

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

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PART I: CAPITAL PROGRAM**Executive Summary**

- Yonge-Dundas Square's 2008 Approved Capital Budget of \$0.100 million was 5% spent as at September 30, 2008. The Capital Budget consists of one capital project to replace the existing smooth steel grating that covers the oculus on the Square with a serrated grating to prevent pedestrians from slipping during inclement weather. It is expected to be completed and 100% spent by year-end.
- Yonge-Dundas Square's 10-Year Capital Plan and Forecast continues to address safety, state of good repair as the venue infrastructure ages, as well as one service improvement project.
- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast total \$0.645 million of which \$0.395 million is projected for the Program's Recommended 5-Year Capital Plan, requiring cash flows of \$0.050 million in 2009; \$0.195 million in 2010; and \$0.150 million in 2011. The Proposed 2014-2018 Capital Forecast totals \$0.250 million and requires estimated cash flows of \$0.050 million in each of years 2014 to 2018 to maintain the Square in a state of good repair.
- The Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast call for total debt of \$0.350 million, which exceeds the current approved debt target of \$0.100 million by \$0.250 million. Although the Recommended 5-Year Capital Plan (2009-2013) met the debt target, the Proposed 5-Year Capital Forecast estimate of \$0.250 million to maintain the facility in a state of good repair in years 2014-2018 exceeds the target because no debt was assigned beyond year 2010 for this Program.
- Yonge-Dundas Square's Recommended 5-Year Capital Plan (2009-2013) includes two projects: a state of good repair project to be undertaken in 2009 and 2010; and a service improvement project in 2011.
- The 2009 Recommended Capital Budget of \$0.245 million for a priority state of good repair capital project will enable the Program to address repairs of immediate concern and architectural/ structural and mechanical deficiencies that are of high priority as identified in the recent State of Good Repair Report prepared by the City's Facilities & Real Estate Division. The project requires cash flows of \$0.050 million in 2009 for the engineering work and \$0.195 million in 2010 for the construction work. The project is funded by \$0.100 million of new debt and \$0.145 million from the Capital Financing Reserve Fund.
- The recommended service improvement project to construct a permanent on-site storage facility on the eastern edge of the Square in 2011 at a cost of \$0.150 million is recommended on the condition that non-debt funding will be available.
- The Program does not have a backlog of state of good repair projects as the Square is relatively new (built in 2001). However, a comprehensive facility audit of the Square is required to ascertain ongoing state of good repair expenditure levels.

- The 2014 to 2018 Proposed Capital Forecast includes \$0.050 million in each year of 2014 to 2018 as placeholders for future state of good repair requirement pending a comprehensive facility audit of the Square and a long-term state of good repair plan prepared for the facility.
- It is recommended that the Board of Management of Yonge-Dundas Square and the City's Facilities & Real Estate Division conduct a comprehensive long-term technical facility audit of the Square's infrastructure, mechanical/electrical systems and equipment, and provide a 10-year state-of-good-repair capital plan to maintain the Square in future years. This study is required by June 2009 to inform the establishment of debt targets for the 2010-2019 Capital Plan and Forecast.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for Yonge-Dundas Square with a total project cost of \$0.245 million for one new project that requires new cash flow funding of \$0.050 million in 2009 and a future year commitment of \$0.195 million in 2010;
2. Council approve new debt service costs of \$0.001 million in 2009 and incremental costs of \$0.007 million in 2010 and \$0.005 million in 2011 resulting from the approval of the 2009 Recommended Capital Budget, for inclusion in the 2009 and future year operating budgets;
3. Council approve the 2010-2013 Capital Plan for Yonge-Dundas Square totalling \$0.150 million in project estimates in 2011;
4. Council approve in principle the 2014-2018 Capital Forecast for Yonge-Dundas Square totalling \$0.250 million in project estimates, comprised of \$0.050 million in 2014; \$0.050 million in 2015; \$0.050 million in 2016; \$0.050 million in 2017; and \$0.050 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; and,
5. the Board of Management of Yonge-Dundas Square, together with the Executive Director of Facilities and Real Estate, submit to the Deputy City Manager and Chief Financial Officer by June 2009, the results of the facility audit and a 10-year state of good repair capital plan to maintain the Square in a state of good repair and ensure asset preservation in future years.

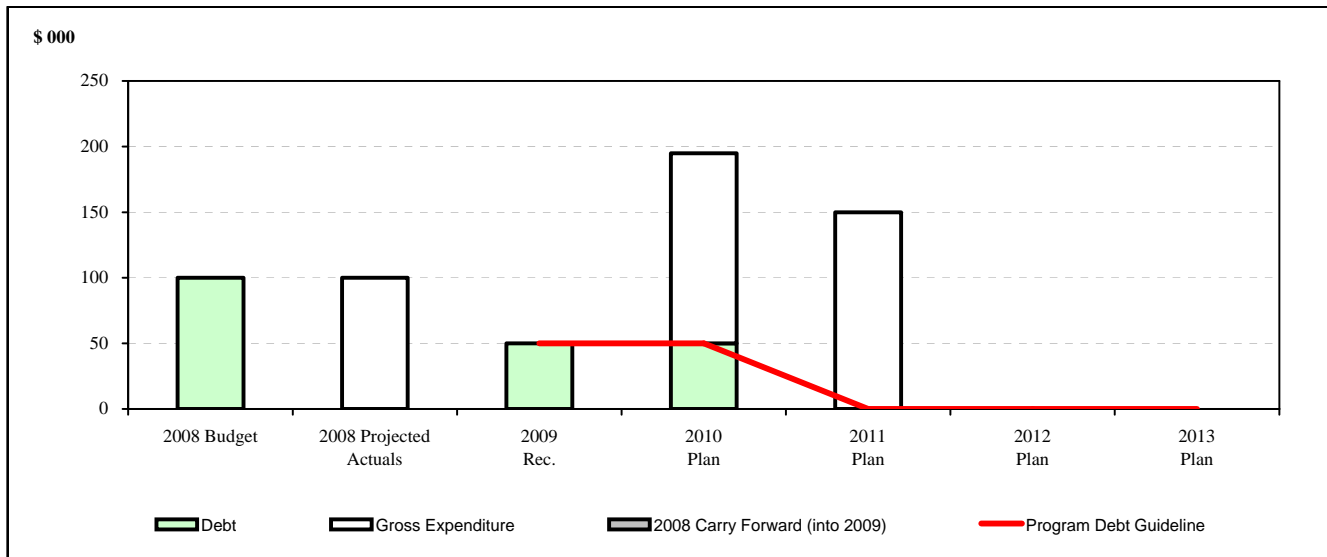
2008 Capital Variance Review

2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2008 Approved	Actuals as of Sept. 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
100	5	4.6%	100	100%	0

Comments / Issues:

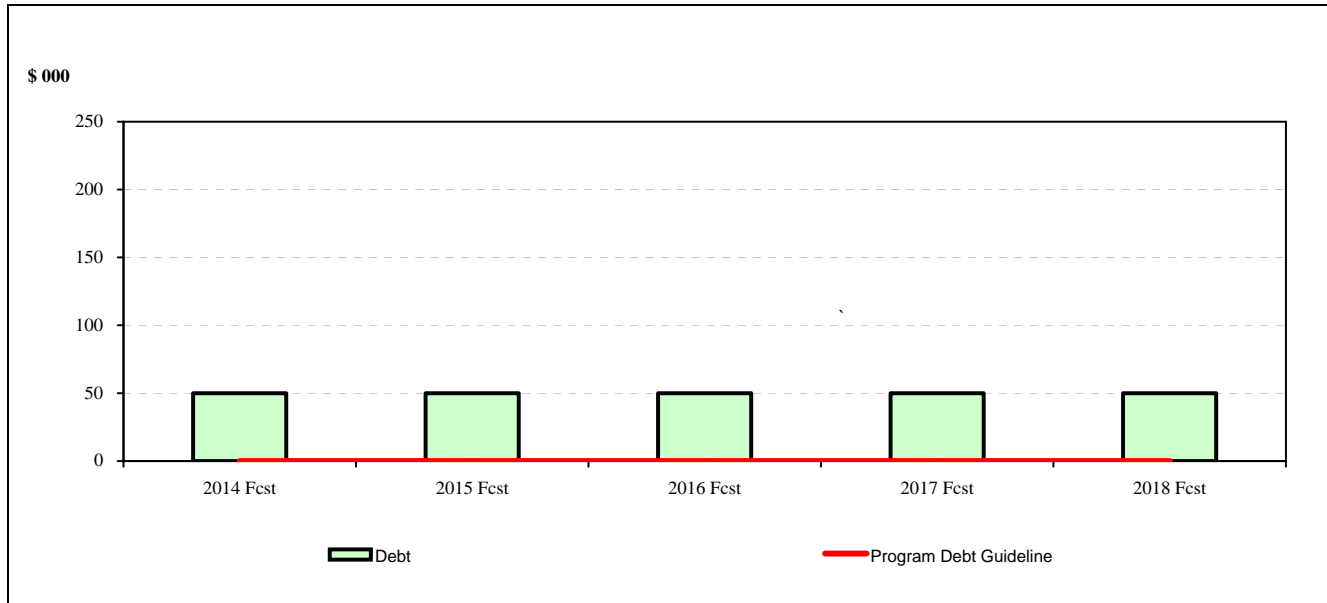
- At the end of the 3rd Quarter, Yonge-Dundas Square spent \$0.005 million or 5% of its 2008 approved cash flow budget of \$0.100 million. Project implementation is scheduled for the 4th Quarter of 2008 when the Square is less heavily booked for events.
- The 2008 Capital Budget consists of one project to replace the existing smooth steel grating that covers the oculus on the Square with a serrated grating to prevent pedestrians from slipping on the grate during inclement weather. The construction work will happen in the 4th Quarter. This project is expected to be completed and fully spent by year-end.

5-Year Capital Plan (2009 Recommended Budget; 2010-2013 Plan)



	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	100	100						0	
Recommended Changes to Commitments								0	
2009 New/Change in Scope and Future Year Commitments			50	195				245	
2010 - 2013 Capital Plan Estimates					150			150	
1-Year Carry Forward to 2009		0	→						
Total Gross Annual Expenditures & Plan	100	100	50	195	150	0	0	395	
Program Debt Target	100		50	50	0	0	0	100	
Financing:									
Recommended Debt	100		50	50				100	25%
Other Financing Sources:									
Reserves/Reserve Funds				145				145	37%
Development Charges								0	0%
Federal								0	0%
Provincial								0	0%
Other Revenue					150			150	38%
Total Financing	100		50	195	150	0	0	395	100%
By Category:									
Health & Safety	100								
Legislated								0	0%
SOGR			50	195				245	62%
Service Improvement					150			150	38%
Growth Related								0	0%
Total By Category	100		50	195	150	0	0	395	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)								Not yet available.	0
Accumulated Backlog Estimate (end of year)									0
Operating Impact on Program Costs			None						0
Debt Service Costs			1	7	5	0	0	13	

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	0		
Recommended Changes to Commitments						0	0		
2009 New/Change in Scope and Future Year Commitments						0	245		
2014 - 2018 Capital Forecast Estimates	50	50	50	50	50	250	400		
Total Gross Annual Expenditures & Plan	50	50	50	50	50	250	645		
Program Debt Target	0	0	0	0	0	0	100		
Financing:									
Recommended Debt	50	50	50	50	50	250	350	54%	
Other Financing Sources:									
Reserves/Reserve Funds						0	145	22%	
Development Charges						0	0	0%	
Federal						0	0	0%	
Provincial						0	0	0%	
Other Revenue						0	150	23%	
Total Financing	50	50	50	50	50	250	645	100%	
By Category:									
Health & Safety									
Legislated						0	0	0%	
SOGR	50	50	50	50	50	250	495	77%	
Service Improvement						0	150	23%	
Growth Related						0	0	0%	
Total By Category	50	50	50	50	50	250	645	100%	
Yearly SOGR Backlog Estimate (not addressed by current plan)	Not yet available.						0	0	
Accumulated Backlog Estimate (end of year)							0	0	
Operating Impact on Program Costs	None						0	0	
Debt Service Costs	1	7	7	7	7	27	40		

10-Year Capital Plan and Forecast Overview

- Yonge-Dundas Square's 10-Year Capital Plan and Forecast continues to address safety, state of good repair as the venue infrastructure ages, as well as service improvement.
- The Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast requiring \$0.350 million in debt financing exceeds the current Council approved debt target of \$0.100 million assigned to the Program as an interim placeholder for anticipated state of good repair pending the findings and recommendations of the facility audit. No debt targets were assigned beyond the year 2010.
- The 10-Year Capital Plan and Forecast of \$0.645 million in project funding is comprised of 77% or \$0.495 million for state of good repair and 23% or \$0.150 million for service improvement.
- Yonge-Dundas Square's 2009 Recommended Capital Budget and 2010-2013 Recommended Capital Plan totals \$0.395 million and requires cash flows of \$0.050 million in 2009; \$0.195 million in 2010; \$0.150 million in 2011; and \$0 in 2012 and 2013. The 2014-2018 Proposed Capital Forecast totals \$0.250 million and requires estimated cash flows of \$0.050 million in each of years 2014 to 2018 to maintain the Square in a state of good repair.
- The Recommended 5-Year Capital Plan (2009-2013) includes two projects: a state of good repair project to be undertaken in 2009 and 2010; and a service improvement capital project in 2011.
 - Yonge-Dundas Square's 2009 Recommended Capital Budget consists of one state-of-good-repair project costing \$0.245 million, requiring cash flows of \$0.050 million in 2009 for engineering work and \$0.195 million in 2010 for construction work. This project will address repairs of immediate concern and architectural/structural and mechanical deficiencies that are of high priority as identified in the recent State of Good Repair Report and Capital Work Plan prepared by the City's Facilities & Real Estate Division.
 - Construction of a permanent on-site storage facility on the eastern edge of the Square at a cost of \$0.150 million is included in year 2011. This priority service improvement project will ensure the Program's ability to successfully grow and meet the needs of its clients and address the operational/logistical issues encountered on a daily basis due to the lack of on-site storage. This capital project is projected conditional on non-debt funding being available.
- A comprehensive long-term technical facility audit will be required in the near future to determine what state of good repair work in years 2011 to 2018 will be required for asset preservation.
- No future year debt targets were assigned for years 2011 to 2018 pending a comprehensive long-term (10 year) technical facility audit of the Square's structure, mechanical/electrical systems and equipment, and the resultant findings and recommendations, yet to be commissioned. In the interim, it is recommended that debt forecasts of \$0.050 million be assigned to each year of 2014 to 2018 (5-Year Capital Forecast) as a placeholder for future years' anticipated state of good repair, long-term maintenance and rehabilitation.

Multi-Year Debt Affordability Targets

- Short term debt affordability targets of \$0.050 million were assigned as placeholders for anticipated state of good repair requirements in each of years 2009 and 2010 only. No further debt targets were assigned for years 2011 to 2013 (part of the 5-Year Capital Plan) and future years 2014 to 2018 (5-Year Capital Forecast) pending the findings and recommendations from a comprehensive long-term technical facility audit yet to be undertaken.
- Yonge-Dundas Square's Recommended 5-Year Capital Plan and the Proposed 5-Year Capital Forecast requires debt financing of \$0.350 million. This debt requirement exceeds the current Council-approved debt target of \$0.100 million by \$0.250 million, as follows:
 - The Proposed 5-Year Capital Forecast includes estimated future SOGR costs of \$0.050 million in each year of 2014 to 2018, totalling \$0.250 million for asset preservation, but no debt targets were assigned for these future years as a long-term comprehensive facility audit has not yet been undertaken.

Project Financing

- Yonge-Dundas Square's Recommended 5-Year Capital Plan requires \$0.245 million in project financing for a state of good repair capital project to be undertaken in 2009-2010. The 2009 Recommended Capital Budget requires debt financing of \$0.050 million in 2009 and \$0.050 million in 2010, and \$0.145 million of funds from the Capital Financing Reserve Fund XR1011.
- The Proposed 5-Year Capital Forecast requires estimated debt financing of \$0.050 million in each year of 2014 to 2018, for a total of \$0.250 million, for state of good repair projects in future years.
- The capital financing of the Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast of \$0.645 million is made up of 54% or \$0.350 million in debt financing and 23% or \$0.145 million from Reserves/Reserve Funds for state of good repair projects and 23% or \$0.150 million in non-debt funding for a service improvement project.

Development Charge Funded Projects

The Yonge-Dundas Square Program is not eligible for development charge funding.

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

The Program does not have a backlog of state of good repair projects as the Square is relatively new (built in 2001), nor any unmet service needs.

Program Capacity and Readiness to Proceed

Capacity is generally not an issue with this Program. However, due to the unique nature of Yonge-Dundas Square's capital projects, some requiring design and engineering studies, the capital projects may require a longer timeframe than one year to complete.

With only a staff of four, the Program does not have the capacity and technical expertise to implement the 2009-2010 state of good repair capital project. To address this situation, YDS will enter into an agreement with the City's Facilities & Real Estate Division to manage this project. A Capital Work Plan has already been prepared by Facilities & Real Estate staff.

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

The key new addition to the Approved 5-Year Capital Plan (2008-2012) is the construction of a permanent on-site storage facility in 2011, a priority service improvement capital project costing \$0.150 million and to be financed from non-debt sources, such as Section 37 or Section 45 monies. This project is included in the Recommended 2010-2013 Capital Plan with the condition that funding will be secured by the Program.

Capital Project Highlights

Approval of the 2009 Recommended Capital Budget and 2010 to 2013 Capital Plan will result in the following:

- Completion of one high priority state of good repair project that addresses repairs of immediate concern and architectural/structural and mechanical system deficiencies by 2010; and
- An on-site storage facility constructed on the eastern edge of the Square in 2011.

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	1.25	6.50	5.25	0.00	0.00	13.00	0.00	13.00
Recommended 2010-2013 Capital Plan								
Program Costs (net)						0.0		0.0
Approved Positions						0.00		0.00
Debt Service Costs						0.00		0.00
Proposed 2014-2018 Capital Forecast								
Program Costs (net)						0.0		0.0
Approved Positions						0.00		0.00
Debt Service Costs							27.25	27.25
Total								
Program Costs (net)						0.0	0.0	0.0
Approved Positions						0.00	0.00	0.00
Debt Service Costs	1.25	6.50	5.25	0.00	0.00	13.00	27.25	40.25

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

Program Operating Impacts

There are no operating impacts arising from the approval of the 2009 Recommended Capital Budget, Recommended 2010 to 2013 Capital Plan or Proposed 2014 to 2018 Capital Forecast.

Debt Service Cost

The 2009 Recommended Capital Budget will result in new debt service costs of \$0.001 million in 2009; \$0.007 million in 2010; and \$0.005 million in 2011. The Recommended 2010-2013 Capital Plan will result in no new debt service costs. The Proposed 2014-2018 Capital Forecast will result in new debt service costs of \$0.027 million.

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																	0
Change in Scope																	0
New																	0
New w/Future Year			50	50			50	195									245
Total Expenditure	-	-	50	50		-	50	195	-	-	-	-	-	-	-	-	245
Financing																	
Reserves/Res Funds								145									145
Development Charges																	0
Other																	0
Debt			50	50	50		50	50									100
Total Financing	-	-	50	50		-	50	195	-	-	-	-	-	-	-	-	245

- The 2009 Recommended Capital Budget of \$0.050 million, funded from debt, will provide for the initial project management and engineering work required to address immediate mechanical and architectural/structural deficiencies that were identified in the recent State of Good Report and Capital Work Plan for the SOGR capital project costing \$0.245 million.
- Approval of the 2009 Recommended Capital Budget will result in a future year commitment of \$0.195 million in 2010, as the construction work will occur in 2010.

2009 Recommended Capital Budget

2009 Recommended Capital Budget versus Debt Target

The 2009 Recommended Capital Budget for Yonge-Dundas Square of \$0.050 million meets the debt target.

Capital Budget by Project Category

The 2009 Recommended Capital Budget consists of one high priority state of good repair capital project to repair and address immediate architectural/structural and mechanical system deficiencies identified in the recent State of Good Repair Report prepared by the City's Facilities & Real Estate Division.

Capacity and Readiness to Proceed

With only a staff of four, the Program does not have the capacity and technical expertise to implement the 2009-2010 state of good repair capital project. To address this situation, YDS will enter into an agreement with the City's Facilities & Real Estate Division to manage the capital project. As a Capital Work Plan has been prepared by Facilities & Real Estate, the project is ready to proceed.

PART II: ISSUES FOR DISCUSSION**5-Year Capital Plan Issues****Future Year Targets**

The primary challenge facing Yonge-Dundas Square's (YDS) Capital Program are the debt targets for the Board of Management which currently are set at \$0.050 million each for the years 2009 and 2010, and \$0 for the years 2011 to 2013. This is insufficient to meet the immediate urgent needs of the facility and makes planning for future requirements extremely challenging.

The YDS State of Good Repair Report (February 2008) was prepared by City Facilities & Real Estate. The Report only addressed the anticipated needs of the facility in the short-term. The Report identified deficiencies that were deemed to be priorities requiring immediate action based on either premature deterioration or design/construction deficiencies. To meet the needs identified in this report, the Approved 5-Year Capital Plan (2008-2012) has been amended to include an incremental requirement of \$0.145 million in cash flow funding for 2010 to meet current cost estimates of addressing all aspects of the YDS State of Good Report including the sewage and electrical systems. If this SOGR project is not approved, further deterioration will result in additional problems and higher costs, possibly jeopardizing the Board of Management's ability to operate and maintain the facility.

5-Year Capital Forecast Issues

No debt targets were established for years 2014 to 2018 for this Program.

YDS anticipates that for the period 2014 to 2018, there will be capital needs as the facility continues to age. In 2009, the Board of Management will work with the City's Facility & Real Estate Division to determine a realistic capital forecast for that timeframe. The Board will also work with Facilities & Real Estate to determine the most effective manner of handling the Square's capital needs on an ongoing basis.

In the interim, the Program has estimated funding requirements of \$0.050 million in each year of the 5-Year Capital Forecast (2014-2018) for anticipated state of good repair and rehabilitation as the facility ages.

It is proposed that, for the 5-Year Capital Forecast, debt targets of \$0.050 million per year for each year of 2014 to 2018 be assigned to this Program. The 5-Year Capital Forecast debt targets for years 2014 through 2018 may be revised once the long-term comprehensive technical facility audit is completed. Given the size of the venue that constitutes this Program, it is unlikely that future SOGR projects can be accommodated within a debt target which is the same from year to year; however, \$0.050 million for each of the years 2014 to 2018 will act as a placeholder until facility audit results are known.

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 Dec. 31, 2008	Proposed Withdrawals										2009-2018 Total	
		2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Fcst	2015 Fcst	2016 Fcst	2017 Fcst	2018 Fcst		
Capital Financing Reserve Fund XR1011			145.0										145.0
Total Reserve / Reserve Fund	0.0	0.0	145.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	145.0