

**Analyst Briefing Notes  
Budget Committee  
(October 30, 2008)**

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**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2008 Approved Capital Budget of \$39.433 million was 15.8% or \$6.234 million spent as at June 30<sup>th</sup>, 2008. Actual expenditures by year-end are anticipated to be \$36.323 million or 92.1% of the 2008 Approved Capital Budget, resulting in projected 2008 cash flow funding of \$3.110 million being carried forward into 2009. This spending is consistent with project schedules for construction. Typically, the majority of cash flow funding is spent in the third and fourth quarters, after construction is tendered and awarded. This projected year-end spending rate for 2008 approved projects of 92% is in line with the 94% spending rate achieved in 2007.
- The 2009 Recommended Capital Budget; 2009-2013 Recommended Capital Plan and 2014 to 2018 Proposed Forecast totals \$425.185 million, requiring debt funding of \$370.129 million. Of that total amount, \$213.385 million is projected for the Program's Recommended 5-Year Capital Plan, requiring debt funding of \$175.829 million and cash flow of \$46.524 million in 2009, \$55.430 million in 2010, \$47.988 million in 2011, \$35.872 million in 2012 and \$27.571 million in 2013.
- The 10-Year Capital Plan and Forecast incorporates the Facilities and Real Estate's core portfolio of State-of-Good- Repair (SOGR) and essential life cycle replacement projects, as well as some previously approved (the Yards Consolidation Study, Old City Hall HVAC Upgrades and Nathan Phillips Square Revitalization) and new capital development initiatives (including Bathurst Street Silos Stabilization, Pandemic Flu Storage Facility and West District Plan). Except for the West District Plan, the majority of these initiatives will be implemented during the first five years.
- The 10-Year Capital Plan and Forecast requires an increase in debt funding of \$49.3 million over ten years, or a 15% increase over the approved target for that period. This increase pertains to the 5-Year Forecast (i.e. the West District Plan). The 5-Year Capital Plan meets the debt target approved for the first five year period.
- 60% of the total forecasted cash flow over the 10-year planning horizon is allocated to the State-of-Good Repair projects at \$252.289 million, 13% to Health and Safety and Legislative Projects at \$46.591 million and 27% to Service Improvement and Growth Related projects at \$113.961 million.
- The corporate facilities portfolio valued at \$2.18 billion, has an estimated \$151 million backlog in essential SOGR projects. The Recommended 5-Year Capital Plan provides the funding sufficient to reduce this backlog by approximately \$69 million, or \$14 million on average annually. Subject to the approval of consistent funding levels and the results of future building condition assessments, this backlog will be further reduced by another \$38 million resulting in the backlog balance of \$31 million at the end of 2018. In addition to addressing existing SOGR backlog, the 5-Year Capital Plan includes essential asset life cycle replacements at \$15 million per year.

- The Recommended 5-Year Capital Plan will fund a number of multi-year projects, including mechanical and electrical upgrades of various corporate buildings, environmental emergency remediation and structural repairs and renovations at various City locations. It provides for continuation of some major previously approved capital initiatives such as the Yards Consolidation Study, Old City Hall HVAC Upgrade and Nathan Phillips Square Revitalization. The latter also requires additional funding in order to accommodate state-of-good-repair work not identified in the previous 5-Year Capital Plan.
- The 2009 Recommended Capital Budget including previously approved commitments requires new 2009 cash flow of \$44.180 million gross with debt funding of \$35.374 million. This cash flow combined with carry forward funding of \$2.344 million for 2007 projects brings the total 2009 Recommended Capital Budget to \$46.524 million gross, of which \$37.718 million is funded by debt, with the balance of funding provided from the Federal Government and other contributions (\$2.200 million) and corporate reserve funds (\$6.606 million).
- 12% of the 2009 recommended cash flow is allocated to Health and Safety projects at \$5.213 million; 3% to Legislative or contractually required projects at \$1.610 million; 55% to State-of-Good-Repair projects at \$24.171 million; 23% to Service Improvement projects at \$10.041 million and 7% to Growth Related projects at \$3.145 million.
- The 2009 Recommended Capital Budget advances some of the major Council's strategic priorities. It includes \$5.034 million for the start up of the construction activities at Nathan Phillips Square. In addition, the Recommended 2009 Capital Budget earmarks funding of \$3.145 for Toronto's 13 priority neighbourhoods and its surrounding areas, specifically the development of Father Henry Carr High School in the Rexdale Community Centre project.
- In 2009, the Program will continue to work on the Yards Consolidations Study and the Old City Hall HVAC systems upgrades with funding allocations of \$0.511 million and \$0.655 million respectively. It will also initiate work on a number of other initiatives such as Pandemic Flu Storage (\$0.300 million), the Public Health Facility at 1115 Queen Street West / 45 Lisgar (\$0.200 million), West District Plan – Etobicoke Civic Centre (\$0.100 million), Bathurst Street Silos Stabilization (\$3.000 million) and the City Hall Wedding Chapel renovations (\$0.600 million).
- In addition, the 2009 recommended cash flow will fund approximately 80 projects involving mechanical, electrical, structural, environmental and other capital maintenance work on various corporate facilities across the City. By the end of 2009, about 40 projects will be completed, reducing the current State-of-Good Repair project backlog by \$14 million. The Old City Hall Planning Study and the Municipal Licensing and Standards Space Consolidation are also expected to be completed in 2009.
- The 2009 Recommended Capital Budget will fund projects that will ensure adherence to the latest building standards and ecologically friendly initiatives, which is aligned with one of Council's strategic objectives of lowering energy consumption rates and reducing greenhouse gas and smog emissions.
- Competing priorities and limited financial resources represent one of the Program's main challenges in 2009 and beyond. An aging facility infrastructure and need to address accumulated backlog of state-of-good repair projects takes precedence over the improvement

and growth projects. Investing in energy efficiency and green technology projects in order to meet the Council approved targets poses additional pressures on the available funding.

- Updating the governance structure for facilities maintenance to further centralize, improve and standardize facilities management in accordance with a new Corporate Facilities Management Framework will require significant Facilities and Real Estate's leadership and human resources over the next several years.

## **Recommendations**

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for Facilities and Real Estate with a total project cost of \$81.180 million, and 2009 cash flow of \$46.524 million and future year commitments of \$88.975 million comprised of the following:
  - a) New Cash Flow Funding for:
    - i) 39 new and change in scope sub-projects with a 2009 total project cost of \$81.180 million that requires cash flow of \$20.818 million in 2009 and a future year commitment of \$36.213 million in 2010; \$16.863 million in 2011; \$6.686 million in 2012 and \$0.600 million in 2013;
    - ii) 61 previously approved sub-projects with a 2009 cash flow of \$22.756 million and a future year commitments of \$9.174 million in 2010; \$9.058 million in 2011; \$6.796 million in 2012; \$2.042 million in 2013; \$1.337million in 2014 and \$0.206 million in 2016; and
    - iii) One previously approved project with carry forward funding from 2007 requiring 2009 cash flow of \$0.606 million which forms part of the affordability targets that require Council to reaffirm its commitment.
  - b) 2008 approved cash flow for 4 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$2.344 million;
2. Council approve the new debt costs of \$0.370 million in 2009 and incremental costs of \$2.182 million in 2010, \$2.749 million in 2011, \$0.525 million in 2012, \$0.145 million in 2013 and \$0.063 million in 2014, resulting from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets;
3. Council approve the 2010-2013 Capital Plan for Facilities and Real Estate totalling \$79.429 million in project estimates, comprised of \$10.043 million in 2010; \$22.067 million in 2011; \$22.390 million in 2012; and \$24.929 million in 2013;
4. Council consider operating impacts of \$0.048 million from 2011 to 2014 emanating from the approval of the 2009 Recommended Capital Budget, to be included in the 2011 and future year operating budgets;
5. Council approve in principle the 2014-2018 Capital Forecast for Facilities and Real Estate totalling \$210.257 million in project estimates, comprised of \$28.663 million in 2014; \$31.300 million in 2015; \$39.794 million in 2016; \$49.000 million in 2017; and \$61.500 million in 2018; and that this forecast be used as a foundation for preparing a firm 2010 to 2019 Capital Plan and Forecast as part of the 2010 Capital Budget process.
6. That corporate reserve funding from the Land Acquisition Reserve Fund in the amount of \$8.900 million and Capital Financing Reserve Fund in the amount of \$12.206 million, for a total of \$21.106 million be provided to fund the Nathan Phillips Square Revitalization cost and that any financial contributions from subsequent fundraising efforts be used to replenish the above corporate reserve funds as appropriate.

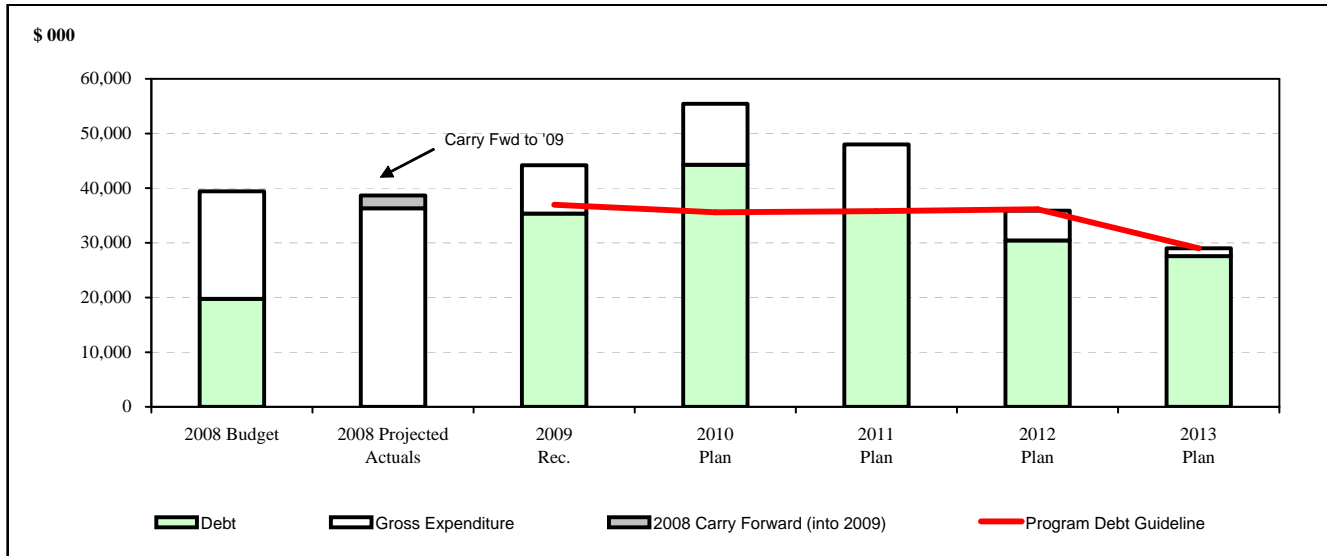
2008 Capital Variance Review

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
39,433	6,234	15.8%	36,323	92.1%	3,110

Comments / Issues:

- At the end of June 30, 2008, Facilities and Real Estate spent approximately \$6.2 million or 15.8 % of its 2008 Approved Capital Budget of \$39.4 million. This spending is consistent with project schedules for construction. Typically, the majority of cash flow funding is spent in the third and fourth quarters, after construction is tendered and awarded.
- Facilities and Real Estate’s projected year-end spending for 2008 approved projects is \$36.323 million or 92.1%, as reported in its June 30, 2008 Variance Report. This is in line with the 94% spending rate achieved in 2007. The projected spending rate includes deferral of the Nathan Phillips Square Revitalization project construction start up to 2009 in the amount of \$2.570 million, which accounts for 6.5% of the 2008 Approved Capital Budget or the majority of the projected underspending. The remaining \$0.541 million or 1.4% of the 2008 approved cash flow will not be spent due to minor unanticipated delays in implementation of several other projects.
- The recommended carry forward funding included in the 2009 Recommended Capital Budget is \$2.344 million and is slightly lower than the projected under-spending in the 2nd Quarter Variance Report (\$3.110 million), based on more recent information on actual spending. However, an additional amount of \$0.606 million representing unspent funds from 2007 for the Nathan Phillips Square Revitalization project, according to corporate policy, is to be considered as a new funding request and is included in the 2009 Recommended Capital Budget accordingly.

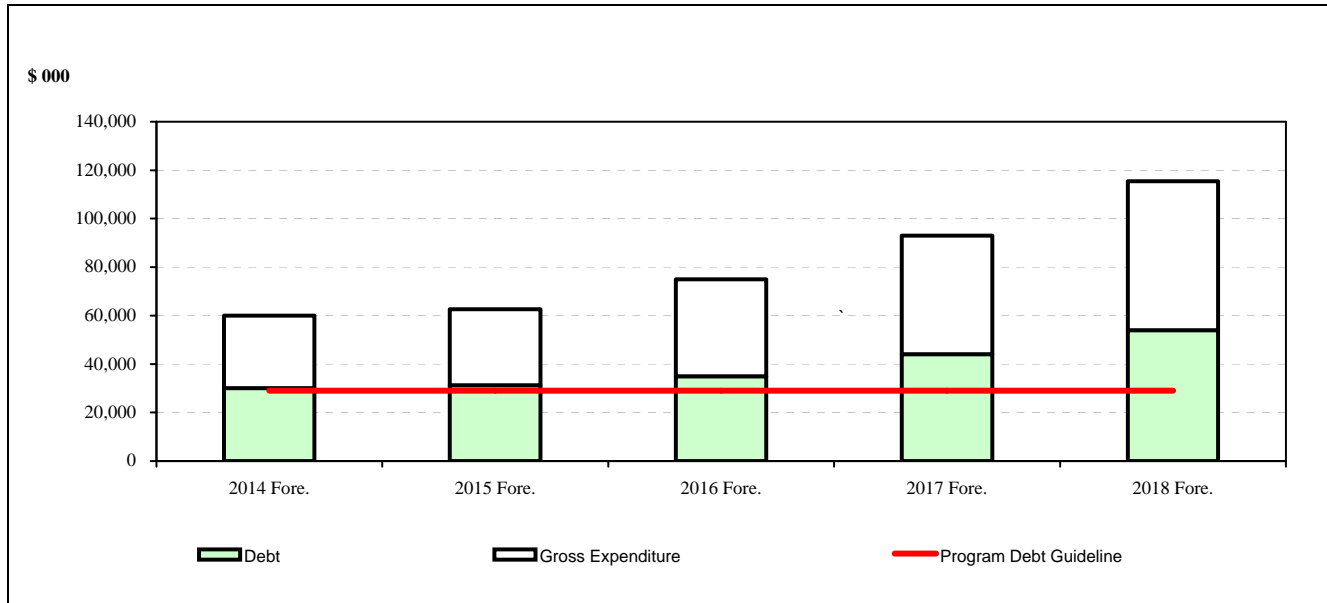
5-Year Capital Plan (2009-2013)



	2008		5-Year Capital Plan					2009-2013	5-Year Total Percent
	Budget	Projected Actual	2009	2010	2011	2012	2013		
	<b>Gross Expenditures:</b>								
2008 Capital Budget & Future Year Commitments	39,433	36,323	28,130	12,293	9,673	3,559	1,022	54,677	
Recommended Changes to Commitments			(4,768)	(3,119)	(615)	3,237	1,020	(4,245)	
2009 New/Change in Scope and Future Year Commitments			20,818	36,213	16,863	6,686	600	81,180	
2010 - 2013 Capital Plan Estimates				10,043	22,067	22,390	24,929	79,429	
1-Year Carry Forward to 2009		2,344							
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>39,433</b>	<b>38,667</b>	<b>44,180</b>	<b>55,430</b>	<b>47,988</b>	<b>35,872</b>	<b>27,571</b>	<b>211,041</b>	
<b>Program Debt Target</b>			36,946	35,567	35,801	36,171	29,000	173,485	
<b>Financing:</b>									
Recommended Debt	19,757		35,374	44,282	35,833	30,425	27,571	173,485	82%
Reserves/Reserve Funds			6,606	10,398	12,155	5,447		34,606	16%
Development Charges									
Federal			1,200					1,200	1%
Provincial									
Other Revenue	19,676		1,000	750				1,750	1%
<b>Total Financing</b>	<b>39,433</b>		<b>44,180</b>	<b>55,430</b>	<b>47,988</b>	<b>35,872</b>	<b>27,571</b>	<b>211,041</b>	100%
<b>By Category:</b>									
Health & Safety	8,497		5,213	4,531	984	3,947	4,354	19,029	9%
Legislated	3,169		1,610	1,221	1,394	1,140	500	5,865	3%
SOGR	20,877		24,171	41,389	39,887	24,948	20,283	150,678	71%
Service Improvement	6,277		10,041	8,289	5,723	5,837	2,400	32,290	15%
Growth Related	614		3,145				34	3,179	2%
<b>Total By Category</b>	<b>39,433</b>		<b>44,180</b>	<b>55,430</b>	<b>47,988</b>	<b>35,872</b>	<b>27,571</b>	<b>211,041</b>	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)									
Accumulated Backlog Estimate (end of year)		151,356	141,100	128,646	111,880	98,041	82,174	82,174	
Operating Impact on Program Costs					48			48	
Debt Service Costs			370	2,663	5,545	4,523	3,884	16,986	

\*Note that the 1-Year Carry Forward reflects the latest estimate.

5-Year Capital Forecast (2014-2018)



	5-Year Capital Forecast							
	2014	2015	2016	2017	2018	2014-2018	2009-2014	10-Year Total Percent
<b>Gross Expenditures:</b>								
2008 Capital Budget & Future Year Commitments							54,677	
Recommended Changes to Commitments	1,337		206			1,543	(2,702)	
2009 New/Change in Scope and Future Year Commitments							81,180	
2014 - 2018 Capital Forecast Estimates	28,663	31,300	39,794	49,000	61,500	210,257	289,686	
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>30,000</b>	<b>31,300</b>	<b>40,000</b>	<b>49,000</b>	<b>61,500</b>	<b>211,800</b>	<b>422,841</b>	
<b>Program Debt Target</b>	29,000	29,000	29,000	29,000	29,000	145,000	318,485	
<b>Financing:</b>								
Recommended Debt	30,000	31,300	35,000	44,000	54,000	194,300	367,785	87.0%
Reserves/Reserve Funds			5,000	5,000	7,500	17,500	52,106	12.3%
Development Charges							1,200	0.3%
Federal								
Provincial								
Other Revenue							1,750	0.4%
<b>Total Financing</b>	<b>30,000</b>	<b>31,300</b>	<b>40,000</b>	<b>49,000</b>	<b>61,500</b>	<b>211,800</b>	<b>422,841</b>	<b>100%</b>
<b>By Category:</b>								
Health & Safety	4,793	6,772	3,639	3,439	10,011	28,654	47,683	11%
Legislated	501	503	503	1,085	451	3,043	8,908	2%
SOGR	20,462	18,164	23,293	22,976	16,716	101,611	252,289	60%
Service Improvement	2,835	4,516	12,565	21,500	33,800	75,216	107,506	25%
Growth Related	1,409	1,345			522	3,276	6,455	2%
<b>Total By Category</b>	<b>30,000</b>	<b>31,300</b>	<b>40,000</b>	<b>49,000</b>	<b>61,500</b>	<b>211,800</b>	<b>422,841</b>	<b>100%</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year)	71,919	61,663	51,408	41,152	30,897	30,897	30,897	
Operating Impact on Program Costs								48
Debt Service Costs	3,645	3,933	4,162	4,775	5,970	22,484	39,470	



## 10-Year Capital Plan and Forecast Overview

- The 10-Year Capital Plan and Forecast incorporates the Facilities and Real Estate's core portfolio of State-of-Good- Repair (SOGR) and essential life cycle replacement projects, as well as some previously approved (the Yards Consolidation Study, Old City Hall HVAC Upgrades and Nathan Phillips Square Revitalization) and new capital development initiatives (including Bathurst Street Silos Stabilization, Pandemic Flu Storage Facility and West District Plan). Except for the West District Plan, the majority of these initiatives will be implemented during the first five years (5-Year Capital Plan).
- The 10-Year Capital Plan and Forecast totals \$422.841 million, excluding carry forward funding, of which 87% is funded by debt. The remaining funding consists of contributions from the Federal Government, developers' contributions and funding from corporate reserve funds. It requires an increase in debt funding of \$49.3 million over ten years, or a 15 % increase over the approved target for that period. Additional debt funding pertains to the 5-Year Forecast (i.e. the West District Plan). The 5-Year Capital Plan meets the approved debt target for the first five year planning horizon.
- The main objective of the 10-Year Capital Plan and Forecast is to ensure that all corporate facilities are maintained in a state-of-good repair so that all users can enjoy safe and functional environments. Facilities and Real Estate is committed to best practices incorporating facility lifecycle planning, health and safety and environmental principles. Together with the development and implementation of several large scale capital projects, these represent the main objectives embedded in the Facilities and Real Estate's Service Plan.
- The above objective is reflected in the following summary of funding by project category: 60% of the total forecasted cash flow over the 10-year planning horizon is allocated to the State-of-Good Repair projects at \$252.289 million, 13% to Health and Safety and Legislative Projects at \$46.591 million and 27% to Service Improvement and Growth Related projects at \$113.961 million.

### Multi-Year Debt Affordability Targets

The 10-Year Capital Plan and Forecast requires debt funding of \$367.785 million. In addition to the Facilities and Real Estate's core portfolio of projects, it includes several major capital initiatives, requiring an increase in debt funding of \$49.3 million over ten years, or a 15% increase over the approved target for that period. Some of these initiatives, specifically the Yards Consolidation Study and Old City Hall HVAC Upgrade projects as well as Nathan Phillips Square Revitalization were already identified in the 2008-2012 Capital Plan. A number of other projects such as the Bathurst Street Silos Stabilization, Pandemic Flu Storage Facility, West District Plan, Public Health Facility at 1115 Queen West/45 Lisgar, Municipal Licensing and Standards Space Consolidation, Old City Planning Study and Wedding Chapel Renovations projects, represent new initiatives, creating an additional demand on debt funding. The Nathan Phillips Square environmental upgrades also require additional debt funding in order to provide for state-of-good-repair work not previously identified. Without the largest of these initiatives, the West District Plan (\$67.3 million), the Program would be within its debt targets over the whole 10-year planning horizon.

The Recommended 5-Year Capital Plan meets the approved overall debt target for this period of \$173.485 million. On an annual basis, the 5-Year Capital Plan is below the Program's debt targets in each of the following years: \$1.6 million in 2009, \$5.7 million in 2012 and \$1.4 million in 2013. In 2010 and 2011, the Program exceeds the targets by \$8.7 million and \$0.032 million respectively.

The 5-Year Forecast requires additional funding of \$49.3 million, resulting in a 34% increase to the approved overall debt target for that period. This funding is need for the West District Plan.

### **Project Financing**

The Recommended 5-Year Capital Plan requires total funding of \$211.041 million, excluding carry forward funding. Overall, the debt constitutes about 82% of the required funding and amounts to \$173.485 million. The remaining \$37.556 million will be funded from the following sources:

- Section 37 funding and other contributions from developers in the amount of \$0.750 million for the Toronto Public Health facility at 1115 Queen Street West/45 Lisgar.
- Federal Government and other contributions in the amount of \$2.200 million for the Father Henry Carr High School (one of Toronto's 13 priority neighbourhoods).
- Corporate reserve funds in the total amount of \$34.606 million for Nathan Phillip Square Revitalization (\$21.106 million), Pandemic Flue Storage (\$1.3 million) and Bathurst Street Silos Stabilization (\$12.2 million).

At this time it is uncertain whether the initially anticipated funding of \$17.8 million (required for completion of the Nathan Phillips Square Revitalization project) from other orders of government, the private sector and business community can be secured. Without funding assurances, it would not be possible to tender and award the contract for a full implementation of the winning design, but rather for portions of it. This situation would create time lags between funding availability and construction scheduling, leading to delays, inefficient use of the existing resources and increased project costs, as well as prolonged disruptions to the use of this important public space.

Therefore, it is recommended that corporate reserve funding of \$21.106 million be provided, while the fundraising efforts continue. This funding would also provide for state-of-good-repair work not previously identified (\$2.700 million) and second year carry forward of unspent 2007 funds (\$0.606 million). Any financial contributions resulting from subsequent fundraising efforts would be used to offset the Nathan Phillips Square Revitalisation costs and replenish the above corporate reserve funds.

The second 5-Year period of this Capital Plan and Forecast (2014-2018 Proposed Forecast) relies on \$17.500 million in non-debt funding in anticipated proceeds from the sale of the properties in the West District which would be used to offset development costs resulting from the implementation of the West District Plan.

### **Development Charge Funded Projects**

Facilities and Real Estate does not have any projects that are eligible for development charge funding.

**State of Good Repair (SOGR) Backlog and Unmet Service Needs**

Facilities and Real Estate is responsible for the maintenance of 267 buildings identified as corporate facilities, valued at approximately \$2.18 billion. Approximately 20% of City owned buildings are over 50 years old. In 10 years, 35% of the buildings will be over 50 years old.

The 2008 year-end state-of-good repair backlog is valued at \$151 million. Within 10 years, at current funding levels (included in this 10-year Capital Plan and Forecast), Facilities and Real Estate will reduce this backlog by approximately \$120 million or \$12 million on average annually. The Recommended 5-Year Capital Plan dedicates \$69 million or \$14 million on average annually to address backlog issues. By the end of 2018, the backlog balance is expected to be \$31 million which represents a further reduction of \$38 million in backlog projects, or \$7.6 million on average annually. The estimated backlog values are also subject to the results of future building condition assessments.

In addition to addressing existing backlog, the 10-Year Capital Plan and Forecast includes life cycle replacements of major components that are at the end of their service life, at an average amount of \$15 million per year over the 2009-2018 period. This represents less than 1% of the total asset value and it falls short of the industry standard for capital maintenance of 2%-4% of the total asset replacement value per year. Alternatively, if Facilities and Real Estate were to comply with the minimum industry standard for capital maintenance of 2%, the 5-Year Capital Plan requirements would not be sufficient to address any of the existing backlog.

Due to the fact that a significant portion of the Facilities and Real Estate 10-Year Capital Plan and Forecast is dedicated to addressing backlog issues, finding resources to ensure that City meets its green targets and other major redevelopment projects represents a challenge.

**Program Capacity and Readiness to Proceed**

Facilities and Real Estate historically has had high spending rates. A three year historical average spending experience including the latest projection for 2008, would indicate an average yearly capacity of \$35.6 million representing an average spending rate of 87%. Focusing on individual years, 2008 with projected spending of \$36.3 million or 92% is in line with 2007 (with spending of \$36 million<sup>1</sup> and spending rate of 94%), and indicates an improvement over 2006 (with corresponding spending of \$34.6 million and a spending rate of 80%).

For 2009, the cash flow is recommended at \$44.2 million (without carry forward funding), which is higher than historical spending by \$8.6 million. For years 2010 and 2011, projected cash flows exceed historical spending by \$19.8 million and \$12.4 million respectively. During the last two years of the Recommended 5-Year Capital Plan projected cash flows are in line (2012) or below historical spending (2013).

The Program is ready to proceed with projects included in the 5 Year-Capital Plan as project costs and scope are validated on an on-going basis and projects are prioritized based on audits completed to date. The Capital Asset Management System project (CAMS) to be implemented by the end of 2009, should ensure that this prioritization process is transparent, objective and well documented. It will also assist in controlling and monitoring of capital projects.

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<sup>1</sup> Excludes the Village Securities site acquisition.

Similarly, all projects included in the 5-Year Capital Forecast are prioritized based on the most current information which will be updated as required. It is also expected that all planning and appraisal work on the West District Plan will be completed in time for the project implementation which coincides with the second 5-Year period.

Capacity to spend on new major capital initiatives will also rely on the efficient service delivery from contractors.

**Changes to the 5-Year Capital Plan (2008-2012)**

The Recommended 5-Year Capital Plan includes changes to the 2008 -2012 Capital Plan, as well as changes to future year cash flow commitments previously approved by Council, due to the following:

- Several projects were deferred to 2009 as a result of delays due to issues with design consultants and coordination of multiple projects at the same location (such as air refurbishment of plaster ceilings at Old City Hall). In turn, some other projects (such as replacement of elevator controllers at 277 Victoria Street) were accelerated from 2008 to 2009 in order to maximize available funding sources.
- In a number of other instances funding was reallocated between projects in order to accommodate more recent cost estimates. In addition, approximately 50 projects (previously included in the 5-Year Capital Plan) have been replaced with new ones to respond to revised project priorities. This is because all projects are subject to on-going validation and are regularly reviewed and reprioritized to reflect actual building conditions.

The following table highlights the changes from the 2008-2012 Approved Capital Plan:

\$000s	2009	2010	2011	2012	Total
Approved 2008-2012 Capital Plan	48,765	46,752	46,901	29,000	<b>171,418</b>
Recommended 2009-2013 Capital Plan	44,180	55,430	47,988	35,872	<b>183,470</b>
Change \$	(4,585)	8,678	1,087	6,872	<b>12,052</b>
Change %	<b>-9%</b>	<b>19%</b>	<b>2%</b>	<b>24%</b>	<b>7%</b>

Recently, Facilities and Real Estate requested Council’s authority to amend the 2008 Approved Capital Budget and 2009-2012 Capital Plan by reallocating funds within the Budget and Plan and by adding new sub-projects. The Executive Committee considered the report on October 6, 2008 and recommended its approval (at the Council’s next meeting scheduled for October 29, 2008). Although requested adjustment of funds will have a zero net impact corporately, it will change the list of previously approved projects and individual commitments included in the 2009 Recommended Capital Budget.

**Capital Projects Highlights**

The 5-Year Capital Plan advances the following strategic priorities:

- *A Cleaner and More Beautiful City - Developing a comprehensive public space beautification plan.*

Nathan Phillips Square was the first in a series of design competitions hosted by the City. The design competition has attracted international competitors with a variety of visions to revitalize the Square. In June 2007, City Council endorsed the winning design (Plant Architect Inc. and Shore Tribe Irwin and

Partners) as well as a contract award to the winning team for architectural and other design related work. The design process is underway and it is anticipated that construction activities will commence in 2009. The Square will be revitalized to increase its attractiveness to both residents and visitors and become a public space vital to the city's lifestyle. The Recommended 5-Year Capital Plan includes cash flow of \$35.381 million for the Nathan Phillips Square revitalization, to be funded by corporate reserve funds pending any fundraising proceeds.

- ***Develop a comprehensive climate change plan to cut greenhouse gas emissions to help combat global warming***

Facilities and Real Estate, through the Energy Efficiency Office and the Energy and Waste Management Office, coordinates energy efficiency efforts across the City. They assist other Programs through their capital projects, to enable participation in various provincial and federal initiatives concerning renewable energy, clean energy generation and energy conservation and demand projects. The Energy Efficiency Office also participates in developing energy partnerships with building owners and managers, energy providers, businesses, unions, not-for-profit agencies and community members. This is aligned with an overall objective of lowering energy consumption rates and reducing greenhouse emissions and smog emissions to meet targets recently approved by Council through the adoption of the Climate Change, Clean Air and Sustainable Energy Action Plan.

- ***Implement the recently approved Toronto Green Building Standard to ensure ecologically friendly buildings***

The 2009 Recommended Capital Budget includes funding for a number of projects involving the retrofits of corporate buildings across the City, enabling the City to lead the way by ensuring that its own facilities meet the latest building standards and ecologically friendly initiatives.

- ***Invest \$13 million in Toronto's 13 priority neighbourhoods over the next four years***

The Recommended 5-Year Capital Plan for Facilities and Real Estate earmarks funding of \$3.145 for Toronto's 13 priority neighbourhoods and its surrounding areas, specifically the development of Father Henry Carr High School in the Rexdale Community Centre project.

### Summary of Major Capital Initiatives

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009 -2018 Total
<b>SOGR Projects (Including Health and Safety and Legislated Projects)</b>								
Emergency Repairs	2,000.0	2,045.0	2,000.0	2,000.0	2,000.0	10,045.0		10,045.0
Mechanical and Electrical Renovations	13,535.0	14,871.0	14,006.0	10,970.0	10,571.0	63,953.0	68,512.0	132,465.0
Re-roofing	4,444.0	4,110.0	3,136.0	3,330.0	3,597.0	18,617.0	21,423.0	40,040.0
Sitework	1,436.0	654.0	2,670.0	1,904.0	1,406.0	8,070.0	7,094.0	15,164.0
Structural / Building Envelope	1,287.0	366.0	2,029.0	1,528.0	1,723.0	6,933.0	8,877.0	15,810.0
Facilities Projects: New and Expanded	5,266.0	6,758.0	7,234.0	6,077.0	6,421.0	31,756.0	31,824.0	63,580.0
<b>IT Related Projects</b>	562.0	1,163.0	1,069.0	116.0	108.0	3,018.0		3,018.0
<b>Sub-Total</b>	<b>28,530.0</b>	<b>29,967.0</b>	<b>32,144.0</b>	<b>25,925.0</b>	<b>25,826.0</b>	<b>142,392.0</b>	<b>137,730.0</b>	<b>280,122.0</b>
<b>Other Major City Initiatives:</b>								
<i>Wedding Chappel</i>	600.0	400.0				1,000.0		1,000.0
<i>Old City Hall Planning Study</i>	100.0					100.0		100.0
<i>1115 Queen West / 45 Lisgar</i>	200.0	1,200.0	300.0			1,700.0		1,700.0
<i>MLS Consolidation</i>	1,500.0					1,500.0		1,500.0
<i>Pandemic Flu Storage</i>	300.0	1,000.0				1,300.0		1,300.0
<i>West District Plan - Etobicoke Civic Centre</i>	100.0	100.0	100.0	100.0	100.0	500.0	66,800.0	67,300.0
<i>Bathurst Street Silos</i>	3,000.0	9,200.0				12,200.0		12,200.0
<b>Sub-Total</b>	<b>5,800.0</b>	<b>11,900.0</b>	<b>400.0</b>	<b>100.0</b>	<b>100.0</b>	<b>18,300.0</b>	<b>66,800.0</b>	<b>85,100.0</b>
<b>Total</b>	<b>34,330.0</b>	<b>41,867.0</b>	<b>32,544.0</b>	<b>26,025.0</b>	<b>25,926.0</b>	<b>160,692.0</b>	<b>204,530.0</b>	<b>365,222.0</b>

The main objective of the Recommended 5-Year Capital Plan and Proposed 5-Year Forecast is to ensure that all corporate facilities are maintained in a state-of-good repair so that all users can enjoy safe and functional environments. Facilities and Real Estate staff are committed to best practices incorporating facility lifecycle planning, health and safety and environmental principles.

Over the next five years, approximately \$142 million will be allocated to various project groupings that focus on the types of capital maintenance required – i.e., structural maintenance, re-roofing, site work etc., to keep assets in a state of good repair and provide for life cycle replacements.

Within this portfolio of projects, mechanical and electrical projects, structural maintenance work and renovations with recommended funding of \$63.9 million, \$31.8 million and \$18.6 million respectively, account for approximately 80% of the total funding for the Recommended 5-Year Capital Plan. Information and Technology projects, such as Custodial Workload Management and Scheduling and Business Improvement Project (Plant Maintenance and Project Systems Module implementation) are included with \$3.0 million in recommended funding. Another \$10 million is reserved for unplanned emergency projects and events.

#### Previously Approved Major Initiatives

The Recommended 5-Year Capital Plan continues to support all previously approved major initiatives such as the Corporate Facilities Refurbishment Program (CFRP), the Yard Consolidation Study, Old City Hall HVAC Upgrade and Nathan Phillips Square Revitalization (as described on the following page).

It should be noted that the first of the Yards Consolidation Studies, the West District Yard Consolidation Study, was eligible for a grant from the Federation of Canadian Municipalities (FCM) in the amount of \$0.297 million. It was anticipated that, assuming the similar criteria, there may be a

possibility of obtaining an additional \$1.569 million in funding for the three remaining studies. Since it was subsequently determined that it is not likely that FCM will fund another study of the same nature, the 2009 Recommended Capital Budget recommends debt as a funding source for these studies.

**Nathan Phillips Square**

In June 2007, Council endorsed the winning design and contract award for the revitalization of Nathan Phillips Square. The winning design team undertook detailed architectural and related design work in 2008. Due to extensive consultations that had to be undertaken with a large number of external and internal stakeholders and complicated and lengthy design process which took longer than anticipated, construction activities will not start until 2009. This resulted in under spending of the 2008 approved cash flows and a need to carry forward funding of \$2.595 million into 2009. Of that amount, \$0.606 million represents unspent funds from 2007 and according to corporate policy, will be considered as a new funding request.

At the time, the overall project cost to implement the revitalization of Nathan Phillips Square was estimated at \$40 million, out of which \$6.2 million was related to various green technology solutions to be incorporated in the design and funded from the Toronto Sustainable Energy Plan. One of the contemplated green technology solutions was a green roof above the City Hall’s second floor terrace. However, due to the fact the existing roofing has to be brought up to current state-of-good repair standards before the green roof can be installed, there is a need for additional funding of \$2.0 million, which was added to this 5-Year Capital Plan. A reflecting pool was also envisioned as a part to the green roof solution at a cost of \$0.7 million. This brings the total project cost to \$42.7 million.

The following table presents the total project cost for the revitalization of the Nathan Phillips Square:

Nathan Phillips Square	\$000s							
	2006	2007	2008*	2009**	2010	2011	2012	Total
Facilities and Real Estate	275	1,550						<b>1,825</b>
			1,989	4,428	10,656	12,155	5,447	<b>34,675</b>
Sustainable Energy Plan			1,000	1,895	2,600	705		<b>6,200</b>
<b>Total</b>	<b>275</b>	<b>1,550</b>	<b>2,989</b>	<b>6,323</b>	<b>13,256</b>	<b>12,860</b>	<b>5,447</b>	<b>42,700</b>

\* Funding approved in 2008 in both Programs will be carried into 2009.

\*\*\$0.606 million is not included in the above table because does not represent an increase in project costs.

In December 2005, when the City Council approved the comprehensive framework for the design competition, it approved multi-year capital funding of \$16.0 million towards implementation of the SOGR portion of the project. Council requested that City staff develop and implement a fundraising strategy to seek additional funding through contributions from other orders of government, the private sector and business community for the redesign component of the project.

Subsequently, in December 2007, with the approval of the 2008-2012 Capital Plan, City Council approved \$6.2 million in funding from the Toronto Sustainable Energy Plan to fund various green technology solutions incorporated into design of the project, reiterating its direction that other sources of funding should be secured for the funding shortfall of \$17.8 million for the project.

The Toronto Office of Partnership (TOP) in consultation with Facilities and Real Estate has been working on developing a fundraising strategy to seek contributions from the external funding sources. Since these efforts have not materialized in expected funding support to date, availability of external funds cannot be forecasted with any degree of certainty at this time.

Without that funding in place, the City would not be able to commit the total project cost at the time of tendering and awarding a construction contract. This situation would create time lags between funding availability and construction scheduling, leading to delays, inefficient use of the existing resources and increased project costs, as well as prolonged disruptions to the use of this important public space. Therefore, it is recommended that while the fundraising efforts continue, funding of \$21.106 million be provided from the Capital Financing Reserve Fund (\$12.206 million) and the Land Acquisition Reserve Fund (\$8.900 million), as per the table below.

Nathan Phillips Square	\$000s				
	2009	2010	2011	2012	Total
Capital Financing Reserve Fund	3,306	99	6,077	2,724	<b>12,206</b>
Land Acquisition Reserve Fund		99	6,078	2,723	<b>8,900</b>
City Debt	1,728	10,458			<b>12,186</b>
<b>Total</b>	<b>5,034</b>	<b>10,656</b>	<b>12,155</b>	<b>5,447</b>	<b>33,292</b>

This funding will also provide for state-of-good-repair work not previously identified (\$2.700 million) and second year carry forward funding of the unspent 2007 funds (\$0.606 million). Any financial contributions resulting from the fundraising efforts will be used to replenish the above corporate reserve funds.

**New Initiatives**

There are several new initiatives with a total project cost of \$85.1 million over the next 10 years, as shown in table on page 14. They are briefly described below.

*1115 Queen West / 45 Lisgar*

As part of the Queen Street West arts development and promotion initiative, Toronto Culture will utilize the Carnegie Library heritage building located at 1115 Queen Street West and currently occupied by Toronto Public Health (TPH). City Planning has negotiated space to accommodate Toronto Public Health in a new development project that is located approximately 200 feet from the current location. The developer will provide 10,000 square feet of ground floor space and 20 parking spots (15 on site and 5 off site) with a 50 year lease for a nominal amount of rent. The City has to fitup the space.

This project is intended to help Toronto Public Health expand their programming by moving to a larger space. The estimated project cost is \$1.700 million with an anticipated three year implementation period and it is funded by \$0.750 million in Section 37 funds and balance by debt.

*Municipal Licensing and Standards Space Consolidation*

Municipal Licensing and Standards (MLS) currently occupies premises at two different locations. By consolidating staff from both spaces and moving them into one existing City-owned south district location, MLS will be able to expand their programming and achieve operational and administrative efficiencies in their service delivery. This 5-Year Capital Plan earmarks \$1.500 million in 2009 for this purpose.

*Pandemic Flu Storage Facility*

Approximately 25,000 sq.ft. is required to store various products and supplies essential to respond to a medical emergency, including 3,000 sq. ft. for cold storage of Tami flu vaccine. Facilities and Real Estate have identified a facility located at 3 Dohme Avenue as a potentially suitable space that could



be renovated for that purpose. The facility was used by Election Services for the last three elections, but was found inadequate to accommodate elections staff, resulting in Elections Services having to move to a more suitable location. Renovations are estimated at \$1.300 million with a two year implementation schedule.

*West District Plan - Etobicoke Civic Centre*

Since 2003, the possibility of moving the Etobicoke Civic functions from the current Etobicoke Civic Complex on the West Mall to either the Westwood Theatre Lands or Bloor-Islington lands on the Bloor-Danforth Subway Line has been under review. In December 2007, Council adopted findings of the West District Design Initiative, a planning and urban design visioning for all three sites.

This project anticipates the Westwood Theatre lands as a future location for the Etobicoke York Civic Centre. The costs of construction for a new civic centre estimated at \$67.3 million will be offset against potential proceeds from the sale of surplus lands, estimated to be in the range of \$18 million. This 5 Year Capital Plan allocates \$0.500 million for planning and appraisal work. The major years for construction are planned to be 2016 to 2018 and the 5-Year Capital Forecast includes estimates totalling \$66.8 million to complete the construction.

*Bathurst Street Silos Stabilization*

The former Canada Malting Complex (CMC) is owned by the City of Toronto and it is on the City's inventory of heritage properties. Although numerous safety issues have already been implemented, the structure continues to deteriorate and requires stabilization repairs to preserve its structural integrity and make access around the building safe for public access. The Recommended 5-Year Capital Plan includes an amount of \$12.200 million over the two year period for repairs and stabilization of the Silos, based on the engineering work completed at the 2009 Capital Budget preparation. Subsequently, Facilities and Real Estate developed a number of other options. These options, including the preferred one, will be presented in a report to the Executive Committee in November 2008, for consideration with the 2009 Budget Process.

**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
<b>2009 Recommended Capital Budget</b>								
Program Costs (net)			48.0			48.0		48.0
Approved Positions								
Debt Service Costs	370.5	2,182.5	2,749.5	525.3	145.1	5,972.9	63.0	
<b>Recommended 2010-2013 Capital Plan</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs		480.4	2,795.9	3,997.8	3,738.8	11,012.9		
<b>Proposed 2014-2018 Capital Forecast</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs							22,421.0	
<b>Total</b>								
Program Costs (net)			48.0			48.0		48.0
Approved Positions								
Debt Service Costs	370.5	2,662.9	5,545.4	4,523.1	3,883.9	16,985.8	22,484.0	39,469.8
<i>Debt Service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% Year 1, and 13% for subsequent years</i>								

The Program anticipates an incremental operating budget impact of \$0.048 million in 2011 for licensing costs associated with the implementation of the Custodial Workload Management and Scheduling project.

The Program does not expect any energy efficiency savings resulting from the approval of new projects in the 2009 Recommended Capital Budget. However, energy efficiency projects that have already been completed will materialize in energy savings estimated at \$0.161 million for 2009. These savings have been captured and are included as a reduction option in the Facilities and Real Estate’s 2009 Operating Budget Submission. Similarly, further energy efficiency savings are expected from continuing energy retrofits of corporate buildings and they will be reported during the 2010 and future year operating budget processes.

**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
<b>Expenditures</b>																
Previously Approved	606	22,756		23,362		2,344	25,706	9,174	9,058	6,796	2,042	1,337		206		
Change in Scope			3,305	3,305			3,305	840	123							
New			17,513	17,513			17,513	35,373	16,740	6,686	600					
New w/Future Year																
<b>Total Expenditure</b>	<b>-</b>	<b>22,756</b>	<b>20,818</b>	<b>44,180</b>	<b>36,946</b>	<b>2,344</b>	<b>46,524</b>	<b>45,387</b>	<b>25,921</b>	<b>13,482</b>	<b>2,642</b>	<b>1,337</b>		<b>206</b>		
<b>Financing</b>																
Reserves/Res Funds	606		6,000	6,606			6,606	10,398	12,155	5,447						
Development Charges																
Other		2,200		2,200			2,200	750								
Debt		20,556	14,818	35,374		2,344	37,718	34,239	13,766	8,035	2,642	1,337		206		
<b>Total Financing</b>	<b>606</b>	<b>22,756</b>	<b>20,818</b>	<b>44,180</b>		<b>2,344</b>	<b>46,524</b>	<b>45,387</b>	<b>25,921</b>	<b>13,482</b>	<b>2,642</b>	<b>1,337</b>		<b>206</b>		

**Comments / Issues:**

- The 2009 Recommended Capital Budget is \$46.524 million gross, including \$22.756 million in funding for previously approved projects, \$21.818 million for new/change in scope projects, \$0.606 million in the 2<sup>nd</sup> year carry forward funding and \$2.344 million to fund projects carried forward from 2008 to 2009. The change in previously approved commitments for 2009 is mainly due to a deferral and rescheduling of some projects, the major one being the Old City Hall Electric Upgrades project.
- Approval of the 2009 Recommended Capital Budget will result in future year commitments of \$45.387 million for 2010, \$25.921 million for 2011, \$13.482 million for 2012, \$2.642 million in 2013, \$1.337 million in 2014 and \$0.206 million in 2016. Of this total, the Old City Hall HVAC Upgrade accounts for \$1.910 million in 2010, \$4.514 million in 2011, \$0.779 million in 2012, \$1.542 million in 2013 and \$0.837 million in 2014. The Bathurst Street Silos Stabilization project will result in a 2010 commitment of \$9.200 million, while the Nathan Phillips Square Revitalization project accounts for \$10.656 million in 2010, \$12.155 million in 2011 and \$5.447 million in 2012.
- The 2009 Recommended Capital Budget requires debt funding of \$97.943, with the balance of funding provided from the Federal Government and other contributions (\$2.200 million), developers’ contributions (\$0.750 million) and corporate reserve funds (\$34.606 million).

## **2009 Recommended Capital Budget**

### **2009 Recommended Capital Budget versus Debt Target**

The 2009 debt affordability guideline for Facilities and Real Estate is set at \$36.946 million. The recommended debt level of \$38.374 million exceeds the Program's debt target by \$1.428 million or 3.8%, due to the addition of several new initiatives beginning in 2009 (see Page 12).

### **Capital Budget by Project Category**

55% of the funding in the 2009 Recommended Capital Budget or \$24.171 million is allocated to State of Good Repair projects. The 2009 Recommended Capital Budget has sufficient funding to address approximately 7% of the accumulated SOGR backlog. All projects in the Program's core portfolio are based on completed building condition assessments.

12% of the 2009 Recommended Capital Budget or \$5.213 million is allocated to Health and Safety projects. The largest Health and Safety projects are repairs and structural work at various corporate buildings and leased properties across the City.

3% of the 2009 Recommended Capital Budget Projects or \$1.610 million is allocated to projects with legislative requirements such as designated substances removal and environmental projects at various locations.

30% of the 2009 Recommended Capital Budget or \$13.186 million is allocated to Service Improvements and Growth initiatives, the largest of them being the Yard Consolidation Study project and Corporate Facilities Refurbishment Program.

In 2009, the Program will continue to work on the Yards Consolidations Study and the Old City Hall HVAC systems upgrades with funding allocations of \$0.511 million and \$0.655 million respectively. It will also initiate work on a number of new initiatives such as Pandemic Flu Storage (\$0.300 million), the Public Health Facility at 1115 Queen Street West / 45 Lisgar (\$0.200 million), West District Plan – Etobicoke Civic Centre (\$0.100 million), Bathurst Street Silos Stabilization (\$3.000 million) and the City Hall Wedding Chapel renovations (\$0.600 million).

In addition, the 2009 recommended cash flow will fund approximately 80 projects involving mechanical, electrical, structural, environmental and other capital maintenance work on various corporate facilities across the City. By the end of 2009, about 40 projects will be completed, reducing the current State-of-Good Repair project backlog by \$14 million. The Old City Hall Planning Study and the Municipal Licensing and Standards Space Consolidation are also expected to be completed in 2009.

### **Capacity and Readiness to Proceed**

Facilities and Real Estate historically has had high spending rates. A three year historical average spending experience including the latest projection for 2008, would indicate an average yearly capacity of \$35.6 million representing an average spending rate of 87%.

For 2009, the cash flow is set out at \$44.2 million (without carry forward funding), which is higher than historical spending by \$8.6 million or 19%. However, all projects in the Program's core portfolio are based on building condition audits and Facilities and Real Estate are ready to proceed.

**Other Issues**

A corporate facilities management and governance review was conducted over the past two years, to address issues raised by the Auditor General in 2005. This resulted in a Corporate Facilities Management Framework which acknowledges that Facilities and Real Estate is the corporate body responsible for setting the standards for ensuring all City-owned facilities are operated and maintained in a manner that meets operational needs and protects these assets into the future.

To ensure Facilities and Real Estate is able to meet this mandate and Client Divisions receive the services necessary to meet their operational needs the following key changes in the existing corporate facilities operational and organizational structure were determined as necessary:

- Service Level Agreements will be updated, clearly articulating the service needs and expectations of Client Divisions
- Facilities performance metrics will be developed by the end of 2009.
- Appropriate maintenance and inspection standards will be developed by the end of 2009.
- The facilities capital project budgets for Children's Services, Emergency Management Services (EMS), Toronto Fire Service (TFS) and Transportation Services will be transferred to Facilities and Real Estate in 2009. The facilities operating and remaining facilities capital project budgets in divisions with landlord responsibilities will be transferred to Facilities and Real Estate in 2010 and 2011.
- An internal nominal rent process will be established for identifying operating and capital costs for facilities management and maintenance to be used by appropriate Client Divisions to determine budget requests from the Province of Ontario or fee structures for non-property tax supported programs.

The above model for facilities management and maintenance should be implemented over a three year period. This Recommended 5-Year Capital Plan does not address any of the requirements for moving to the new corporate organizational and operational model. However, Facilities and Real Estate is in a process of establishing agreements and appropriate budgets for transfer with all divisions affected in 2009. These transfers will be processed and reported as technical adjustments through variance reporting as appropriate.

The remaining facilities capital budgets will be determined in time for 2010 and 2011 Capital and Operating Budget processes.

**PART II: ISSUES FOR DISCUSSION****2009 Capital Budget Issues****State of Project Readiness**

The 2009 Recommended Capital Budget includes changes to future year cash flow commitments previously approved by Council:

- There is an overall decrease in previously approved future year commitments of \$4.851 million by the end of 2014, mainly as a result of rescheduling of the Old City Hall electrical upgrades project.
- In addition, in order to use capital funding more effectively, several other projects were deferred from 2008 to 2009 or accelerated from 2009 to 2008, without any change to the overall project cost.

The 2009 Recommended Capital Budget also incorporates a number of projects that were not included in the 2008 Capital Budget and the 2009-2012 Capital Plan previously approved by Council:

- There are several new capital projects: Public Health Facility at 1115 Queen Street West / 45 Lisgar (\$1.700 million), Municipal Licensing and Standards Space Consolidation (\$1.500 million), Pandemic Flu Storage (\$1.300 million), West District Plan - Etobicoke Civic Centre (\$0.500 million) and Bathurst Street Silos Stabilization (\$12.200 million). The City Hall Wedding Chapel renovations (\$1.000 million) and Old City Hall Planning Study (0.100 million) are also part of the 2009 Recommended Capital Budget.
- The Nathan Phillips Square Revitalization Project, a previously approved project now requires additional funding of \$2.7 million in order to bring some structures to current state-of-good repair standards before proceeding with the environmental upgrades/green technology solutions.
- A number of projects considered for implementation in 2009 (at the time of the 2008-2012 Capital Plan approval) have been deferred to future years and replaced with new projects as a result of on-going validation and reprioritization.

All projects in the Program's core portfolio are based on building condition audits. Cash flows projected for all new initiatives are based on detailed work schedules and cost estimates as well, indicating that these projects are ready to proceed.

In order to improve its spending rate and reduce the number of required cash flow adjustments, the 5-Year Recommended Capital Plan continues to use a corporately approved approach to capital planning and budgeting – a majority of new projects are multi-year projects with the first year cash flow that includes only design work (estimated at 8%-10% of the total) and the remainder of funds in future year(s). This approach allows for construction work to proceed without any delays in the following year.

## **5-Year Capital Plan Issues**

### **Readiness to Proceed**

Facilities and Real Estate historically has had high spending rates, with a three year historical average spending capacity of \$35.6 million or 87%. For 2009, the cash flow is set out at \$44.2 million (without carry forward funding), which is higher than historical spending by \$8.6 million. For the years 2010 and 2011, projected cash flows exceed historical spending by \$19.8 million and \$12.4 million respectively. During the last two years of the Recommended 5-Year Capital Plan projected cash flows are in line (2012) or below historical spending (2013).

This uneven cash flow distribution is mainly due to the fact that most of the large multi-year projects will be implemented over the first three years of this Recommended 5-Year Capital Plan, while years 2012 and 2013 focus mainly on the smaller State-of-Good-Repair projects.

The Program is ready to proceed with projects included in the Recommended 5 Year-Capital Plan as project costs and scope are validated on an on-going basis and projects are prioritized based on audits completed to date. Cash flows projected for all new initiatives are based on detailed work schedules and cost estimates indicating that these projects are ready to proceed.

Implementation of the new Corporate Facilities Management Framework will require significant Facilities and Real Estate's leadership (and human resources) over the next three years. This will add significant challenges to completing the projects in this Recommended 5-Year Capital Plan given the full spectrum of the projects included in it.

## **5-Year Capital Forecast Issues**

In addition to addressing its core portfolio, Facilities and Real Estate will continue to plan and implement major development projects, such as the West District Plan (\$67.300 million) which is included in the 10 Year Capital Plan and Forecast. Finding funding for development of large initiatives will remain a challenge in a situation of competing financial resources.

**Appendix 1**

**2009 Recommended Capital Budget; 2010 to 2013 Plan  
and 2014 to 2018 Forecast**



**Appendix 2**  
**2009 Recommended 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 (In \$Thousands)	Balance as at December 31, 2008 (projected)	Proposed Withdrawals										2009-2018 Total	
		2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Fore.	2015 Fore.	2016 Fore.	2017 Fore.	2018 Fore.		
Land Acquisition Reserve Fund XR1012			99.0	6,077.5	2,723.5								8,900.0
Capital Financing Reserve Fund XR1011		6,606.0	10,299.0	6,077.5	2,723.5								25,706.0
<b>Total Reserve / Reserve Fund</b>	<b>0.0</b>	<b>6,606.0</b>	<b>10,398.0</b>	<b>12,155.0</b>	<b>5,447.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>34,606.0</b>