Stadium by \$0.05 million (from \$62.8 million to \$62.85 million). As funding is provided by a third-party private source, there is no impact on debt for the 2007 Council Approved Capital Budget.

Children's Services - Upon further review of the Development Charge By-law adopted by City Council in June 2004, it was determined that funding of \$0.034 million was available for the 118 Enderby Child Care Centre capital project, that was fully funded from the Child Care Capital Reserve Fund. Thus, a technical budget adjustment is required to ensure the project utilizes the available funding from the Development Charge Reserve Fund as approved by City Council.

Capital Projects Recommended for Closure (Appendix 3):

Appendix 3 lists projects recommended for closure that were completed in 2007 or had no activity in the last two years. These projects have an aggregate budget of \$896.971 million and actual expenditures of \$861.169 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, any remaining unspent funds will be returned to original funding sources.

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SIGNATURE

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ATTACHMENTS

Appendix 1 – 2007 Preliminary Capital Variance Report – Consolidated Statement
Appendix 2 – Budget and Technical Adjustments
Appendix 3 – Capital Project Recommended for Closure