

Analyst Briefing Notes
Budget Committee
(October 30, 2008)

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Contacts: Alan Cohen
 Manager, Financial Planning
 Tel: (416) 392-3740

Lili Vratonjic
 Financial Planning Analyst
 Tel: (416) 397-4531

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2008 Approved Capital Budget of \$11.4 million was 11.9% spent as of June 30th, 2008. Year-end expenditures are projected to be \$11.4 million with 100% of the 2008 Approved Capital Budget being spent. As of September 18th, 2008 contracts amounting to 40% of the Approved 2008 cash flow have been tendered and issued, with the remaining cash flow amount expected to be issued to contractors by November 2008.
- The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast total \$74.1 million, of which \$34.3 million is projected for the Program's Recommended 5-Year Capital Plan, requiring cash flows of \$ \$7.6 million in 2009; \$8.8 million in 2010; \$7.8 million in 2011; \$6.2 million in 2012; and \$3.907 million in 2013. A total of \$39.8 million is also forecasted for the 2014-2018 period to ensure facilities are maintained in a state of good repair.
- The 5-Year Recommended Capital Plan meets the debt target in each year of the Plan, while the 5-Year Proposed Capital Forecast is \$25.1 million over the debt target, driven by the Homes for the Aged Reserve Fund depletion.
- The Recommended 2009-2013 Recommended Capital Plan and Proposed 2014-2018 Capital Forecast of \$74.1 million is 77% (\$56.96 million) allocated to Health and Safety projects and the remaining 23% (\$17.15 million) to State of Good Repair (SOGR) initiatives.
- The 10-Year Capital Plan and Forecast is funded \$28.4 million from the HFA Capital Reserve Fund, which is estimated to be depleted by 2014. New provincial funding may become available as part of the Provincial Structural Compliance Premium. The Acting Deputy City Manager and Chief Financial Officer, in conjunction with General Manager of Long Term Care Homes & Services, will review the sustainability of the HFA Capital Reserve Fund before the 2010 Capital Budget process.
- The 10-Year Capital Plan & Forecast provides funding to ensure a safe and comfortable living environment is provided for long-term care residents by focusing on ongoing mechanical, electrical, and building upgrades, such as plumbing, nurse call systems, and flooring replacement.
- The Recommended 2009-2013 Capital Plan includes funding for State of Good Repair projects totalling of \$4.48 million that will reduce the SOGR backlog to \$2.9 million by 2013, driven by the completion of a building assessment of the structural and mechanical systems in the homes, undertaken by Paradigm Engineering Group Inc. However, the SOGR backlog will increase significantly if the plan to redevelop Kipling Acres is deferred.

- The Long-Term Care Homes & Services Program has six long-term care homes in need of redevelopment within the next 10-12 years as per the Ministry of Health and Long-Term Care (MOHLTC) capital renewal policy. The General Manager of Long-Term Care Homes & Services will report to the Community Development and Recreation Committee and Budget Committee on the details of a redevelopment plan, financial implications and the proposed business model to redevelop the identified homes.
- Approval of the 2009 Recommended Capital Budget will have no operating impact, except for new debt service costs of \$0.050 million in 2009 and incremental costs of \$0.210 million in 2010.
- The 2009 Recommended Capital Budget is \$7.6 million, with \$2.0 million funded from debt and \$5.6 million from the HFA Capital Reserve Fund. The 2009 Recommended Capital Budget includes:
 - Replacement of damaged flooring and carpets, ceiling tiles, lighting fixtures, air handling units, exhaust fans, hot water heaters, HVAC and piping systems, and hand rails in various long-term care homes
 - Reconstruction of parking lots, walkways and perimeter fences, widening of access points and exterior building repairs
 - Modernization of hydraulic passenger and freight elevators
 - Upgrades to resident access control and security systems in long-term care homes with Special Care Units
 - Replacements and upgrades to fire alarm and suppression systems
- Commitments of \$2.0 million in 2010 are required to complete interior/exterior building repairs and upgrades, elevator upgrades, HVAC repairs, and alarm system upgrades.

Recommendations

The City Manager and the Acting Deputy City Manager and Chief Financial Officer recommend that:

- 1) Council approve the 2009 Recommended Capital Budget for Long Term Care Homes & Services with a total project cost of \$7.1 million, with 2009 cash flows of \$7.6 million and future year commitments of \$2.0 million. The 2009 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 3 new sub-projects and 3 change in scope sub-projects with a 2009 total project cost of \$7.1 million that requires cash flow of \$5.1 million in 2009 and a future year commitment of \$2.0 million in 2010
 - ii) 1 previously approved sub-project with a 2009 cash flow of \$2.5 million
- 2) Council approve the 2010-2013 Capital Plan for Long Term Care Homes & Services totalling \$24.701 million in project estimates, comprised of \$6.800 million in 2010; \$7.800 million in 2011; \$6.194 million in 2012; and \$3.907 million in 2013, be approved;
- 3) Council approve new debt service costs of \$0.050 million in 2009 and incremental costs of \$0.210 million in 2010 be approved for inclusion in the 2009 and future year operating budgets;
- 4) the 2009-2013 Recommended Capital Plan be reviewed to identify any operating costs and savings that should be included with the 2010 Capital Budget submission;
- 5) Council approve in principle the 2014-2018 Proposed Capital Forecast for Long-Term Care Homes & Services totaling \$39.820 million in project estimates, comprised of \$11.660 million in 2014; \$7.040 million in 2015; \$7.040 million in 2016; \$7.040 million in 2017; and \$7.040 million in 2018; and that this be used as a foundation for preparing a firm 2010-2019 Capital Plan and Forecast as part of the 2010 budget process; and
- 6) the General Manager of Long Term Care Homes and Services report to the Community Development and Recreation Committee and Budget Committee on a plan to redevelop type B and C long-term care homes within the 10-Year Capital Plan and Forecast that includes the following:
 - a) proposed business model;
 - b) minimum financial requirements to reconstruct the type B and C long-term care homes;
 - c) timing of expenditures and bed development; and
 - d) implications on state of good repair backlog of not proceeding in 2009 and 2010

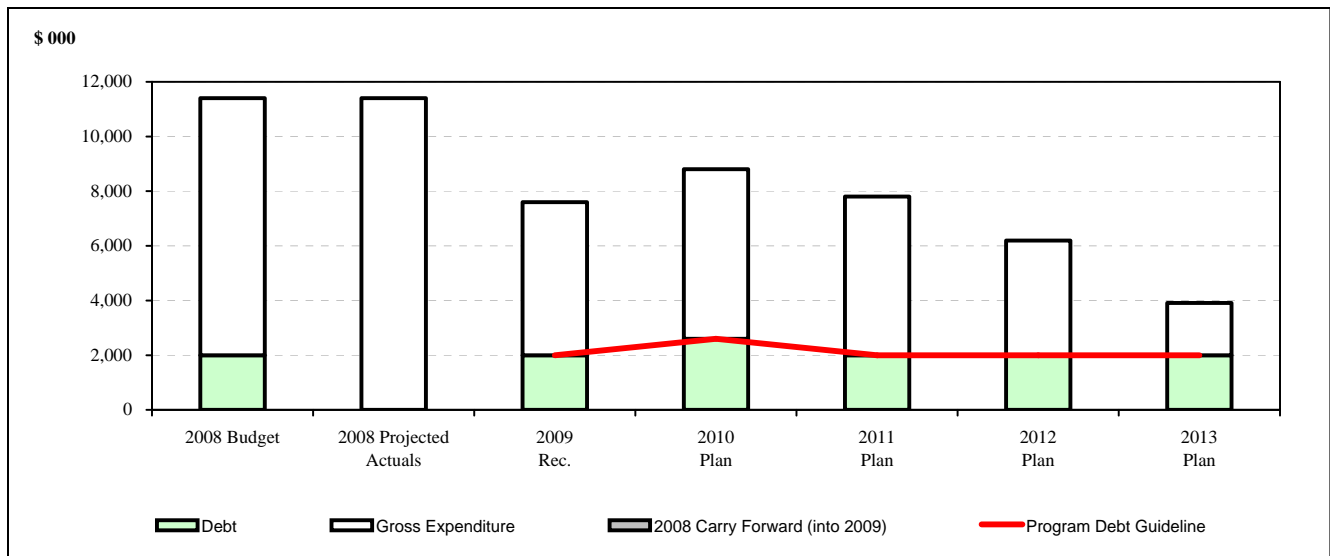
2008 Capital Variance Review

2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2008 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
11,400	1,353	11.9%	11,400	100%	0

Comments / Issues:

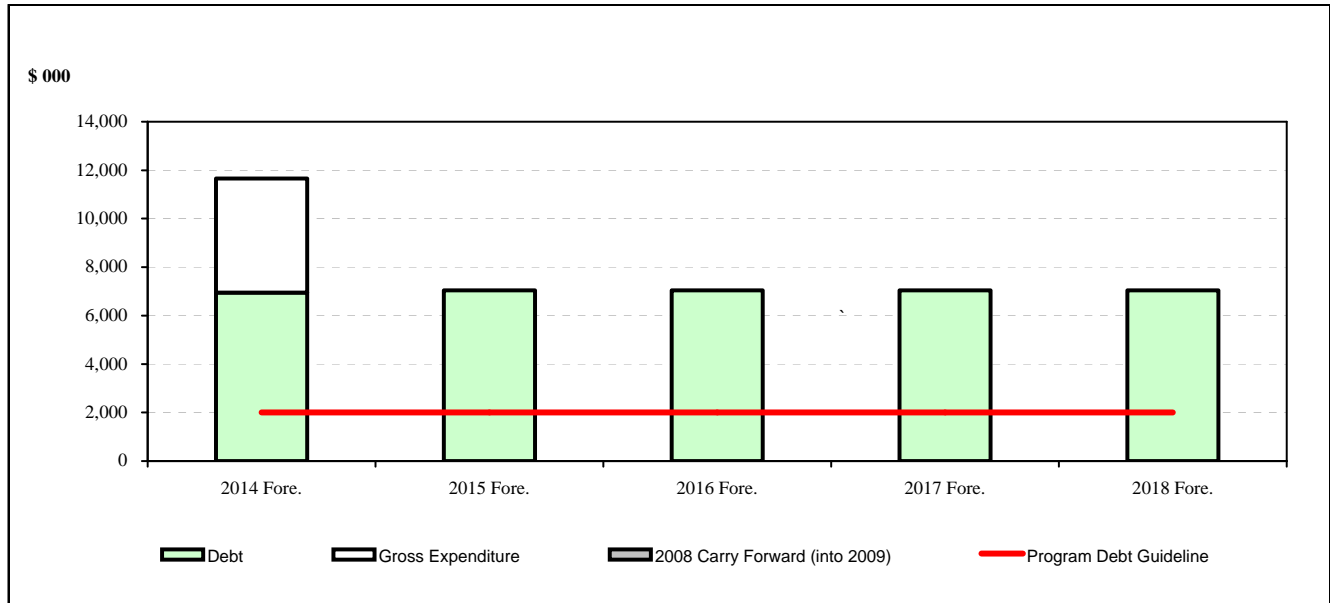
- At the end of the 2nd quarter, Long-Term Care Homes and Services (LTC) spent \$1.35 million or 11.9% of its 2008 approved cash flow budget of \$11.4 million
- Contracts amounting to \$4.98 million or 40% of the approved cash flow have been tendered and issued, while the remaining cash flow amount has been committed and is expected to be issued to contractors in the near future. All Long-Term Care Homes and Services Maintenance projects are in progress and on target and the Program is projecting to spend 100% of its 2008 Approved Capital Budget by year-end.

5-Year Capital Plan (2009-2013)



	2008		5-Year Capital Plan					2009-2013	5-Year Total Percent
	Budget	Projected Actual	2009	2010	2011	2012	2013		
Gross Expenditures:									
2008 Capital Budget & Future Year Commitments	11,400	11,400	2,500					2,500	
Recommended Changes to Commitments								0	
2009 New/Change in Scope and Future Year Commitments			5,100	2,000				7,100	
2010 - 2013 Capital Plan Estimates				6,800	7,800	6,194	3,907	24,701	
1-Year Carry Forward to 2009		0							
Total Gross Annual Expenditures & Plan	11,400	11,400	7,600	8,800	7,800	6,194	3,907	34,301	
Program Debt Target	2,000		2,000	2,600	2,000	2,000	2,000	10,600	
Financing:									
Recommended Debt	2,000		2,000	2,600	2,000	2,000	2,000	10,600	31%
Reserves/Reserve Funds	9,400		5,600	6,200	5,800	4,194	1,907	23,701	69%
Development Charges								0	0%
Federal								0	0%
Provincial								0	0%
Other Revenue								0	0%
Total Financing	11,400		7,600	8,800	7,800	6,194	3,907	34,301	100%
By Category:									
Health & Safety	8,645		6,320	6,945	6,918	5,408	3,773	29,364	86%
Legislated								0	0%
SOGR	2,755		1,280	1,855	882	786	134	4,937	14%
Service Improvement								0	0%
Growth Related								0	0%
Total By Category	11,400		7,600	8,800	7,800	6,194	3,907	34,301	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)			(1,280)	(1,855)	(882)	(466)	0	(4,483)	
Accumulated Backlog Estimate (end of year)		7,405	6,125	4,270	3,388	2,922	2,922	2,922	
Operating Impact on Program Costs								0	
Debt Service Costs			50	275	323	260	260	1,168	

5-Year Capital Forecast (2014-2018)



	5-Year Capital Forecast							
	2014	2015	2016	2017	2018	2014-2018	2009-2018	10-Year Total Percent
Gross Expenditures:								
2008 Capital Budget & Future Year Commitments						-	2,500	
Recommended Changes to Commitments						-	-	
2009 New/Change in Scope and Future Year Commitments						-	7,100	
2014 - 2018 Capital Forecast Estimates	11,660	7,040	7,040	7,040	7,040	39,820	64,521	
Total Gross Annual Expenditures & Plan	11,660	7,040	7,040	7,040	7,040	39,820	74,121	
Program Debt Target	2,000	2,000	2,000	2,000	2,000	10,000	20,600	
Financing:								
Recommended Debt	6,952	7,040	7,040	7,040	7,040	35,112	45,712	62%
Reserves/Reserve Funds	4,708					4,708	28,409	38%
Development Charges						-	-	0%
Federal						-	-	0%
Provincial						-	-	0%
Other Revenue						-	-	0%
Total Financing	11,660	7,040	7,040	7,040	7,040	39,820	74,121	100%
By Category:								
Health & Safety	5,520	5,520	5,520	5,520	5,520	27,600	56,964	77%
Legislated						-	-	0%
SOGR	6,140	1,520	1,520	1,520	1,520	12,220	17,157	23%
Service Improvement						-	-	0%
Growth Related						-	-	0%
Total By Category	11,660	7,040	7,040	7,040	7,040	39,820	74,121	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)						-	(4,483)	
Accumulated Backlog Estimate (end of year)	2,922	2,922	2,922	2,922	2,922	2,922	2,922	
Operating Impact on Program Costs							-	
Debt Service Costs	384	906	915	915	915	4,035	5,203	

10-Year Capital Plan and Forecast Overview

- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast of \$74.1 million requires debt financing of \$45.7 million and exceeds the 10-year debt affordability target by \$25.1 million. The increased requirement is due to the fast depletion of the Homes for the Aged Reserve Fund by 2014.
- The 2009-2013 Recommended Capital Plan of \$34.3 million has met the Council approved debt affordability targets for each of the five years. This has been achieved by combining debt funding and draws from the Homes for the Aged Reserve Fund to fund cash flow requirements for each year of the Recommended 5-Year Capital Plan. However, the 2014-2018 Proposed Capital Forecast exceeds the debt affordability target by \$25.1 million driven by the depletion of the Homes for the Aged Reserve Fund.
- Long-Term Care Homes & Services' (LTC) 10-Year Capital Plan and Forecast is allocated to Health and Safety (H&S) projects at \$56.96 million or 77% and State of Good Repair (SOGR) projects at \$17.16 million or 23%.
- Health and Safety projects drive the 10-Year Capital Plan and Forecast in response to numerous Ministry of Health and Long-Term Care (MOHLTC) inspections, audits and compliance regulations. Complexity and acuity of resident needs continues to increase dramatically, thereby placing greater importance on meeting Health and Safety needs and standards. The LTC Service Plan focuses on ensuring a safe and comfortable living environment for long-term care residents, and the recommended H&S and SOGR projects align with service objectives by focusing on mechanical, electrical, and building upgrades, as well as specialty system upgrades, including resident access control systems.
- The 10-Year Capital Plan and Forecast is funded mainly by debt of \$45.71 million, representing 62% of total funding requirements. Reserve funds provide the balance of financing, totalling \$28.4 million or 38%. Cash flows in years 2009-2014 are mostly financed by reserve funding, however, all cash flow estimates after 2014 require debt as the reserve fund becomes depleted.
- A comprehensive building condition assessment completed in the spring of 2006 identified a backlog of SOGR maintenance of \$7.4 million by the end of 2008 for the Program's 10 homes. This backlog estimate assumes that the required redevelopment of all B and C type homes will proceed upon confirmation of Provincial requirements. The 2009-2013 Recommended Capital Plan will reduce the SOGR backlog to \$2.92 million by 2013.
- The Province announced on July 31, 2007, a capital renewal strategy to redevelop long-term care homes in Ontario over a ten year period, beginning in 2009. Although the details of the strategy are not yet known, the MOHTLC has already provided an outline of the capital renewal strategy which addresses the redevelopment of all homes classified as a "B" or a "C" home. The City of Toronto has six homes classified as either a "B" or "C". Each of them will need to be redeveloped in the next ten years through a multi-year redevelopment plan. MOHTLC's capital renewal strategy will provide funding to redevelop some Ontario long-term care homes, and it is reasonable to conclude that City of Toronto long-term care homes will be selected. Capital requirements in excess of the amounts included in the 10-Year Capital Plan and Forecast will be required to implement this plan. Depending on the timing of the redevelopment, the backlog of

SOGR maintenance may need to be reviewed, as specific homes such as Kipling Acres, are in an immediate need of repairs.

- There will likely be operational cost savings as a result of the 2009 capital projects in the form of decreased repair costs and energy cost savings through window replacements, and HVAC and heating plant upgrades, will be included in the future years' operating budgets. Thus it is recommended that savings be identified and incorporated into future operating budget submissions.
- LTC's 2009 Recommended Capital Budget will result in new debt service costs of \$0.26 million, and the 10-Year Capital Plan and Forecast will result in new debt service costs of \$3.68 million in years 2009-2018. Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% in Year 1, and 13% for subsequent years.
- Reserve Fund sustainability presents a definite challenge to the Program. Based on current estimates of reserve withdrawals, the HFA Capital Reserve Fund will become fully depleted by end of 2014. Any unforeseen capital requirements may deplete the reserve fund before that time. Capital projects after 2014 are funded by debt. The Program's 2014-2018 Capital Forecast is \$25.112 million over the debt target due to pressures driven by necessary state of good repair and health and safety projects.

Multi-Year Debt Affordability Targets

The 2009-2013 Recommended Capital Plan has met the Council approved debt affordability targets for each of the five years. This has been achieved by combining debt funding and draws from the Homes for the Aged Capital Reserve Fund to fund the cash flow requirements for each year of the Recommended 5-Year Capital Plan.

The 2014-2018 Proposed Capital Forecast is \$25.112 million over the debt target. Necessary building and mechanical upgrades coupled with reserve depletion by 2014 will require debt funding.

Furthermore, costs for the renewal of long-term care homes, as per the MOHTLC capital renewal strategy, are not included in the 10-Year Capital Plan and Forecast. The redevelopment will require further debt funding and/or other funding sources. Details surrounding provincial contributions are not yet available and will be reported to the Community Development and Recreation Committee and Budget Committee once available.

Project Financing

The 2009-2013 Recommended Capital Plan relies on debt financing as well as draws from the Homes for the Aged Capital Reserve Fund. Debt financing comprises 31% of total project funding, or \$10.6 million out of \$34.3 million total cash flow funding. Cash flow for years 2009-2013 averages at \$6.86 million per year with debt funding being \$2.12 million per year and draws from the HFA Capital Reserve Fund of \$4.74 million per year.

The 2009-2013 Recommended Capital Plan includes draws of \$23.7 million from the HFA Capital Reserve Fund. The reserve projection includes annual contributions from the Ministry of Health Long-Term Care (MOHLTC) of \$1.75 million in each year for 2009-2013 in the form of Provincial Structural

Compliance Premiums. The Provincial Structural Compliance Premiums of \$8.78 million have been confirmed and the Program is confident that these capital subsidies will become available.

The 2014-2018 Proposed Capital Forecast is \$25.112 million over the debt target. All required SOGR and H&S projects are funded by debt when the Reserve Fund becomes depleted in 2014.

Development Charge Funded Projects

There are no projects funded by development charges.

Backlog – State of Good Repair (SOGR)

A comprehensive building condition assessment completed in the spring of 2006 identified a backlog of SOGR maintenance of \$7.4 million by the end of 2008 for the Program's 10 homes. This backlog will be reduced to \$2.9 million by 2013. It is assumed that backlog will remain the same for the 2014-2018 period.

Should the redevelopment of Kipling Acres and the redevelopment of all remaining "B" and "C" homes not proceed, a further review of SOGR/backlog requirements will be undertaken.

Emerging Service Priorities

The Province announced on July 31, 2007, plans to redevelop long-term care homes in Ontario over a ten year period, beginning in 2009. Although the details of the plan are not yet known, the MOHTLC has already provided an outline of the capital renewal strategy which plans to redevelop all homes classified as a "B" or a "C" home. The City of Toronto has six homes classified as either a B or C. Each of them will need to be redeveloped in the next 10-12 years through a multi-year redevelopment plan, with prioritization. MOHTLC's capital renewal strategy will likely provide some funding to long-term care Ontario homes, and it is reasonable to conclude that certain City of Toronto long-term care homes will be selected. While details are not yet available, capital requirements in excess of the amounts specified in the 10-Year Capital Plan and Forecast will be required.

LTC's most urgent priority for redevelopment is Kipling Acres, as the long-term care home is in an aging facility. It is also located in a priority neighbourhood, which is underserved with respect to affordable housing with supportive services for seniors. Currently, Kipling Acres has 337 long-term care beds. Final configuration of the Kipling Acres redevelopment plan is contingent upon MOHTLC and LHIN approvals.

If the capital renewal strategy is launched as expected with a 10-12 year window for redevelopment of all Ontario B and C long-term homes, the Program will be required to also redevelop Fudger House, Carefree Lodge, Castlevue Wychwood Towers, Lakeshore Lodge, and Seven Oaks.

While details on the MOHTLC capital renewal strategy are not yet available, capital requirements in excess of the amounts specified in the 10-Year Capital Plan and Forecast will be required and dependent on Provincial contributions.

Program Capacity and Readiness to Proceed

The 2009 Recommended Capital Budget includes projects that started in 2008 and continue into 2009. In addition, all capital maintenance projects ensure that life safety issues are addressed and that the

homes are maintained in a state of good repair to prevent unnecessary future costs. The Program is committed to ensuring that the long-term sustainability of the homes physical plants and financial assets are maintained, and that life-safety issues are regularly addressed. LTC is fully committed to completing 2009 capital projects as planned.

Spending for the LTC Maintenance Program has steadily increased since 2003. While the Program had a spending rate of below 50% in 2004 and 2005, it has increased its spending rate to 71% in 2006 and 75% in 2007. Interruptions caused by the SARS outbreak in 2004 and the respiratory outbreaks in 2005 contributed to the low spending levels in 2004 and 2005 of the Capital Budget.

As of September 2008, LTC has spent approximately 22% of its 2008 Approved Capital Budget of \$11.4 million. Contracts amounting to \$4.98 million or 40% of the approved cash flow have been tendered and issued, while the remaining cash flow amount has been committed and is expected to be issued to contractors in the next 60 days. The Program anticipates a 100% spending rate in 2008.

However, given the Program's inability to spend more than 80% of its budget in the last 5 years, performance should be closely monitored in 2009. Future year estimates will be reviewed to ensure realistic cash flow reflects actual ability to spend as part of the 2010 Capital Budget process.

Recommended Changes to the 5-Year Capital Plan (2009-2013)

The recommended changes to the 5-Year Capital Plan include:

- Increase in cash flow to the 2009 Recommended Capital Budget by \$1.0 million for additional Health and Safety Elevator upgrades (\$0.5 million) and Resident Access Control Systems (\$0.5 million). The \$1.0 million increase in 2009 is offset by a \$1.0 million decrease in 2013.

Capital Projects Highlights

Strategic Priorities:

The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast reflects Long-Term Care Homes & Services' strategic direction to ensure that health and safety issues are addressed and that the homes are maintained in a state of good repair to prevent future major costs from becoming necessary. The Program is committed to ensuring that the long-term sustainability of the homes physical plants and financial assets are maintained, and ensure that life safety issues are regularly addressed. The Capital Plan is designed to maintain the homes in a state of good repair, ensuring that the repair and maintenance of heating/mechanical systems, outside repairs (windows, brickwork and paving), elevators and roofing is ongoing, preventing the likelihood of incurring more extensive repairs in the future.

The Program's Health and Safety and State of Good Repair projects ensure a safe and comfortable living environment for long-term care residents, of which some of the homes are located in priority neighbourhoods (Kipling Acres, Seven Oaks and Bendale Acres). In addition, funding of \$1.74 million for Energy Retrofit Projects, provides building upgrades to various long-term care homes and contribute to overall energy efficiency and utility consumption.

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009 -2018 Total
New & Expanded Facility Projects						-		-
IT Projects						-		-
Sub-Total	-	-	-	-	-	-	-	-
Other Major City Initiatives:								
Energy Retrofit Projects	1,632	112				1,744		1,744
SOGR	1,280	1,855	882	786	134	4,937	12,200	17,137
Health & Safety	4,688	6,833	6,918	5,408	3,773	27,620	27,620	55,240
						-		-
Sub-Total	7,600	8,800	7,800	6,194	3,907	34,301	39,820	74,121
Total	7,600	8,800	7,800	6,194	3,907	34,301	39,820	74,121

Operating Budget Impact - 10-Year Plan & Forecast

Incremental Operating Impact Summary

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009-2018 Total
2009 Recommended Capital Budget								
Program Costs (net)						-		-
Approved Positions						-		-
Debt Service Costs	50	210	-	-	-	260	-	-
Recommended 2010-2013 Capital Plan								
Program Costs (net)						-		-
Approved Positions						-		-
Debt Service Costs	-	65	323	260	260	908		
Recommended 2014-2018 Capital Forecast								
Program Costs (net)						-		-
Approved Positions						-		-
Debt Service Costs							4,035	
Total								
Program Costs (net)	-	-	-	-	-	-	-	-
Approved Positions	-	-	-	-	-	-	-	-
Debt Service Costs	50	275	323	260	260	1,168	4,035	5,203

Debt Service cost of repayment of principal and interest is calculated according to corporate guidelins, in the following manner: 2.5% Year 1, and 13% for subsequent years

Program Operating Impacts

The Long-Term Care Homes & Services 10-Year Capital Plan & Forecast will result in new debt service costs of \$0.05 million in 2009, and \$5.15 million in years 2010-2018. Debt service repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% in Year 1, and 13% for subsequent years.

Any operational cost savings as a result of the 2009-2018 capital projects in the form of decreased repair costs and energy cost savings through window replacements, and HVAC and heating plant upgrades, will be included in the future years’ operating budgets. These cost savings will be reviewed and quantified with any operating costs and/or savings included in the future year capital and operating budgets.

Total 2009 Recommended Cash Flow & Future Year Commitments (\$000s)

	2007 & Prior Year Carry Forwards	2009 Previously Approved Cash Flow Commitments	2009 New Cash Flow Recommended	2009 Total Cash Flow Recommended	2009 Debt Target	2008 Carry Forwards	Total 2009 Cash Flow (Incl 2008 C/Fwd)	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total Cost
Expenditures																	
Previously Approved		2,500		2,500			2,500										2,500
Change in Scope			2,335	2,335			2,335										2,335
New			500	500			500										500
New w/Future Year			2,265	2,265			2,265	2,000									4,265
Total Expenditure	-	2,500	5,100	7,600	2,000	-	7,600	2,000	-	-	-	-	-	-	-	-	9,600
Financing																	
Reserves/Res Funds		2,500	3,100	5,600			5,600	2,000									7,600
Development Charges																	-
Other																	-
Debt			2,000	2,000			2,000										2,000
Total Financing	-	2,500	5,100	7,600	-	-	7,600	2,000	-	-	-	-	-	-	-	-	9,600

Comments / Issues:

- The 2009 Recommended Capital Budget for LTC is \$7.6 million gross, which includes \$2.5 million in funding for previously approved commitments, and \$5.1 million for new / change in scope projects.
- Approval of the 2009 Recommended Capital Budget will result in a commitment of \$2.0 million in 2010. The commitment for 2010 is for three previously approved projects H&S Interior/Exterior Repairs, H&S Life Safety Systems, and H&S HVAC Repairs, as well as for the completion of two new projects, H&S Elevator Upgrades and SOGR Interior/Exterior Upgrades.
- The 2009 capital financing is comprised of new debt funding of \$2.000 million, with the remainder financed by reserve draws.

2009 Recommended Capital Budget

2009 Recommended Capital Budget versus Debt Target

The 2009 Recommended Capital Budget of \$7.6 meets its 2009 debt target of \$2.0 million through maximizing the use of the HFA Capital Reserve Fund; 26% of funding is provided by new debt, and 74% is from reserve funding.

Capital Budget by Project Category

The 2009 Recommended Capital Budget includes 83% of cash flow funding for Health and Safety projects at \$6.32 million, and 17% for State of Good Repair projects at \$1.28 million. The entire amount of SOGR projects is allocated to reducing LTC's state of good repair backlog.

Capacity and Readiness to Proceed

As of September 2008, LTC has spent approximately 22% of its 2008 Approved Capital Budget of \$11.4 million. Contracts amounting to \$4.98 million or 40% of the approved cash flow have been tendered and issued, while the remaining cash flow amount has been committed and is expected to be issued to contractors in the next 60 days. The Program anticipates a 100% spending rate in 2008.

The Recommended 2009 Capital Budget includes three projects that began in 2008 and continue into 2009. Construction contracts and agreements have been signed for three major projects in 2009.

PART II: ISSUES FOR DISCUSSION**5-Year Capital Plan Issues****Emerging Priorities:****Kipling Acres and Campus of Care Redevelopment**

The MOHLTC's capital renewal strategy noted on page 10, requires six City of Toronto long-term care homes to be redeveloped in the next 10 to 15 years. Rather than simply rebuilding the long-term care homes, the Program has a unique opportunity to rebuild homes as a component of a campus of care model, with supportive housing, community agency space, general community space and retail space all within the same campus. The campus of care model, that is well developed in other jurisdictions such as British Columbia, offers a range of housing and care options in one location, from independent housing to assisted living and complex care. Campuses of care minimize the transition for seniors when their care needs change. Aging in place allows couples, family members, and friends to remain on the site when their levels of care are different, and prevents the increased risk of isolation and decline as seniors move away from family and friends. Campuses of care also provide other community and retail space on the same site, creating a hub for tenants, residents, and the community-at-large.

The redevelopment of the B and C long-term care homes creates an opportunity for the City of Toronto to assertively act on the 10-year strategy for housing, in targeted neighbourhoods throughout the city. At this time, there is no funding in the 10-Year Capital Plan and Forecast allocated to the redevelopment of long-term care homes.

Currently, the redevelopment of Kipling Acres is of highest priority. This long-term care home is an aging facility and located in a priority neighbourhood, which is underserved with respect to affordable housing with supportive services for seniors. Kipling Acres has 337 approved long-term care beds. The campus of care model will approximately be redeveloped into 192 long-term care beds home, 60 unit supportive housing and independent living building, and will include adult day programs, child care centre, community space, and a touch down station for Toronto Police and Toronto EMS. The balance of Kipling Acres's approved long-term care beds will be available to the City of Toronto for redevelopment of another site. Final configuration of the Kipling Acres campus of care is contingent upon MOHLTC and LHIN approval of the site.

Below is a chart highlighting the proposed redevelopment costs of Kipling Acres. The chart summarizes preliminary costs associated with redevelopment of the home into a campus of care, as well as preliminary costs associated only with necessary, minimum requirement redevelopment.

Project	Time Frame	Campus of Care/Expansion		Minimum Requirement	
		Cost (\$ gross in millions)	No. of Beds	Cost (\$ gross in millions)	No. of Beds
Option 1:					
Kipling Acres redevelopment	2009-2011	-	-	71.0	337
Option 2:					
Kipling Acres Campus of Care 1	2009-2011	65.0	192	-	-
Kipling Acres Campus of Care 2	2009-2011	52.0	145	-	-
Total		117.0	337	71.0	337

At present time, the Provincial contribution for funding the costs of redeveloping Kipling Acres is unknown. No funding has been included in the 2009 Recommended Capital Budget for redevelopment of Kipling Acres.

The General Manager of Long Term Care Homes and Services will report on the details (including mandatory requirements and timelines) and financial implications of the Ministry of Health and Long-Term Care capital renewal policy and estimated Provincial contributions.

State of Good Repair Backlog

If the redevelopment of Kipling Acres does not proceed, the facility will require extensive renovations to meet SOGR and H&S standards. A further review is required to determine the impact on SOGR requirements as presently reflected in the 10-Year Capital Plan and Forecast if the redevelopment does not proceed in 2009 and 2010.

It is therefore recommended that the General Manager of Long Term Care Homes and Services review the potential state of good repair projects for Kipling Acres and include in the report to the Community Development and Recreation Committee and Budget Committee.

Redevelopment of two out of five remaining B or C long-term care homes

If the capital renewal strategy is launched as expected with a 10 to 12 year window for redevelopment of all Ontario B and C long-term homes, in addition to the immediate need to redevelop Kipling Acres, another 5 long-term care homes may need to begin redevelopment. These include Fudger House, Carefree Lodge, Castlevue Wychwood Towers, Lakeshore Lodge, and Seven Oaks. Provincial contributions at this time are not known and the mandatory requirement to pursue the redevelopment of homes will require further capital commitments, most likely financed by debt funding. These projects have not been included in the Recommended 5-Year Capital Plan.

The table shown below highlights the different redevelopment options (along with applicable gross preliminary estimates) available to the City of Toronto and LTC Program in years 2010-2013, that are currently not included in the Recommended 5-Year Capital Plan.

		Campus of Care/Expansion		Minimum Requirement	
Proposed project	Time Frame	Cost (\$ gross in millions)	No. of Beds	Cost (\$ gross in millions)	No. of Beds
New Campus of Care	2010-2012	70,000	128	-	-
Fudger House Redevelopment	2011-2013	72,000	250	53,000	250
Carefree Lodge Redevelopment	2011-2013	70,000	127	27,000	127
Total		\$ 212,000	505	\$ 80,000	377

A report from the General Manager of Long Term Care Homes and Services Program will address all potential redevelopment projects.

5-Year Capital Forecast Issues

Redevelopment of final three B or C long-term care homes

Redevelopment of Castlevue Wychwood Towers, Lakeshore Lodge, and Seven Oaks would continue into the 2014-2018 period. Different redevelopment options (along with applicable gross preliminary estimates) available to the City of Toronto and LTC Program in years 2014-2018 are shown in table below. These are not included in the Proposed 5-Year Capital Forecast.

		Campus of		Minimum	
Proposed project	Time Frame	Cost (\$ gross in millions)	No. of Beds	Cost (\$ gross in millions)	No. of Beds
Castlevue Wychwood Towers Redevelopment	2013-2015	45,000	228	98,000	467
Castlevue Wychwood Towers Campus of Care II	2013-2015	67,000	239	-	-
Lakeshore Lodge Retrofit	2015-2017	15,000	150	15,000	150
Seven Oaks Retrofit	2015-2017	20,000	249	20,000	249
Total		\$ 147,000	866	\$ 133,000	866

Homes for the Aged Reserve Fund

The HFA Capital Reserve was established in 1998 with the express purpose of funding health and safety projects and/or minor capital upgrades. The HFA Capital Reserve has been entirely funded from the MOHLTC for life safety and/or minor capital upgrades.

The 5-Year Capital Plan includes draws of \$23.7 million from the HFA Capital Reserve Fund. In addition, the Program is forecasting an average annual contribution from the Ministry of Health Long-Term Care (MOHLTC) of \$1.75 million in each year for 2009-2013 in the form of Provincial Structural Compliance Premiums. As well, the Program anticipates that there will be a change in the MOHLTC

capital funding policy, which will provide the Program with additional provincial funding that may fund future capital maintenance needs, however the new policy has not been confirmed at this time.

The Provincial Structural Compliance Premiums of \$8.78 million have been confirmed and the Program is confident that these capital subsidies will become available during the course of the Recommended 5-Year Capital Plan timeframe.

Based on current withdrawals from the Capital Reserve, the HFA Capital Reserve Fund will be depleted by the end of 2014. Any unforeseen capital requirements will deplete the reserve prior to 2014. The Homes for the Aged Capital Reserve Fund will be reviewed in the future pending Provincial announcement of additional funding.

Appendix 1

**2009 Requested Capital Budget; 2010 to Plan
and 2014 to 2018 Forecast**

Appendix 2
2009 Requested Cash Flow
and Future Year Commitments

Appendix 3
2009 Recommended Capital Projects
with Financing Details

Appendix 4

Reserve / Reserve Fund Review

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2008	Proposed Withdrawals					
			2009	2010	2011	2012	2013	2014
XR2103 HFA Capital Reserve Fund	Beginning Balance	16,382,441	16,382,441	13,026,782	8,970,454	5,192,435	2,907,076	2,855,123
	Draws to Fund Capital Maintenance Program		(5,600,000)	(6,200,000)	(5,800,000)	(4,194,000)	(1,907,193)	(4,708,803)
	Provincial Structural Compliance Premium		1,752,868	1,752,868	1,752,868	1,752,868	1,768,027	1,768,027
	Interest Income		491,473	390,803	269,114	155,773	87,212	85,654
	Net Proposed Withdrawals		(3,355,659)	(4,056,329)	(3,778,018)	(2,285,359)	(51,954)	(2,855,122)
TOTAL RESERVE FUND BALAN		16,382,441	13,026,782	8,970,454	5,192,435	2,907,076	2,855,123	0