

Analyst Briefing Notes

Budget Committee

(October, 30, 2008)

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PART I: CAPITAL PROGRAM

Executive Summary

- The 2008 Approved Capital Budget of \$14.925 million was 19% spent as at June 30, 2008. Actual expenditures by year-end are anticipated to be \$13.175 million, or 88% of the Approved Budget, resulting in projected 2008 cash flow funding of \$1.750 million being carried into 2009. The under spending is attributed to the delay of the North Site Tundra Project.
- The 2009 Recommended Capital Budget, 2010 to 2013 Recommended Capital Plan, and 2014 to 2018 Proposed Capital Forecast is driven by the Zoo's Strategic Plan, its Capital Master Plan of 1990 and a number of site studies, including the North Zoo Site Redevelopment Study and the Animal Health Facilities Study.
- The 2009 Recommended Capital Budget, 2010 to 2013 Recommended Capital Plan, and 2014 to 2018 Proposed Capital Forecast total \$206.602 million of which \$86.350 million is projected for the program's 5-Year Capital Plan with \$22.000 million debt funding. The 5-Year Capital Plan, including carry forward funding from 2008 to 2009, requires 2009 cash flow of \$8.425 million; \$10.495 million in 2010; \$21.109 million in 2011; \$24.452 million in 2012 and \$21.869 million in 2013.
- The 2009 Recommended Capital Budget, 2010 to 2013 Recommended Capital Plan, and 2014 to 2018 Proposed Capital Forecast calls for total debt financing of \$42.0 million.
 - The 10-Year Plan and Forecast meets the Council approved debt affordability target in each year for 2009-2018.
 - The 10-Year Plan and Forecast also anticipates fundraising of \$164.6 million for the Zoo's priority service improvements.
 - The 10-Year Plan and Forecast results in debt service costs of \$0.061 million in 2009 and incremental debt service costs of \$0.358 million in 2010, \$0.533 million in 2011, \$0.520 million in 2012 and \$0.520 million in 2013 and \$2.6 million for 2014-2018.
- Funding for State of Good Repair (SOGR) projects is 19% of the 2009 Recommended Capital Budget, 2010 to 2013 Recommended Capital Plan, and 2014 to 2018 Proposed Capital Forecast and 81% of the funding is for Service Improvement (SI) initiatives. The latter is driven largely by the North Zoo Site Redevelopment Project, the Elephant Paddock initiative, and the Korean Gardens. Although these projects are categorized as service enhancements, their completion will, in effect, greatly reduce the Zoo's SOGR backlog.
- The 2009 Recommended Capital Budget and 2010 to 2013 Recommended Capital Plan mirrors the 2008-2012 Capital Plan that Council approved for 2008 except for the inclusion of \$5.0 million for the Korean Gardens Project.

- The Toronto Zoo has a current SOGR backlog of approximately \$94.4 million as of the end of 2008. Implementation of the 2009 Recommended Capital Budget, 2010 to 2013 Recommended Capital Plan, and 2014 to 2018 Proposed Capital Forecast will result in the SOGR backlog being reduced to \$33.83 million by 2018. Approximately 51% of the \$60.568 SOGR backlog reduction is attributed to Service Improvement projects requiring third party fund raising.
- The 2009 Recommended Capital Budget and 2010 to 2013 Recommended Capital Plan includes completion of the Tundra Trek exhibit, and if sufficient external funding is secured, the Eurasia phase of the North Zoo Site Redevelopment Project. The Giraffe House Refurbishment and the Korean Gardens projects are also scheduled for completion in this timeframe.
- The 2009 Recommended Capital Budget for the Toronto Zoo, of \$6.675 million (excluding funding being carried forward from 2008 to 2009) includes \$1.696 million for previously approved commitments and \$4.979 million for new initiatives. There are no future year commitments as a result from the approval of the 2009 Recommended Capital Budget.
- The 2009 Recommended Capital Budget for previously approved and new projects of \$6.675 million is 50% allocated to state of good repair projects at \$3.348 million and 50% allocated to service improvements at \$3.327 million.
- The 2009 Recommended Capital Budget will provide funding to:
 - Complete in 2009:
 - Phase I of the North Zoo Site Redevelopment (Tundra Trek);
 - Refurbishment of the Mandrill exhibit;
 - Renovations of exhibits in the south end of the African Rainforest Pavilion, and
 - Continue:
 - Upgrading of the Zoo's BIOCON system to improve management of animal health information; and
 - Improvement of grounds and visitor's areas.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for the Toronto Zoo with a total project cost of \$4.979 million and a 2009 cash flow of \$8.425 million comprised of the following:
 - a) New Cash Flow Funding for:
 - i) 8 new sub-projects with a 2009 total project cost of \$4.979 million that requires cash flow of \$4.979 million in 2009;
 - ii) 2 previously approved sub-projects with a 2009 cash flow of \$1.696 million; and
 - b) 2008 approved cash flow for 1 previously approved sub-project with carry forward funding from 2008 to 2009 totalling \$1.750 million;
2. Council approve new debt service costs of \$0.060 million in 2009 and incremental costs of \$0.255 million in 2010 resulting from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets;
3. Council consider operating impacts of \$0.335 million emanating from the approval of the 2009 Recommended Capital Budget, to be included in the 2013 operating budget;
4. Council approve the 2010-2013 Capital Plan for the Toronto Zoo totalling \$77.925 million in project estimates, comprised of \$10.495 million in 2010, \$21.109 million in 2011, \$24.452 million in 2012, and \$21.869 million in 2013;
5. Council approve in principle the 2014-2018 Capital Forecast for the Toronto Zoo totalling \$120.252 million in project estimates, comprised of \$19.969 million in 2014, \$62.909 million in 2015, \$19.628 million in 2016, \$13.178 million in 2017, and \$4.568 million in 2018; and this forecast be used as a foundation for preparing a firm 2010 to 2019 Capital Plan as part of the 2010 Capital Budget process;
6. All sub-projects with third-party financing be approved conditionally, subject to the receipt of such funding during 2009 and if such financing is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs; and,
7. the Chief Executive Officer of Toronto Zoo report to Budget Committee by June 2009, on the Fundraising Campaign strategy, including the timetable and impact on the 10-Year Capital Plan and Forecast.

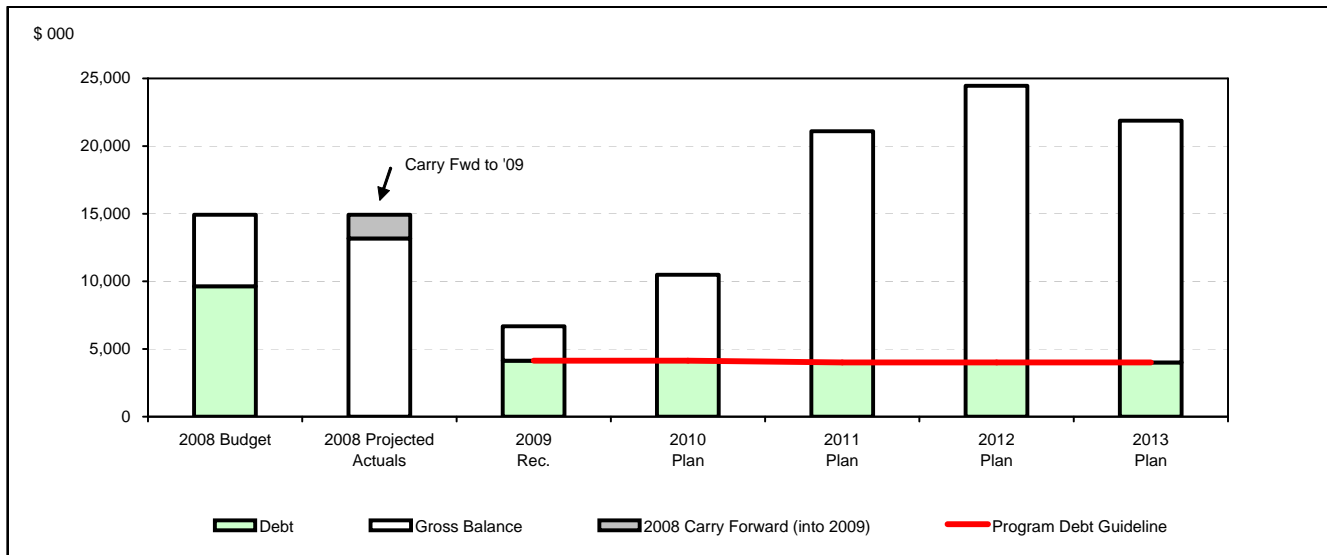
2008 Capital Variance Review

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
14,925	2,886	19.3%	13,175	88%	1,750

Comments / Issues:

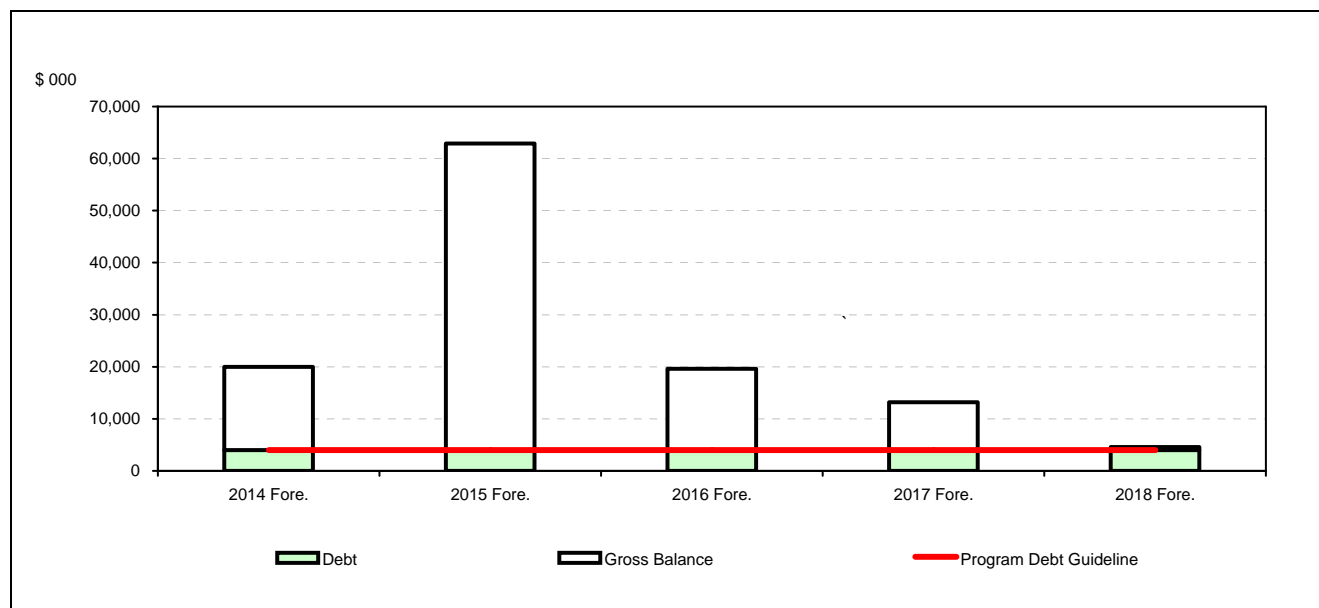
- Toronto Zoo spent \$2.886 million or 19.3% of its 2008 Approved Capital Budget of \$14.925 million as at June 30, 2008.
- The Program is projecting to spend \$13.175 million or 88% of its 2008 Approved Capital Budget by year-end.
- The majority of projects are underway and are expected to be completed by year-end. \$1.750 million in funding will be carried forward to 2009 to complete the North Site Tundra Project.

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	14,925	13,179	1,696					1,696	
Recommended Changes to Commitments								0	
2009 New/Change in Scope and Future Year Commitments								0	
2010 - 2013 Capital Plan Estimates			4,979	10,495	21,109	24,452	21,869	82,904	
1-Year Carry Forward to 2009		1,750							
Total Gross Annual Expenditures & Plan	14,925	14,929	6,675	10,495	21,109	24,452	21,869	84,600	
Program Debt Target	9,635		4,125	4,125	4,000	4,000	4,000	20,250	
Financing:									
Recommended Debt	9,635		4,125	4,125	4,000	4,000	4,000	20,250	24%
Reserves/Reserve Funds									0%
Development Charges									0%
Federal									0%
Provincial									0%
Other Revenue	5,290		2,550	6,370	17,109	20,452	17,869	64,350	76%
Total Financing	14,925		6,675	10,495	21,109	24,452	21,869	84,600	100%
By Category:									
Health & Safety									0%
Legislated									0%
SOGR	5,098		3,348	2,264	3,559	3,427	10,155	22,753	27%
Service Improvement	9,827		3,327	8,231	17,550	21,025	11,714	61,847	73%
Growth Related									0%
Total By Category	14,925		6,675	10,495	21,109	24,452	21,869	84,600	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)			(5,763)	(7,021)	(15,145)	(8,576)	(9,765)	(46,270)	
Accumulated Backlog Estimate (end of year)		94,401	88,638	81,617	66,472	57,896	48,131	48,131	
Operating Impact on Program Costs					335			335	
Debt Service Costs			61	358	533	520	520	1,992	

5-Year Capital Forecast (2014-2018)



	5-Year Capital Forecast								10-Year Total Percent
	2014	2015	2016	2017	2018	2014-2018	2009-2018		
Gross Expenditures:									
2008 Capital Budget & Future Year Commitments						0	1,696		
Recommended Changes to Commitments						0	0		
2009 New/Change in Scope and Future Year Commitments						0	0		
2014 - 2018 Capital Forecast Estimates	19,969	62,909	19,628	13,178	4,568	120,252	203,156		
Total Gross Annual Expenditures & Plan	19,969	62,909	19,628	13,178	4,568	120,252	204,852		
Program Debt Target	4,000	4,000	4,000	4,000	4,000	20,000	40,250		
Financing:									
Recommended Debt	4,000	4,000	4,000	4,000	4,000	20,000	40,250		20%
Reserves/Reserve Funds							0		0%
Development Charges							0		0%
Federal							0		0%
Provincial							0		0%
Other Revenue	15,969	58,909	15,628	9,178	568	100,252	164,602		80%
Total Financing	19,969	62,909	19,628	13,178	4,568	120,252	204,852		100%
By Category:									
Health & Safety									0%
Legislated									0%
SOGR	6,219	2,624	2,769	2,508	2,568	16,688	39,441		19%
Service Improvement	13,750	60,285	16,859	10,670	2,000	103,564	165,411		81%
Growth Related									0%
Total By Category	19,969	62,909	19,628	13,178	4,568	120,252	204,852		100%
Yearly SOGR Backlog Estimate (not addressed by current plan)						(14,298)	(60,568)		
Accumulated Backlog Estimate (end of year)						33,833	33,833		
Operating Impact on Program Costs						0	335		
Debt Service Costs	520	520	520	520	520	2,600	4,592		

10-Year Capital Plan and Forecast Overview

- The Toronto Zoo 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast is a continuation of the Zoo's 25-Year Capital Master Plan of 1990 and is in line with the directions in its 2001 Strategic Plan. The following eight major reports, adopted by the Board of Management, support the 10-year Capital Plan and Forecast: Building Audit Report and Site Services Study, Revenue and Visitor Experience Enhancement Study, Information Needs 2000, North Zoo Site Redevelopment Schematic Design, Animal Health Facilities Feasibility Study, Education Development Feasibility Study, Audit of Exhibits and Holdings, and Elephant Feasibility Study.
- The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast allocate \$39.441 million or 19% of the total new cash flow of \$204.852 million for state of good repair projects. Service Improvement Projects represent approximately 81% or \$165.411 million of the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. Examples of service improvement projects include North Zoo Site Redevelopment, Korean Gardens, Elephant Winter Holding, Giant Panda (2014-2017) and the Penguin Exhibit (2016-2018).
- The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast are 80% financed from fundraising, totalling \$164.602 million. The Toronto Zoo is preparing to launch a major capital fund raising campaign in 2008 to meet this requirement.
- Debt funding included in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast represents 19% or \$40.250 million, and meets the debt targets set for each of the 10 years.
- The Toronto Zoo currently has a significant SOGR backlog, estimated at \$94.401 million by year-end 2008. The backlog is projected to decrease by approximately \$60.568 million to \$33.833 million by 2018. The decrease in backlog directly results from service improvement projects replacing or improving existing exhibits that are deteriorating. For example the North Zoo Site Redevelopment Project, though classified as a service improvement, will alone reduce the backlog by over \$25 million, once completed.
- Toronto Zoo's 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast will result in a \$0.335 million increase in operating costs, including the addition of 8 staff, upon the completion of the Mixed Woodland/Boreal Forest phase of the North Zoo Site Redevelopment Project in 2011.

Multi-Year Debt Affordability Targets and Project Financing

The Toronto Zoo's 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast meet the Council-approved debt affordability targets for 2009 to 2018. The 10-Year Capital Plan and Forecast is reliant on the ability to secure non-City funding for capital projects based on the launching of the Toronto Zoo's significant fundraising campaign.

Development Charge Funded Projects

Toronto Zoo capital projects are not eligible for Development Charge funding.

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

The Toronto Zoo's state of good repair backlog, projected at \$94.401 million by 2008 year-end, is expected to be reduced to \$33.833 million by 2018 as a result of service improvement projects replacing or enhancing deteriorated buildings and exhibits and by state of good repair projects as well.

Program Capacity and Readiness to Proceed

Toronto Zoo is anticipating spending \$13.175 million or 88% of the 2008 Approved Budget of \$14.925 million, overcoming the challenges of 47% spending in 2006 and 44% in 2007, due to timing delays associated with the re-tendering of the North Zoo Site Redevelopment Project. The projects included in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast are ready to proceed.

Spending rates for future years 2010 to 2018 will face two significant challenges.

- **Escalating construction costs:** The re-tendering of several large construction projects in 2007 was the result of construction costs escalating at rates higher than inflation and highlights the need to readjust the 10-Year Capital Plan and Forecast for rates higher than inflation. Future awarding of contracts may be delayed if unanticipated cost escalation continues, resulting in the need to carry forward funding for these projects. There are a limited number of suppliers who can meet the specialized construction requirements related to Toronto Zoo projects often resulting in delays and increased costs.
- **Fundraising capacity.** Although the Toronto Zoo has carried out an assessment of its fundraising potential, and is confident that it can adequately augment the City's investment in its capital improvements, securing such a significant amount of non-City funding over the next five years may be extremely challenging. The Zoo has never conducted a capital fundraising campaign of this magnitude in the past. With a growing number of public institutions looking to private sources to fund their capital requirements, competition for donations is becoming increasingly intense. It may therefore be a challenge for the Zoo to raise the \$64.35 million to fund the 5-Year Capital Plan, in such a relatively short time span.
 - The Toronto Zoo will continue to be challenged to raise \$100.3 million through 2014-2018, to fund the 5-Year Proposed Capital Forecast.

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

Changes to the 2008-2012 Approved Capital Plan have been made within the approved annual debt affordability targets for 2009-2013 to address minor changes in priorities. The only significant change is the inclusion \$5 million funding required for the Korean Gardens project. The Korean Garden concept is a themed section in the Eurasia area of the Zoo. This project is to be completed in partnership with the Dr. Schofield Memorial Foundation and the Korean community with no debt funding required. Design of the Garden is planned for 2009 and construction planned for 2010-2012.

Capital Projects Highlights

The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast supports the Zoo's 25-Year Capital Master Plan of 1990 and is in line with the directions in its 2001 Strategic Plan. Significant capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast are highlighted below.

- **North Zoo Site Redevelopment**

The North Zoo Site Redevelopment Project requires \$43.729 million (\$8.522 million debt and \$35.207 million other funding) or 21% of the planned funding for capital projects in the 2009 Recommended Capital Budget; 2010-2013 Recommended Capital Plan; and, 2014-2018 Proposed Capital Forecast. The North Zoo Site Redevelopment will complete more efficient integration of visitor site circulation changes at the Toronto Zoo by bringing important Canadian animal exhibits now in the Rouge Valley up into the table lands. The construction has been planned in multi phases, over the next six years, to match debt target and fund-raising plans.

Phase I: Tundra Trek, under construction, will feature expansion of the existing polar bear exhibit, along with the development of the remainder of the Tundra exhibits incorporating interactive displays of cultural and ecological significance. The construction of the Tundra will be largely completed in 2008 for a major opening in 2009.

Phase II: Eurasia Rehabilitation, will consolidate and intensify the visitor experience by shortening the visitor path in the existing Eurasia area. Phase II design commenced in September, 2007. An important component of the improvement includes a themed ride in the area, as recommended in the Revenue & Visitor Experience Enhancement Study. Renovation of this area in 2010-2011 is necessary to make way for the Phase III construction.

Phase III: Mixed Woodland Biome/Boreal Forest Biome, completes the Canadian Wilderness Experience area and will feature a new Orientation Centre, moose, beaver and otter exhibits, and a drive-through bison/elk paddock on the Zoomobile tour. Funds are planned for 2011-2012.

Phase IV: Tropical Americas Rehabilitation, will involve the relocation and consolidation of the South America exhibits along with the refitting of a portion of the exhibits in the Americas Pavilion for Tropical American animals. Funds are included in the 10-Year Forecast in 2014-2015, however, the cost estimates will likely need to be re-adjusted based on recent project experience with cost escalation.

- **Elephant – Winter Holding/Paddock Expansion**

The Elephant-Winter Holding/Paddock Expansion Project requires \$42.462 million (\$0.431 million debt and \$42.031 million other funding) or 20.4% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. The intent of this project is to provide exercise space for the elephants and enable viewing in the winter months. In 2009-2010, design work will be completed and construction work started on enlargement of holdings with interior renovations. The majority of the construction, \$40 million, is planned for 2015.

- **Education Centre**

The new Education Centre requires \$21.525 million (100% to be funded by other sources) or 10.4% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. The Centre for Sustainable Life & Learning will be an innovative, dynamic, state of the art building that provides learning space for a wide variety of visitors and users. This project has been scheduled for detailed design in 2013, with construction to follow in 2014 to 2015.

- **Building and Services Refurbishment**

The Building & Services Refurbishment Project requires \$14.917 million (funded by debt) or 7.3% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. The Building & Services Refurbishment project implements the repair or replacement of building components identified in the Building Audit Report approved by the Board in 1998.

- **Grounds and Visitor Improvements**

The Grounds and Visitor Improvements Project requires \$3.995 million (funded by debt) or 1.9% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. This project addresses the needs of the public concerning visitor amenities, the appearance of indoor and outdoor areas, improvements to site circulation and visitor orientation.

- **Information Services**

The Information Services Project requires \$1.988 million (funded by debt) or 0.9% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. This project supports the Information Needs 2000 Report replacing various systems including: points of sale, data warehousing, biology and conservation records system, document management and imaging, telecommunications and financial systems. Upgrading of the Zoo's BIOCON system to improve management of animal health information will continue in 2009. The Toronto Zoo is working with the City's Information Technology Services on these projects.

- **Exhibit Refurbishment**

The Exhibit Refurbishment Project requires \$4.842 million (funded by debt) or 2.3% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. Exhibit Refurbishment is a multi-year plan involving initiatives to renovate exhibits throughout the Zoo site.

- **Korean Garden**

The Korean Garden Project requires \$5 million (no debt and \$5 million other funding) or 2.4% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. The project is comprised of a garden, buildings and a statue to commemorate the life and achievements of Dr Francis Schofield, a Canadian humanitarian who worked in Korea. The project has strong support from local Korean community leaders and will provide high profile exhibit areas. The concept plan for the Korean Gardens is consistent with plans for the Asian Gardens capital project. The project is to be completed in phases as funding becomes available.

- **Animal Health Centre**

The Animal Health Centre Project requires \$16.250 million (\$1.423 million debt and \$14.827 million other funding) or 7.8% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. The new Animal Health & Reproduction Centre will be specifically designed for medical and surgical care of zoo species, and will provide specialized housing for hospitalized animals. Detailed design of this facility is planned for 2011 with construction to follow in 2012 to 2013.

- **Orangutan II & III Indoor/Outdoor Exhibits**

The Orangutan II & III Project requires \$7.336 million (\$0.481 million debt and \$6.855 million other funding) or 3.5% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. Phase I was completed in 1994. Phase II will upgrade the indoor living conditions for the orangutans. Phase III will provide access to a new outdoor exhibit on the south side of the Indo Malaya Pavilion. This project has been scheduled for detailed design in 2012, with construction to follow in 2013 to 2014.

- **Giant Panda**

The Giant Panda Project requires \$16.964 million (\$0.214 million debt and \$16.750 million other funding) or 8.2% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. The Giant Panda exhibit would allow for a captive breeding program that is essential for the survival of this species. Exhibits would present a Chinese village and include other species of animals and plants typical of the mountain habitat of Sichuan Province in China. The Panda Exhibit is in the concept stage and will be conditional on outside funding to proceed.

- **Penguin Exhibit**

The Penguin Exhibit Project requires \$6.446 million (\$3.370 million debt and \$3.076 million other funding) or 3.1% of the planned funding for capital projects in the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast. The Toronto Zoo is planning for the reintroduction of penguins into the Zoo collection. Penguins from the temperate regions of the world, rather than the Antarctic species will be on exhibit. Design and construction are anticipated for 2014 to 2018.

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
New & Expanded Facility Projects								
North Zoo Site Redevelopment	3,846.0	5,000.0	15,000.0	12,525.0		36,371.0	7,358.0	43,729.0
Elephant-Winter Holding and Paddock	731.0	1,731.0				2,462.0	40,000.0	42,462.0
Korean Gardens	500.0	1,500.0	1,500.0	1,500.0		5,000.0		5,000.0
Animal Health Centre			1,050.0	7,000.0	8,200.0	16,250.0		16,250.0
Education Development					1,425.0	1,425.0	20,100.0	21,525.0
Orangutan II & III				481.0	2,978.0	3,459.0	3,877.0	7,336.0
Penguin Exhibit						0.0	6,446.0	6,446.0
Giant Panda Exhibit						0.0	16,964.0	16,964.0
Sub-Total New & Expanded Facilities	5,077.0	8,231.0	17,550.0	21,506.0	12,603.0	64,967.0	94,745.0	159,712.0
IT Projects (Information Services)	504.0	255.0	255.0	102.0	350.0	1,466.0	522.0	1,988.0
Total	5,581.0	8,486.0	17,805.0	21,608.0	12,953.0	66,433.0	95,267.0	161,700.0

The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast includes new/expanded facilities funding of \$161.700 million.

Funding for information technology projects amount to \$1.988 million. The project provides funding for upgrades to meet key Zoo animal information management requirements and replacement of hardware identified in the Zoo's Information Technology Needs Report completed in 2000.

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)						0.0		0.0
Approved Positions						0.00		0.00
Debt Service Costs	60.73	255.05	0.00	0.00	0.00	315.77	0.00	
Recommended 2010-2013 Capital Plan								
Program Costs (net)					335.0	335.0		335.0
Approved Positions					8.00	8.00		8.00
Debt Service Costs	0.00	103.13	533.13	520.00	520.00	1676.25		
Recommended 2014-2018 Capital Forecast								
Program Costs (net)						0.0		0.0
Approved Positions						0.00		0.00
Debt Service Costs							2600.00	
Total								
Program Costs (net)	0.0	0.0	0.0	0.0	335.0	335.0	0.0	335.0
Approved Positions	0.0	0.0	0.0	0.0	8.0	8.0	0.0	8.0
Debt Service Costs	60.73	358.17	533.13	520.00	520.00	1992.02	2600.00	4592.02

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

The operating impact of the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan, and 2014-2018 Proposed Capital Forecast is \$0.335 million in 2013 for eight additional staff as well as corresponding materials and supplies required upon completion of the mixed Woodland/Boreal Forest phase of the North Zoo Site Redevelopment Project in 2011.

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	-	1,696		1,696		1,750	3,446										3,446
Change in Scope																	
New			4,979	4,979			4,979										4,979
New w/Future Year																	-
Total Expenditure	-	1,696	4,979	6,675		1,750	8,425	-	-	-	-	-	-	-	-	-	8,425
Financing																	
Reserves/Res Funds							-										-
Prov. Subsidy/Grant							-										-
Federal Grants							-										-
Development Charges																	
Other			2,550	2,550			2,550										2,550
Debt		1,696	2,429	4,125	4,125	1,750	5,875										5,875
Total Financing	-	1,696	4,979	6,675		1,750	8,425	-	-	-	-	-	-	-	-	-	8,425

Comments / Issues:

- The 2009 Recommended Capital Budget is \$8.425 million and includes funding from 2008 projects carried forward into 2009 of \$1.750 million; previously approved funding of \$1.696 million, and \$4.979 million for new projects.
- Approval of the 2009 Recommended Capital Budget includes no commitment of future year funding for new projects.
- The 2009 Recommended Capital Budget is 31% funded from other sources and 69% funded from debt and meets the debt target set for 2009.

2009 Recommended Capital Budget

2009 Recommended Capital Budget versus Debt Target

The 2009 Recommended Capital Budget of \$8.425 million gross and \$5.875 million debt achieves the debt affordability target set for 2009.

Capital Budget by Project Category

- **State of Good Repair Projects:** The 2009 Recommended Capital Budget allocates significant funding for state of good repair projects accommodating the Program's highest priority needs. These projects account for approximately \$3.348 million or 49.4% of the total new cash flow of \$6.675 million recommended for 2009. State of Good Repair for the Toronto Zoo is driven by the needs for Building and Exhibit Refurbishment and Grounds Improvements.
- **Service Improvement Projects:** These projects represent approximately 50.6% or \$3.327 million of the total recommended cash flow for 2009. Examples of the service improvement projects include detailed design of the Mixed Woodland Biome/Boreal Forest Project and the Elephant Winter Holding/Paddock Project. These initiatives, however, will not only improve the visitor experience and quality of animal accommodation once completed, but address the state of good repair backlog deficiencies as well.

Capacity and Readiness to Proceed

The 2009 Recommended Capital Budget of \$8.425 million includes \$6.675 million new funding and \$1.750 million funding carried forward from 2008. The 2009 Recommended Capital Budget is ready to proceed. Most of the projects have been in the plan for a number of years. The environmental assessments and project planning have been completed, resulting in realistic cash flow requirements included in the Recommended 2009 Capital Budget.

Projects requiring third party funding are to be approved conditionally on securing third party funding. Projects are not to proceed until \$2.550 million funding is secured from the Zoo Foundation and other funding sources.

Capital Project Highlights

The North Zoo Site Redevelopment Project: The 2009 Recommended Capital Budget provides funding of \$3.301 million to complete the Tundra Trek, ready for a major opening in 2009 and will feature expansion of the existing polar bear exhibit, along with the development of the remainder of the Tundra exhibits incorporating interactive displays of cultural and ecological significance. Funding of \$0.545 million is also provided to start the design of Phase II "Eurasia Rehabilitation", which will consolidate the Eurasia area.

Elephant – Winter Holding/Paddock Expansion: The 2009 Recommended Capital Budget provides funding of \$0.731 million to start the design of the project to provide year-round exercise space for the elephants and to enable viewing in winter months.

Building & Services Refurbishment Project: The 2009 Recommended Capital Budget provides funding of \$1.905 million for the repair or replacement of building components identified in the Building Audit Report

Exhibit Refurbishment Project: The 2009 Recommended Capital Budget provides funding of \$0.596 million for Exhibit Refurbishment as part of a multi-year plan involving initiatives to renovate exhibits throughout the Zoo site.

PART II: ISSUES FOR DISCUSSION

2009 Recommended Capital Budget Issues

- **Third party funding**

The 2009 Recommended Capital Budget includes \$2.550 million in third party funding for the following three projects: North Zoo Site Redevelopment - \$1.319 million, Korean Gardens - \$0.500 million, and Elephant winter holding/Paddock Expansion - \$0.731 million. These projects requiring third party funding are recommended for approval conditional on third party funding being secured; projects are not to proceed until funding has been received.

5-Year Capital Plan Issues

- **Third party funding**

The 2009 to 2013 Recommended Capital Plan includes third party funding amounting to \$64.350 million or 74% of the total Plan of \$86.946 million.

As a partner with the City, the Toronto Zoo is committed to working with the City to obtain more “non-City” funding for capital projects. In 2006, fundraising consultants were retained to develop a strategy to secure increased funding and ultimately to secure increased funding to support future capital needs.

Although the Program has carried out an assessment of its fundraising potential, and is confident that it can adequately augment the City’s investment in its capital improvements, securing such a significant amount of non-City funding over the next five years may be extremely challenging. The Zoo has never conducted a capital fundraising campaign of this magnitude in the past. With a growing number of public institutions looking to private sources to fund their capital requirements, competition for donations is becoming increasingly intense. It may therefore be a challenge for the Zoo to raise the \$64.350 million in such a relatively short time span. While such large successful fundraising appeals are not without precedent, for instance in 1994, the St. Louis Zoo began a four-year campaign that raised \$70 million U.S. (\$7 million more than its original goal) specifically for its capital needs, the Program’s own consultants have cautioned that it takes “3-5 years to develop mature revenue generation operations”.

Like most City Programs, the Toronto Zoo’s five-year debt funding levels are insufficient to address all of its competing demands. To exacerbate matters, the Program’s yearly debt allocation steadily decreases from \$6.2 million in 2007 to \$4.0 million in 2011. Such constraints clearly preclude the Zoo from engaging in much needed service improvements while simultaneously tackling its sizeable SOGR backlog. In the current fiscal environment, the Program has revised its spending plans in order for the City is to achieve its debt affordability objectives.

- **Escalating Construction Costs**

The re-tendering of several large construction projects in 2007 was a direct result of construction costs escalating at rates higher than inflation. Escalation of construction costs continued through 2008 highlighting the need to readjust the five-year plan and targets for rates higher than inflation. The cost

escalation issue invariably impacts the timing of awarding contracts for the projects and while amounts are fully committed, delays in cash-flow spending within the timeframe of the plan can result in the need to carry forward the funding for these large projects. A limited number of specialized suppliers and a short “off season” construction time frame can influence the cost and completion targets for future projects.

- **Impact of Reduced Fund Raising on State of Good Repair**

Approximately \$23.517 million or 51% of the \$46.270 million reduction to the SOGR Backlog is attributed to Service Improvements projects requiring third party fund raising. Any fund raising short falls will result in increased debt funding pressure for SOGR to maintain the buildings and exhibits included in the Service Improvement plan.

5-Year Capital Forecast Issues

- **Third party funding**

The 2014 to 2018 5-Year Capital Forecast includes third party funding amounting to \$100.0 million or 83% of the total funding of \$120.252 million. The dependency on third party funding escalates from \$64.350 million for the 2009-2013 5-Year Capital Plan, a \$35.65 million or 55% increase.

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