



STAFF REPORT ACTION REQUIRED

2007 Final Year-End Capital Variance Report

Date:	June 11, 2008
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\FP\Bc08009Fp (AFS#6961)

SUMMARY

The purpose of this report is to provide the City of Toronto Final Capital Variance Report for the year ended December 31, 2007. This variance report was prepared using audited accounting information for the year ended December 31, 2007.

Capital expenditures for the year ended December 31, 2007 totalled \$1.676 billion or 68.8% of the Council approved budget of \$2.437 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 (TTC) due to an employee strike at the bus manufacturer; a significant reduction in actual contributions to GO Transit as a result of shifting costs to the first quarter of 2008; 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. It is noted that several projects were completed under-budget. In compliance with City policy, completed projects will be closed and unspent funds will be returned to the original Council approved funding source.

In accordance with the City's Carry Forward Policy, this report requests approval to carry forward funds for unspent 2007 projects not previously identified and included in the 2008 Capital Budget. The additional carry forward request is \$136.035 million as detailed in Appendices 2 and 3 attached.

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RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the carry forward of unspent 2007 capital funds totalling \$120.087 million in order to continue work on 2007 approved capital projects as detailed in Appendix 2, and that the 2008 Approved Capital Budget be increased accordingly.
2. Council approve the carry forward of unspent 2006 approved capital funds totalling \$15.713 million gross with a net debt reduction of \$0.049 in order to continue work on 2006 approved capital projects as detailed in Appendix 3, and that the 2008 Approved Capital Budget be adjusted accordingly.
3. Council approve closure of the completed capital projects detailed in Appendix 4, and that uncommitted funds from under-spent completed projects be utilized to fund overspent completed project with no incremental impact on debt, after which any remaining unspent funds be returned to the original funding source.
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 \$1.417 billion or 71% of the 2007 Approved Capital Budget of \$1.999 billion during the year ended December 31, 2007. By comparison, spending in 2005 approximated 68.1% and in 2006, 70.3% of the respective Council Approved Budgets. In compliance with prudent financial management practices, debt is issued

only when needed to finance actual capital expenditures. This strategy minimizes the incurrence of debt service costs and the resultant impact on the Operating Budget.

Rate-Supported Programs collectively spent \$258.6 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. Final year-end audited results have indicated the need for additional carry forward funding of \$135.800 million to complete projects delayed in 2007 (see Appendixes 2 and 3 attached). The authority to carry forward these funds will enable staff to continue work on capital projects which were not completed in 2006 and 2007 as planned.

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	106,529	54.3%
Citizen Centred Services - "B"	646,386	538,098	83.2%
Internal Services	172,972	116,535	67.4%
Other City Programs	33,220	13,414	40.4%
Agencies, Boards & Commissions	950,647	643,094	67.6%
Total - Tax Supported	1,999,329	1,417,670	70.9%
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	2,436,836	1,676,222	68.8%

Completed projects and / or projects recommended for closure are listed in Appendix 4. In accordance with the Financial Control By-law, Council's authority to close these projects is required. It is noted that uncommitted and unspent funds from these completed capital projects will be returned to their original funding sources.

ISSUE BACKGROUND

This report is produced 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 on a quarterly basis, 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 \$106.529 million or 54.3% of the 2007 Approved Capital Budget of \$196.104 million. Capital spending performance for Citizen Centred Services “A” programs is summarized below. Spending performance for programs within this Cluster are summarized below.

3-1-1 Customer Service Strategy – Spending on this project totalled \$5.259 million or 21% of its 2007 Approved Budget of \$25.116 million. Under-spending is mainly attributable 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. This change to the schedule has also delayed the completion of several other interrelated sub-projects resulting in \$19.857 million being carried forward into 2008. It is anticipated that significant spending will begin during the first quarter and continue through the 2nd and 3rd quarters 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 two projects: the *Health and Safety/Playground* project (\$4.0 million) as the Provincial share was not available in 2007 and the *Best Start* capital project for municipally operated child care centres (\$1.950 million) that 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 *Thorncilffe 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. . The Program will carry forward an additional \$0.696 million for a total of \$1,783 million into 2008 Capital Budget.

Court Services’ capital expenditures totalled \$0.844 million or 15.9% of its 2007 Approved Budget of \$5.299 million. All Court Services capital 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 attributed 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 2008 Approved Budget of \$1.923 million. The remaining refurbishment work at Old City Hall was deferred to 2008 (\$0.116 million) 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 spent \$14.713 or 72% of its 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 (\$0.132 million) and Fort York Restoration projects (\$0.300 million); the Don Valley Brickworks project delayed due to filming (\$0.411 million); John Street Roundhouse (\$0.512 million) dependant on external partner renovation plans and revising of specifications required in order to re-tender the Zhong Hua Men Archway in the South Riverdale BIA Employment Revitalization project (\$0.650 million). The result is the need to carry-forward unspent funds from 2007 to 2008 of \$4.900 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 in 2007. This project is expected 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 underspending will be carried forward into 2008.

The Program will carry forward an additional \$0.449 million for a total of \$2.976.4 million into 2008 Capital Budget.

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 were 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 re-packaged and re-tendered projects to encourage more competitive bids.

Parks, Forestry and Recreation (PF&R) spent \$58.966 million or 60% of its 2007 Approved Budget of \$97.825 million. \$24,938 million in funding is being carried forward to 2008. Of this amount, the Program has already commitments \$22.864 million through tenders and contracts on projects underway; another \$4.456 million is awaiting finalization of agreements to acquire land and agreements for construction services through partnerships, as with the Toronto and Region Conservation Authority.

As in prior years, in 2007, 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 underspending include \$2.189 million in the Storm Damage Repair project, undertaken by TRCA for Parks; \$2.101 million arising from delays due to a tender process that resulted in receipt of only one bid, which came in too high for the CP PS Lead Trail project and the Wychwood Barns Park project that required a re-tender; and tendering came in over budget with the Jenner Jean-Marie Community Centre project, requiring the three partner divisions to change the scope of the project to meet budget. These projects result in \$4.8 million to be carried forward into 2008.

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) was under spent by \$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.

These delays result in the need to carry-forward unspent funds from 2007 to 2008 of \$3.674 million.

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. Thus, it is recommended that the \$1.492 million unspent fund be carry-forward from 2007 to 2008.

Citizen Centred Services “B”

Capital expenditures for this Cluster during the year ended December 31, 2007, totalled \$538.098 million or 83.2% of the 2007 Approved Capital Budget of \$646.386 million. Capital spending in 2007 was 27.3% higher than in 2006, representing an additional \$291.6 million in expenditures. In addition, a number of contracts were awarded but are not yet reflected in the actual results. Spending performance for Programs within this Cluster is summarized below:

City Planning spent \$3.917 million or 40.8% of its 2007 Approved Capital Budget of \$9.604 million. The under-spending of \$5.687 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. The project team was fully staffed in December 2007, and it is anticipated that the project will progress in accordance with the 2008 plan.

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 \$1.047 million mainly due to a delay in Federal funding approvals. \$0.733 million is being carried forward to 2008 and is partially offset by other project deferrals.
- ◆ *Toryork Bays Extension project* was under-spent by \$0.449 million due to a delay caused by pre-construction requirements for geophysical and soil contamination testing for the extension site and preparation of contracts for construction. Fire Services will carry forward \$0.399 million to 2008 with the project proceeding to the construction phase. It should be noted further that a separate report to Budget Committee on June 17, 2008 entitled “Fire Services 2008 Capital Program Change Request” dated June 4, 2008 from the Fire Chief and Director, Pension, Payroll & Employee Benefits recommends that approved cash flow for the completion of construction, in the amount of \$0.648 million, for this project be deferred to 2009. As a result, the 2008 Approved Budget of \$0.648 million will be re-allocated for other purposes as follows: Overhaul of the Fireboat Electrical System for \$0.350 million, Payroll Time Entry System Upgrade for \$0.180 million and the HUSAR/JEPP 05/06-Project for \$0.118 million. This will not impact the 5-year capital plan for Fire Services as the deferral to 2009 will be offset by reducing planned work on Asset Management projects.

The balance of the under-spending of \$1.018 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. These delays resulted in significant under-spending for the year and the need to carry-forward unspent funds from 2007 to 2008 of \$2.088 million. As well, some projects were completed below budget and are recommended for closure as detailed in Appendix 3.

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:

- ♦ 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 project* - \$0.350 million or 100% of the 2007 Approved Budget of \$0.350 million was unspent as a result of prolonged negotiations with the vendor. The project started in January 2008 and is expected to be completed by 2008 year-end.

Solid Waste Management Services spent \$237.127 million or 89% of its 2007 Approved Capital Budget of \$266.298 million. Delays resulted in significant under-spending for the year and the need to carry-forward unspent funds from 2007 to 2008 of \$21.033 million. Under-spending in 2007 of \$29.171 million is mainly attributed to the following projects:

- ♦ The *Diversion Facilities project* was \$20.0 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. \$14.3 million is being carried forward to 2008 for this project.
- ♦ The *Transfer Station Asset Management project* was under-spent by \$4.1 million at year-end mainly because tendering of the new staff facilities at the Dufferin Transfer Station. The delay relates to requirements to meet the new Toronto Green Development Standards. Delays at other sites were also caused by tendering of contracts, building permits and Ministry of Environment design requirements. \$3.6 million is being carried forward to 2008 for this project.
- ♦ The *Residential Collection project* was under-spent by \$3.9 million at year-end mainly due to a longer than anticipated evaluation process for collection vehicles for the Townhouse project. Delays on numerous sub-projects were due to resource planning for defining corporate security requirements at collection yards as well as acquisition of collection vehicles dependent on district boundary realignment and service consolidation. Delayed technical design requirements for the Routing sub-project as well as the phase-out of the Residential Containers sub-project resulted in additional underspending. \$3.2 million is being carried forward to 2008 for this project.

- ♦ The *Perpetual Care of Landfill* project was under-spent by \$1.037 million at year-end. This included design delays in the reconstruction of the leachate collection system at the Thackery Landfill and postponement of the construction of two landfill gas control systems due to approvals from the Ministry of Environment. No carry-forward into 2008 is required.

Transportation Services' capital expenditures for the twelve month period ended December 31, 2007 totalled \$237.838 million or 79.5% of the 2007 Approved Budget of \$299.056 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 underspending is attributed to the following projects:

- ♦ 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; and,
- ♦ 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 spent \$48.782 million or 87.6% of the 2007 Approved Capital Budget of \$55.701 million. The underspending of \$6.919 million is 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. The entire 2007 capital under-spending of \$6.919 million will be carried forward to 2008.

Internal Services

Internal Services' Programs collectively spent \$116.535 million or 67.4% 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 \$51.201 million or 94% of its 2007 Approved Budget of \$54.598 million. This variance is mainly attributable to a number of delays in project start-ups as well as a need to coordinate projects at various locations. In addition, the City Hall Second Floor Renovations project has been deferred to 2009 which accounts for 1.6% of the variance. The unspent funding of \$3.397 million will be carried forward into 2008.

Financial Services' spent \$3.338 million or 31% of its 2007 Approved Budget of \$10.763 million. \$1.748 million of the under-spending will be carried forward to 2008. 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%). Further implementation was temporarily suspended in quarter four of 2007 pending clarification of contract terms by Legal Services.
- ♦ 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* (\$1.735 million) was under-spent due to unanticipated delays in acquiring resources to assist with the articulation and recommendations for the interim budget solution. SAP expertise required for the development of an integrated project plan and project team with other key SAP projects has been delayed 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.
- ♦ *The Time Entry System* project has been completed under budget by \$0.278 million.
- ♦ *Revenue Services – IVR* project (\$0.200 million) is expected to be implemented by the end of the third 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 such as 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 be delivered in 2008.

Information and Technology's capital spending for the year ended December 31, 2007 was \$16.731 million or 53.1% of its 2007 Approved Budget of \$31.532 million. \$7.611 million will be carried forward from 2007 into 2008. The under-spending is due to delays and cost 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 by \$0.279 million 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 staff are pursuing other alternatives.

Other City Programs

Other City Programs collectively reported capital expenditures of \$13.414 million or 40.4% 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 \$5.869 million or 68% of the 2007 Approved Budget of \$8.591 million. The following projects were the principal causes 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 \$1.000

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 – Both projects were delayed because of delays in completing the construction contract and longer than expected times for design and engineering, resulting in \$0.644 million or 64% and \$0.809 million or 81% of the 2007 Approved Budget respectively, being carried forward into 2008.

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 ***Union Station Project*** had expenditures totalling \$5.476 million or 49% of its 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 as 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 as 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. The 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-related approval from Parks Canada and Heritage Preservation Services.

The Radio Communication System Replacement Project's capital expenditures totalled \$0.027 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 \$643.094 million or 67.6% of their 2007 Approved Budget of \$950.647 million. Individual ABC performance is discussed below:

Exhibition Place's Final 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. As a result, \$26.570 million will be carried forward to the 2008 Capital Budget.

Go Transit's 2007 Approved Budget is \$20.000 million. This contribution requests a new agreement between the City and the Province on the City's future contributions to GO Transit.

The City's 2007 contribution to GO Transit growth capital expenditures was \$0.740 million. The reduced contribution reflects a shift of cash flow payments to the first quarter of 2008 to align with the fiscal year of the Province of Ontario.

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 \$48.773 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 \$2.985 million or 61.2% 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).). The Program will carry forward an additional \$0.739 million for a total of \$1.872 million into 2008 Capital Budget.

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 \$499.8 million or 69.3% spent as of December 31, 2007 of which \$173.874 million will be carried forward into 2008. This includes the Spadina Subway Extension and the Transit City Plan.

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* - \$24.900 million or 55.1% 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 86.5% 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.

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 (\$7.987 million) was awarded mid 2007 after it was re-tendered due to the original tender being over budget. Phase II Design (\$0.703 million) and Grounds and Visitor Improvements (\$0.284 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 \$9.265 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 of 67% or \$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. Project delays has resulted in the need to carry-forward unspent funds from 2007 into 2008 of \$111.981 million

Toronto Parking Authority (TPA) spent \$6.416 million or 23% of its 2007 Approved Capital Budget of \$27.506 million. This low level of capital spending was attributed to 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. Project delays has resulted in the need to carry-forward unspent funds from 2007 into 2008 of \$3.650 million

Additional Carry-forward Funding for Previously Approved Projects:

The City's Carry Forward Policy permits City Programs, Agencies, Boards and Commissions to adjust their prior year carry forward requirements based on updated information after year-end. Additional carry forward funding in the amount of \$120.087 million is requested to complete 2007 capital projects, as listed in Appendix 2 (2007 Carry Forward Adjustments); and \$15.713

million with a net debt decrease of \$0.049 to continue 2006 approved capital projects as listed in Appendix 3 (2006 Carry Forward Resubmit Adjustment).

Capital Projects Recommended for Closure:

Projects that were completed in 2007 or had no activity in the last two years and therefore should be closed are listed in Appendix 4 attached. These projects have an aggregate budget of \$505.524 million and actual expenditures of \$408.918 million. In accordance with the Financial Control By-law, the Financial Planning Division has reviewed the projects and the Deputy City Manager and Chief Financial Officer recommends that they be closed. After fully funding project over-expenditures, any remaining unspent funds resulting from the closure of these projects will be returned to their original funding sources.

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SIGNATURE

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ATTACHMENTS

Appendix 1 – 2007 Final Year-end Capital Variance Report
Appendix 2 – Additional 2007 Carry-forward Funding
Appendix 3 – Additional 2006 Carry-forward Funding
Appendix 4 – Projects Recommended for Closure