

**Capital Variance Report for the Nine-month Period  
Ended September 30, 2008**

<b>Date:</b>	November 6, 2008
<b>To:</b>	Budget Committee
<b>From:</b>	Acting Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2008\Internal Services\FP\Bc08020Fp (AFS#8404)

**SUMMARY**

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The purpose of this report is to provide the City of Toronto Capital Variance Report for the nine-month period ended September 30, 2008, and projected actual expenditures to December 31, 2008. Further, the report recommends adjustments to the 2008 Council Approved Capital Budget in order to ensure effective delivery of the City's capital program.

Capital expenditures for Tax Supported Programs during the nine months period ended September 30, 2008 totalled \$783.0million, representing 37.7% of the 2008 Approved Capital Budget of \$1.911 billion (see Appendix 1). City Operations spent \$277.4 million or 30.6% of the 2008 Approved Capital Budget of \$906.2 million; while Agencies, Boards and Commissions spent \$505.7 million or 43.1% of their collective 2008 Approved Capital Budget of \$1.2 billion. Rate Supported Programs spent \$167.7 million or 38.4% of the 2008 Approved Capital Budget of \$436.8 million. The above spending levels are consistent with prior years' performance (40.5% in 2007, 37.6% in 2006). It is noted that capital project activities tend to be concentrated in the latter half of the year; therefore, capital spending rates will accelerate during the last quarter of the year in accordance with capital project plans and schedules.

As shown in Appendix 1, projected expenditures to year-end are estimated at \$1.949 billion or 77.5% of the total 2008 Approved Capital Budget of \$2.515 billion. Tax Supported Programs estimate spending of 78.4%, while Rate Supported Programs estimate spending of 73.2% of their respective 2008 Approved Capital Budget by year-end. Projected under-expenditures to year-end are primarily attributed to unanticipated

delays in construction start-up; challenges in hiring qualified staff; unanticipated legal and environmental issues; reduced funding support from the Province on cost-shared projects; and the need to revise design plans.

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## RECOMMENDATIONS

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The Acting Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the in-year budget adjustments detailed in Appendix 2 which decreases the 2008 Council Approved Budget by \$ 25,000 with no impact on debt.
2. Budget Committee forward this report to the Executive Committee for its consideration.

## FINANCIAL IMPACT

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As summarized in Table 1 below, for the nine months ended September 30, 2008, actual expenditures for Tax Supported Programs totalled \$783.0 million or 37.7% of a 2008 Approved Capital Budget of 2.078 billion. By comparison, these Programs spent 42.8% of their 2007 Approved Capital Budget during the same period in 2007. Tax Supported Programs project a spending rate of 78.4% or \$1.63 billion by the end of 2008.

Rate Supported Programs spent \$167.7 million or 38.4% of their 2008 Approved Capital Budget of \$436.7 million. It is projected that by year-end, actual expenditures will approximate \$319.7 million or 73.2% of the 2008 Approved Capital Budget. By

comparison, these Programs spent 67.9% of their 2007 Approved Capital Budget during the same period in 2007.

Projected expenditures to year-end are estimated at \$1.949 billion or 77.5% of the total 2008 Approved Capital Budget of \$2.515 billion. By comparison, projected expenditures at nine months in 2007 were \$1.944 billion or 80.5% of the 2007 Approved Capital Budget of \$2.414 billion.

<b>Table 1</b>						
<b>Corporate Capital Variance Summary</b>						
<b>for the Nine Months Ended September 30, 2008</b>						
<b>(\$000s)</b>						
	2008 Approved Budget	Actual Expenditures - January 1 to September 30, 2008		Projected Actual to Year-End		
		\$000	%	\$000	% of Plan	
<b>Tax Supported Programs:</b>						
Citizen Centred Services - "A"	205,116	53,911	26.3%	144,523	70.5%	
Citizen Centred Services - "B"	500,247	156,721	31.3%	405,796	81.1%	
Internal Services	144,876	56,127	38.7%	110,903	76.5%	
Other City Programs	55,992	10,630	19.0%	39,102	69.8%	
Agencies, Boards & Commission	1,172,189	505,646	43.1%	928,817	79.2%	
<b>Total - Tax Supported</b>	<b>2,078,420</b>	<b>783,035</b>	<b>37.7%</b>	<b>1,629,140</b>	<b>78.4%</b>	
<b>Rate Supported Programs:</b>						
Toronto Parking Authority	26,746	7,815	29.2%	12,493	46.7%	
Toronto Water	410,000	159,882	39.0%	307,169	74.9%	
<b>Total Rate Supported</b>	<b>436,746</b>	<b>167,696</b>	<b>38.4%</b>	<b>319,662</b>	<b>73.2%</b>	
<b>Total</b>	<b>2,515,166</b>	<b>950,732</b>	<b>37.8%</b>	<b>1,948,802</b>	<b>77.5%</b>	

## ISSUE BACKGROUND

This report is provided pursuant to good business practice and budgetary control. As part of the City's accountability framework, capital variance reports are submitted to Committees and Council quarterly to provide information on how the approved capital works program is progressing, and on an exceptions basis, to identify issues that require direction from, and/or decisions from Council.

The report details capital spending performance for the first nine months of 2008 as well as spending projections to year-end. It identifies factors that negatively impact capital spending plans and, where relevant, proposes appropriate corrective action.

## COMMENTS

At its meeting of December 11, 2007, Council approved a 2008 Tax-Supported Capital Budget of \$1.911 billion and a Rate-Supported 2008 Capital Budget of \$436.746 million for a total Tax and Rate-Supported 2008 Capital Budget of \$2.348 billion. The 2008 Rate-Supported Capital Budget consists of \$410.0 million for Toronto Water and \$26.746

million for Toronto Parking Authority. After adjusting for in-year budget approvals and additional 2007 carry forward funding, the 2008 Adjusted Capital Budget is \$2.515 billion. Capital spending performance by Cluster and Program during the first nine months of 2008 and projections to year-end are discussed below.

### **Citizen Centred Services "A"**

For the nine months ended September 30, 2008, actual capital expenditures for this Cluster totalled \$53,910 million or 26.3% of the 2008 Approved Capital Budget of \$205,115 million. Capital spending for Citizen Centred Services "A" is expected to increase to \$144,523 million or 70.5% of the 2008 Approved Capital Budget by year-end. Capital spending performance, including explanations of significant under-spending for Programs within this Cluster is summarized below:

<b>Citizen Centred Services "A"</b>				
Capital Variance (\$ Million)				
	<b>September 2008</b>		<b>Projected Y/E 2008</b>	
	Over/(Under)	% of Budget	Over/(Under)	% of Budget
311 Customer Service Strategy	(20.0)	24.9%	(12.9)	51.33%
Children's Services	(9.1)	11.4%	(7.1)	30.49%
Court Services	(4.1)	26.6%	(5.3)	4.94%
Economic Development & Tourism	(13.5)	16.6%	(5.4)	66.58%
Emergency Medical Services	(7.5)	32.0%	(2.7)	75.50%
LTCHS (Homes for the Aged)	(7.7)	32.3%	(0.8)	93.25%
Parks, Forestry & Recreation	(80.1)	28.5%	(23.0)	79.50%
Shelter, Support and Housing Administration	(6.5)	26.0%	(1.9)	78.92%
Social Services	(2.7)	14.7%	(1.5)	51.68%
<b>Sub-Total</b>	<b>(151.2)</b>	<b>26.3%</b>	<b>(60.6)</b>	<b>70.46%</b>

**311 Customer Service Strategy's** actual expenditures for the nine months ended September 30, 2008 totalled \$6.615 million or 24.9% of the 2008 Approved Capital Budget of \$26.577 million. Spending was delayed primarily due to the amount of time required to negotiate the *Technology Solution* contract signed on March 31, 2008. Based on revised project schedule milestones it is expected that \$13.643 million or 51.3% of the 2008 Approved Capital Budget will be spent by year-end.

**Children's Services** spent \$1.166 million or 11.4% of the 2008 Approved Capital Budget of \$10.259 million during the nine months ending September 30 2008. The projected year end spending is expected to be \$3.127 million or 30.5% of the Approved Capital Budget. Projected under-spending is attributed to the following:

- *The Health and Safety Playground* project will be under-spent by \$3.6 million as the Program is only receiving \$0.407 million of the \$4.0 million share (80%) of

provincial funding. The budgeted \$1.0 million debt funded municipal share will be fully spent by year-end.

- The *New Child Care Centres* project will be under-spent by \$2.988 million, with the construction of *Thorncliffe Park* projected to be completed in the fall, while the *Chester Le* and *St Andrew* projects have been delayed due to ongoing negotiations with the Toronto District School Boards.
- The *Regent Park Child Care Centre* project (part of the Regent Park Revitalization Initiative) will be under-spent by \$0.550 million, with construction projected to be completed in 2009, reflecting delays in the site selection.

*Court Services'* actual expenditures for the six months ended September 30, 2008 totalled \$1.471 million or 26.6% of the 2008 Approved Capital Budget of \$5.526 million. Projected expenditures at year-end are expected to be \$2.730 million or 49.4% of the 2008 Approved Capital Budget of \$5.526 million. All projects are funded from the Provincial Offences Court Stabilization Reserve Fund, and have no impact on the City's debt. Under-spending is primarily attributed to the following:

- The supply and installation of Digital Audio Recording (DAR) equipment for Phase 1 of the POA Application Development project (\$1.0 million) was delayed due to extended time required for contract finalization with the vendor. The installation of DAR equipment and the provision of related training to staff were completed at the West Court location in March 2008 and the East location in April 2008. The equipment was installed at 137 Edward St. (including the intake courtrooms) in mid July, and should be completed at Old City Hall in October 2008.
- *Phase II (Court Admin Records System - CARS)* project (\$2.0 million cash flow) - Technical & business staff resources were redeployed in 2007 to support a higher priority project causing the delay in the commencement of this project from 2007 until 2008. To address new capital priorities, the scope of the POA Application Development will be reduced and the unspent funds will be returned to the Provincial Offences Stabilization Reserve for the future relocation of South District courts as addressed in 2009 Recommended Capital Budget.
- *Courthouse Facilities South Project:* The remainder of the project consists of refurbishing and making technical upgrades required for 8 courtrooms inside Old City Hall. Work began in June 2008 with completion expected in early 2009.

*Economic Development, Culture & Tourism's (EDCT)* capital expenditures for nine months ended September 30, 2008 totalled \$2.692 million or 16.6% of its 2008 Approved Capital Budget of \$16.228 million. Capital spending is expected to reach \$10.804 million or 66.6% of the 2008 Approved Capital Budget at year-end. The projected year-end under spending is mainly due to the following projects.

- *Todmorden Mills* site restoration project has been delayed because of a proposal from Toronto Water to use the site for storm water management.
- *John Street Roundhouse* project has been delayed as costs to move rolling stock came in over budget and staff is investigating more cost-efficient alternatives.
- The *Public Art Development 2008* has been delayed due a longer competition process for public art in June Callwood Park.
- The *Guild Inn Site* project has been delayed due to renewed negotiations with a funding partner to develop a new facility on the site.
- In the *BIA Streetscape Improvement Program Dundas West BIA* project has been delayed until water main upgrade is completed.

***Emergency Medical Services***’ (EMS) actual capital expenditures for the nine months ended September 30, 2008 totalled \$3.537 million or 32% of the 2008 Approved Capital Budget of \$11.041 million. The Program's projected expenditures to year-end are anticipated to be \$8.332 million or 75.5% of the 2008 Approved Capital Budget. The majority of the Program's projected year-end under-spending is attributed to the following projects:

- The *CACC Redesign Project* is projected to be under spent by \$0.500 million by year-end as a result of delays in negotiations with a key contractor. The issue has been resolved and the project is moving ahead with completion expected in early 2009.
- The *Station Refurbishment and Asset Management Projects* are projected to be under spent by \$0.591 million at year-end. Planned station refurbishment and repairs have been delayed due to changes in the structural design of some stations.
- The *Emergency Power Supply Project* is expected to be completed by year-end with costs projected to be under-budget by \$0.279 million.
- The project cost for *Stations 17, 18 and 29* increased due to higher than budgeted construction and soil remediation costs. EMS re-allocated funding between projects to address the increase in project costs which delayed the awarding of contracts. The projected under-expenditure of \$1.004 million will be carried forward into 2009.

***Long-Term Care Homes and Services*** spent \$3.678 million or 32.3% of the 2008 Approved Capital Budget of \$11.400 million. Contracts amounting to \$5.603 million have been tendered and issued, bringing the total contracts paid and tendered to 81% of the 2008 Approved Capital Budget. The remaining \$2.120 million represent work that is in various stages of the procurement process and contracts will be issued in the near future. Most Long-Term Care Homes and Services Maintenance projects are in progress and on track. The Program projects that 93% of its 2008 Approved Capital Budget will be spent by year-end.

***Parks Forestry and Recreation*** spent \$31.989 million or 28.5% of its 2008 Approved Capital Budget of \$112.065 million by the end of the 3rd Quarter. The year-end projection indicates that capital spending will reach \$89.092 million or 79.5% of the 2008 Approved Capital Budget. The projected year-end under-spending is mainly attributed to the following projects:

- *Arena Capital Asset Maintenance*, the *Colonel Sam Smith Skating Trail* and *3 Grange Park* projects are delayed due to extended community consultations.
- *Community Centre projects*, are delayed due to several tender processes being delayed (*Warden Corridor Community Centre* is not proceeding as planned);
- The *CP PS LEAD Right-of- Way* and *Wychwood Park* projects are delayed as a result of tender changes;

***Shelter, Support and Housing Administration*** spent \$2.291 million or 26.0% of the 2008 Approved Capital Budget of \$8.828 million during the nine months ending September 30, 2008, and is projecting year-end spending of \$6.967 million or 78.9% of the 2008 Approved Capital Budget. Construction of the *Bethlehem United Shelter* project has been completed, while *Eva's Youth Shelter* and *129 Peter Street* projects are expected to be completed in the fall. Spending on the IT projects will accelerate during the fall, once user-acceptance of the *Shelter Management Information System* has been finalized, and after recruitment of the development team for the *Social Housing Administration System* has been completed. Capital maintenance projects in the City owned and leased shelters are on target.

***Social Services (SS)*** spent \$0.470 million or 14.7% of its 2008 Approved Capital Budget of \$3.192 million during the nine months ended September 30, 2008. SS projects spending of \$1.650 or 51.7% of its 2008 Approved Capital Budget by year-end. The under-expenditure is primarily due to the following:

- The *External Web* project launch was delayed until November 2008 as it took longer to secure the vendor for the project than anticipated. SS projects approximately \$0.420 million in funding will be carried forward to 2009;
- A mid-year assessment of the *Employment Assistance* project's timeline, indicated that the project was progressing slower than planned and SS anticipates \$0.722 million in funding will be carried forward to 2009; and,
- The *Case Management* project is in the planning stage and approximately \$0.4 million is projected to be carried forward to 2009.

### **Citizen Centred Services "B"**

Actual capital expenditures for this Cluster during the nine months ended September 30, 2008, totalled \$156.721 million or 31.3% of the 2008 Approved Capital Budget of \$500.4 million. Capital spending for this Cluster will increase to \$405.796 million or 81.1% of the 2008 Approved Capital Budget by year-end. Spending performance, including explanations of significant variances for Programs within this Cluster, is summarized below:

<b>Citizen Centred Services "B"</b>				
Capital Variance (\$ Million)				
	<b>September 2008</b>		<b>Projected Y/E 2008</b>	
	Over/(Under)	% of Budget	Over/(Under)	% of Budget
City Planning	(7.6)	26.10%	(3.7)	64.15%
Policy, Planning, Finance and Administration	(6.8)	12.66%	(3.8)	51.57%
Fire Services	(5.8)	25.01%	(2.1)	72.76%
Solid Waste Management Services	(42.4)	51.05%	(4.3)	95.05%
Transportation Services	(223.2)	32.35%	(78.7)	76.14%
Waterfront Revitalisation Initiative	(57.8)	0.40%	(1.9)	96.69%
Sub-Total	(294.4)	27.48%	(0.1)	99.96%

**City Planning's** capital expenditures for the nine months ended September 30, 2008 totalled \$2.668 million or 26.1% of its 2008 Approved Capital Budget of \$10.223 million. The Program's projected expenditures to year-end are expected to be \$6.558 million or 64.1% of the 2008 Approved Capital Budget. Projected year-end under spending is primary attributed to the following projects;

- *Development Charge Funded Studies* project is projected to be \$1.130 million or 57.3% spent of its 2008 Approved cash flow of \$1.971 million by year-end. The projected under spending is due to changes to the Transit Environmental Assessment regulations and the announcement of the Transit City program. With the required changes to the scope of work for these projects, completion is now delayed to 2009; and,
- The *New Zoning By-Law* project's capital expenditure will approximate at \$1.311 million or 61.7% of the 2008 Approved cash flow of \$2.126 million by year-end. The projected under spending is due to challenges in hiring qualified staff. The project is now at staffing capacity and the approved funding will be expended in 2009.

**Policy, Planning, Finance and Administration's (PPF&A)** - capital expenditures for the nine months ended September 30, 2008 totalled \$0.983 million or 12.7% of the 2008 Approved Capital Budget of \$7.770 million. Policy, Planning, Finance and Administration projects that \$4.007 million or 51.6% of the 2008 Approved Capital Budget will be spent by year-end. PPF&A spending performance is attributed to the following:

- *Business Sustainment Systems* - \$0.396 million or 9.4% of the 2008 Approved cash flow for this project was spent during the nine months ended September 30, 2008.



Program expects to spend \$1.544 million or 36.7% by year-end. Spending on the *Remote Computing* project was lower than anticipated due to delays in completing the Request for Quotes. A new Project Manager is being hired to lead this project. Other projects such as *MLS Division Technology Enhancement* were behind schedule due to delays in obtaining consulting services for the project.

- *Asset Preservation 2008* – Program expects to spend \$0.824 million or 99.2% of the 2008 Approved cash flow for this project.
- *Mainframe Application Replacement* - \$0.631 million or 48.7% of the 2008 Approved cash flow is projected to be spent by year-end. Six systems have been successfully developed, however due to delays in hiring; the remaining two systems will not be completed until the 1<sup>st</sup> quarter of 2009.

**Fire Services'** capital expenditures for the period ended September 30, 2008 totalled \$1.946 million or 25 % of its 2008 Approved Capital Budget of \$7.781 million. Fire Services is forecasting a spending rate of 73 % at year-end. Projected under spending at year-end is mainly attributed to the following projects:

- The *Toryork Bays Extension* project is 4.4% spent or \$0.059 million out of a total 2008 Approved cash flow of \$1.337 million as of September 30, 2008. The project construction phase will be delayed for necessary approvals and contract preparation limiting possible site work to later this year. As a result, this project is expected to be 49% spent by year-end. An amount of \$0.684 million will be carried forward into 2009 as recommended in the 2009 Fire Services Capital Budget.
- The *Replacement of Portable Radios* is 0% spent out of a 2008 Approved cash flow of \$0.625 million during the first nine months ended September 30, 2008. The contract to acquire this equipment is not expected to be complete by year-end. The single vendor that bid on the TFS/EMS portion of the RFQ was disqualified for non-compliance with terms and conditions of the call. The matter is currently under review by PMMD.
- The projects for *Station C* and the *EMS/FIRE HQ Power System Upgrade* have been completed under budget. Total funds in the amount of \$0.310 million are no longer required and will be returned to source.
- As of September 30, 2008, repair and refurbishment of *Fire Training Props and Equipment* is 22% or \$0.074 million of the 2008 Approved cash flow of \$0.326 million. Re-estimation of the work involved is currently underway with 31% spending anticipated by year-end.
- The *Payroll Time Entry System Upgrade* project has had no expenditure from its 2008 Approved cash flow of \$0.280 million as of September 30, 2008. The project is currently in the planning, design and contract negotiation phase and is expected to be

30% spent by year-end. The project has been delayed due to IT requirements and contract issues.

***Solid Waste Management Services***' capital expenditures, excluding an unbudgeted charge for Green Lane Land Transfer Tax, for the period ended September 30, 2008 totalled \$40.515 million or 47% of its 2008 Approved Capital Budget of \$86.537 million. Solid Waste Management Services expenditures are expected to be 91.0% spent by year-end. Spending performance for the period ended September 30, 2008 is mainly attributed to the following:

- The *Diversion Facilities* project was 58% or \$35.7 million spent out of a total 2008 Approved cash flow of \$61.3 million as of September 30, 2008 mainly for the roll-out of single household recycling carts which is 91% and single household residual waste bins which is 38% spent. Minimal spending has occurred during the third quarter on the Residual Waste Study for Mixed Waste Processing Facilities project due to delays with the planning and tendering processes and this project will be only 31% or \$0.113 million spent by year-end. The Diversion Facilities is presently forecasted to be 99 % spent by year-end.
- The *Perpetual Care of Landfill* project was 36% or \$2.6 million spent out of a total 2008 Approved cash flow of \$7.4 million for miscellaneous materials, parts and professional services at the Keele Valley Landfill site. Proposed construction of a perimeter leachate system costing \$0.5 million at Thackery Landfill will be delayed to 2009 due to design issues. The Perpetual Care project is presently forecasted to be 69 % spent by year-end.
- The *Transfer Station Asset Management* project was 19% or \$1.1 million spent out of a total 2008 Approved cash flow of \$5.8 million mainly for building amenities and upgrades as well as expenditures for the weigh scales system. Funding for outstanding work on facilities such as the Dufferin and Bermondsey Transfer Stations will likely be carried forward into 2009 due to permit and procurement delays. Transfer Station projects are presently forecasted to be 78 % spent by year-end.
- 5.2 % or 0.322 million of a 2008 Approved cash flow of 6.218 million was spent on the *Green Lane Landfill* project as of September 30, 2008. Green Lane projects are presently forecasted to be 37% spent by year-end.
  - The *Green Lane Development* project is forecasted to be 33% or \$1.2 million spent of a total 2008 Approved cash flow of \$3.6 million in 2008. Due to delayed installation of additional gas wells \$2.4 million will be carried forward to 2009.
  - The *Buffer Land Acquisition* project was 0.2% or \$5.0 thousand spent out of a total 2008 Approved cash flow of \$2.7 million. Acquisitions for \$1.1 million are presently in process for 2008. As a result, the project will be 42% spent year-end.

- It should be noted that an additional unbudgeted expense for Provincial Land Transfer Taxes in the amount of \$3.660 million was incurred in the 3<sup>rd</sup> quarter. A separate report to the November Executive Committee is recommending this amount as well as potential legal expenses of \$0.350 million be funded from the Waste Management Reserve Fund. This will bring total projected spending in 2008 for Green Lane capital requirements to \$6.281 million. The charge for Provincial Land Transfer Taxes is under appeal.

**Transportation Services'** capital expenditures for the period ended September 30, 2008 totalled \$106.717 million or 32.3% of its 2008 Approved Capital Budget of \$329.886 million. Transportation Services is projecting that \$251.689 million or 76.3% of its 2008 Approved Capital Budget will be spent by year-end.

Transportation's capital work consists of two main categories of capital projects: State Of Good Repair and Infrastructure Enhancement.

- Spending for State of Good Repair projects for bridges, local and major roads and expressways to September 30, 2008, totalled \$49.562 million or 34% of the 2008 Approved cash flow. The estimated spending is expected to be 78.5% (\$114.312 million) at year-end. The projected major expenditures to year-end include the following projections: local and major road reconstruction and resurfacing (\$52.194 million), sidewalk construction (\$7.448 million), rehabilitation and repair of city bridges (\$35.500 million) and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$14.165 million).

Spending on Infrastructure Enhancement projects total \$57.154 million or 31% of the 2008 Approved Capital Budget and are projected to be \$137.377 million or 74.6% spent at year-end. The projected major expenditures to year-end include work on the following projects;

- The *St. Clair Dedicated Right of Way* project's estimated expenditure at year-end is expected to be \$26 million or 78.6% of the 2008 Approved cash flow of \$33.070 million. The project is on-going and is scheduled to be completed at the end of 2009.
- The *Bloor Street Transformation* project's estimated expenditure at year-end is expected to be \$3.250 million or 25% of the 2008 Approved cash flow of \$13 million. The project has been tendered and awarded and construction has begun. Progress on the project has been delayed by the current court challenge.
- The *Dufferin Jog Elimination* project's estimated expenditure at year-end is expected to be \$8.500 million or 68.8% of the 2008 Approved cash flow of \$12.362 million. Construction was delayed due to design changes; however tenders have been issued and work is now proceeding.

- The *Morningside/Finch Rail Grade Separation* project's estimated expenditure at year-end is expected to be \$14 million or 80.4% of the 2008 Approved cash flow of \$17.412 million.

**Waterfront Revitalization Initiative's** capital expenditures for the nine months ended September 30, 2008 was \$0.232 million or 0.4% of its 2008 Approved Capital Budget of \$58.050 million.

During its deliberations of the 2007 - 2015 Long-Term Funding Plan in July of 2007, Council directed that no City funds be released to Waterfront Toronto in 2008 pending completion of: a comprehensive revenue strategy that addresses among other things, how revitalization of the *Port Lands*, including *Lake Ontario Park*, is to be financed; and a Memorandum of Understanding between the City and Waterfront Toronto specifying the deliverables that will be attained on a project-by-project basis as a result of the tri-government 2008 investment in Waterfront Revitalization.

Since these documents were not finalized until late September of 2008, no funds were released to Waterfront Toronto for the period January 1, 2008 to September 30, 2008. Waterfront Toronto is projecting capital expenditures of between 90% and 100% of its 2008 Approved Capital Budget by the end of the year.

### **Internal Services**

Internal Services' Programs spent \$56.127 million or 38.7% of their collective 2008 Approved Capital Budget of \$144.876 million during the first nine months of 2008. Capital spending for this Cluster will increase to \$110.9 million or 76.5% of the 2008 Approved Capital Budget of \$144.876 million by year-end. Spending performance for Internal Services Programs is summarized below:

<b>Internal Services</b>				
Capital Variance (\$ Million)				
	<b>September 2008</b>		<b>Projected Y/E 2008</b>	
	Over/(Under)	% of Budget	Over/(Under)	% of Budget
Facilities & Real Estate	(29.9)	24.25%	(3.7)	88.07%
Financial Services	(10.9)	14.77%	(6.4)	49.88%
Fleet Services	(27.4)	55.40%	(15.1)	75.41%
Information Technology	(20.6)	34.15%	(7.7)	75.21%
Sub-Total	(88.7)	38.74%	(34.0)	76.55%

**Facilities and Real Estate (F&RE)** spent \$9.561 million or 24.2 % of the 2008 Approved Capital Budget of \$39.433 million during the nine months ended September 30, 2008. The spending rate 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. The Program is projecting spending of \$34.727 million or 88.1% of the 2008 Approved Capital Budget by year-end. The projected spending rate includes deferral of the *Nathan Phillips Square* 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 under spending. The remaining \$2.136 million or 5.4% of the 2008 Approved Capital Budget will not be spent due to unanticipated delays in start up and implementation of several other projects, the largest of them being *North York Civic Centre Interior Finishes Renewal* (\$0.438 million) and *South District Yards Consolidation Study* (\$0.515 million).

**Financial Services** projected expenditures to year-end are expected to be \$6.395 million or 50.0% of the 2008 Approved Capital Budget of \$12.821 million.

The projected under-spending is attributed to start up delays in several initiatives:

- *Workflow and Document Management and Imaging projects* - Implementation has been temporarily suspended pending clarification of contract terms. As a result, the combined total under-spending is projected at \$1.841 million at year-end for Accounting and Revenue Services.
- Due to a slow start in acquiring resources for the *Tax & Water Upgrade project*, under-spending is forecasted at \$1.780 million which will require funds to be carried over to 2009.
- Delays in acquiring resources required for the verification of the asset information City-wide has delayed the *Fixed Asset Record System* project resulting in under-spending of \$1.081 million that will be carried forward to 2009.
- A delay in finalizing Local 79 wage harmonization has resulted in under-spending in the *Collective Agreement Implementation project* (\$0.467 million).

**Fleet Services** spent \$33.998 million or 55.4% of its 2008 Approved Capital Budget of \$61.365 million during the nine months ended September 30, 2008. Projected capital expenditures at year-end are expected to be \$46.272 million or 75.4% of the 2008 Approved Capital Budget. The under spending is primarily attributed to the redirection of resources away from delivering Fleet Services capital program in order to acquire vehicles and equipment for client Divisions with separate capital budgets. In addition, the procurement of "replacement" pick-up trucks was delayed in an effort to take advantage of the release of new 2009 full hybrid models in the fall of 2008.

**Information and Technology** spent \$10.674 million or 34% of its 2008 Approved Budget of \$31.258 million during the nine months ended September 30, 2008, and is projecting year-end spending of \$23.584 million or 75% of its 2008 Approved Capital Budget. The projected under spending is primarily due to delays in many projects for a variety of reasons:

- The *Web Development* projects were delayed to address the complexity of three inter-related sub-projects which has extended the estimated time line from two to three years. With the establishment of the Web governance it is anticipated that the most of this project will be completed in 2009

- The *SAP projects* are subject to confirmation and prioritization within a SAP five year project plan by the SAP Steering Committee. The Steering Committee has requested IPAG (Integrated Project Advisory Group) to develop an integrated plan, which will provide an updated project charter and a more defined scope, allowing these projects to proceed more effectively
- The *Document Management* project has several sub-projects, including the Litigation Pilot project, which is on hold until the Project Advisory Committee and Legal Services resolve some major project issues. This delay has also affected the Competency Centre and the I&T Division Rollout projects due to the interdependencies among these projects.
- Internal staff resource shortage and a scarcity of IT professionals in the market place have caused significant challenges in recruiting qualified professionals to deliver on capital projects, causing several projects to be delayed, including the *Disaster Recovery, Mainframe Data Retention, IT Performance Measurement* and the *ITIL* projects.
- Several *Strategic Planning and Project Management Office* projects have been delayed until the IT Governance & Transformation rollout has progressed further.

### **Other City Programs**

Other City Programs collectively reported actual expenditures of \$10.630 million or 19.0% of their 2008 Approved Capital Budget of \$55,992 million. Capital spending for this group of Programs will increase to \$39,102 million or 69.8% of the 2008 Approved Capital Budget by year-end. Spending performance, including explanation of significant variances for Programs within this group is summarized below:

<b>Other City Programs</b>				
Capital Variance (\$ Million)				
	<b>September 2008</b>		<b>Projected Y/E 2008</b>	
	Over/(Under)	% of Budget	Over/(Under)	% of Budget
City Clerk's Office	(4.6)	44.97%	(3.8)	54.51%
Sustainable Energy Plan	(19.7)	13.78%	(5.9)	74.30%
Union Station	(18.4)	15.75%	(5.7)	73.99%
Radio Replacement Project	(0.4)	8.82%	(0.1)	85.00%
Climate Change	(2.2)	10.45%	(1.5)	40.24%
<b>Sub-Total</b>	<b>(43.2)</b>	<b>19.38%</b>	<b>(15.4)</b>	<b>73.04%</b>

*City Clerk's Office* spent \$3.734 million or 45.0% of the 2008 Approved Capital Budget of \$8.304 million during the nine months ended September 30, 2008, and is projecting year-end spending of \$4.527 million or 54.5% of the 2008 Approved Capital Budget. The under spending is mainly attributed to the retrofit of the Print Shop for which the required site was acquired in March 2008, and the RFP for a contractor was issued in October with

the contract awarded in November 2008. The project schedule indicates that the retrofit subproject will be completed by the 3<sup>rd</sup> Quarter 2009.

***The Sustainable Energy Plan's*** actual expenditures for the nine months ended September 30, 2008 totalled \$5.116 million or 22.3% of the 2008 Approved Capital Budget of \$22.897 million. All previously approved projects are completed or under construction and spending will increase as work is verified and invoices paid. A number of new projects (energy retrofits of various Children's Services, Emergency Medical Services, Public Health, Community Centres and Exhibition Place facilities) are in the Request for Proposal (RFP) or start up (the Toronto Energy Conservation and Toronto Green Funds projects) stages.

The spending rate at year-end is projected at \$17.003 million or 74.3% of the 2008 Approved cash flow. Due to the evolving administrative process that is being developed and implemented for issuing loans from the *Toronto Energy Conservation and Green Funds*, the Program has encountered delays to ensure proper controls are in place. The Program will continue to revise its projections as necessary as it pertains not only to the City of Toronto facilities, but also to the Municipal, Academic, School and Hospital (MASH) sector facilities.

***The Union Station Project's*** actual expenditures during the nine months ended September 30, 2008 totalled \$3.444 million or 15.7% of the 2008 Approved Capital Budget of \$21.869 million. The 2008 Approved Capital Budget is projected to be \$16.178 million or 74% spent by year-end. The Union Station project consists of three main components of capital work which include the On-going State of Good Repair projects, New State of Good Repair projects and Service Improvement Projects.

Spending for *On-going State of Good Repair* project totalled \$0.169 million or 1% of the 2008 Approved cash flow. The pedestrian bridge project was delayed awaiting the contract for continued repairs to the bridge to be awarded first. Funding in the amount of \$4.056 million will be carried forward into 2009. Funding for the Exterior Façade project, the Copper Roof repair project and the Terrazzo flooring project totalling \$1.160 million will also be carried forward into 2009.

Spending for the *New State of Good Repair* projects totalled \$2.432 million or 11% of the 2008 Approved cash flow. The York Street Expansion Joint project has been delayed to ensure the co-ordination with GO Transit's work on the train tracks; therefore, \$0.208 million will be carried forward into 2009. Unspent funds for the Environmental project, the Interior Finishes project, the Structural project and the Heritage and Revitalization Fees project, totalling \$0.286 million will be carried forward into 2009 for continued design work.

Spending for the *Service Improvement* Projects totalled \$0.842 million or 4% of the 2008 Approved cash flow. Funding for the *Security projects* and the *Loading Dock* project will be fully spent in 2008.

***The Radio Communication System Replacement Project*** capital expenditures for the period ended September 30, 2008 totalled \$0.042 million or 8.8% of the 2008 Approved Capital Budget of \$0.473 million. The Radio Communications System Replacement Project is currently in the system design stage and is progressing. Of the \$0.042 million spent to date, spending in the third quarter consisted of \$0.024 million for test module software. The Technical Subcommittee, with the approval of the Steering Committee, has initiated procurement activities for the acquisition of specialized testing equipment estimated at \$0.130 million and support tools (propagation modeling, standards, asset management) estimated at \$0.230 million. Costs for 2008 include a Project Manager who is expected to be hired in the last quarter of 2008 at an estimated cost of \$0.024 million. An additional \$0.080 million is estimated for travel and registration costs related to training and testing activities for the Technical Subcommittee members. The balance of expenditures for 2008 will be incurred as an RFP is developed and released as well as with the hiring of a project manager and staff. It is presently forecasted that spending will be 85 % at year-end.

The ***Toronto Environment Office's*** capital expenditures for the nine months ended September 30, 2008 totaled \$0.257 million or 10.4% of its 2008 Approved Capital Budget of \$2.460 million. Toronto Environment Office (TEO) is projecting that \$0.990 million or 40.2% of its 2008 Approved Capital Budget will be spent by year-end. TEO spending performance is attributed to the following:

- *Live Green Toronto* - \$0.257 million or 17.1% of the 2008 approved cash flow for this project is spent. The Program expects to spend \$0.860 million or 57.3% of the 2008 Approved cash flow by year-end. Implementation of Community Gardens and Community Animators for this project has been delayed due to need for additional research and revisions.
- Restructuring in TEO and further negotiations required with a number of third parties has delayed progress on a number of capital projects which are now anticipated to be completed in 2009.

### **Agencies, Boards and Commissions (ABCs)**

Collectively, Agencies, Boards and Commissions spent \$505.65 million or 43.1% of the 2008 Approved Capital Budget of \$1.172 billion during the nine-month period ended September 30, 2008. Capital spending for ABCs will increase to \$928.8 million or 79.2% of the 2008 Approved Capital Budget by year-end. Spending performance, including explanations of significant variances for individual ABCs is summarized below:



<b>Agencies, Boards and Commissions</b>				
Capital Variance (\$ Million)				
	<b>September 2008</b>		<b>Projected Y/E 2008</b>	
	Over/(Under)	% of Budget	Over/(Under)	% of Budget
Exhibition Place	(48.1)	20.35%	(29.4)	51.27%
Go Transit	0.0	100.00%	0.0	100.00%
Toronto And Region Conservation Authority	(2.0)	66.67%	0.0	100.00%
Toronto Parking Enforcement Unit	(0.4)	0.00%	0.0	100.00%
Toronto Police Service	(55.4)	45.42%	(9.8)	90.30%
Toronto Port Authority	0.0	100.00%	0.0	100.00%
Toronto Public Health	(3.5)	35.47%	(2.1)	60.23%
Toronto Public Library	(10.2)	54.83%	(0.3)	98.67%
Toronto Transit Commission	(527.3)	43.02%	(189.6)	79.51%
Yonge-Dundas Square	(0.1)	4.64%	0.0	100.00%
Toronto Zoo	(8.8)	40.71%	(2.0)	86.90%
Sony Centre (Hummingbird)	(10.7)	14.46%	(10.1)	19.26%
Sub-Total	(666.5)	43.14%	(243.4)	79.24%

**Exhibition Place** spent \$12.293 million or 20.4% of its 2008 Approved Capital Budget of \$60.401 million during the nine months ended September 30, 2008. Capital spending is expected to reach \$30.969 million or 51.3% of the 2008 Approved Capital Budget at year-end. The projected under-spending is mainly attributed to the following projects:

- *The Conference Centre* projected expenditure to year-end is expected to be \$26.209 million or 57.1% of the 2008 approved cash flow of \$45.866 million. The under-spending is the result of construction lags due to heritage issues. The project completion date is targeted for June 2009.
- *The Green Energy Initiatives* are to be funded by third-party partners which Exhibition Place has yet to secure for its 2008 approved projects that total \$9.775 million. Therefore, no expenditure is projected to year-end. Once funding is secured, capital expenditures will begin.

**Go Transit's** 2008 Approved Capital Budget is \$20.000 million. The City has paid \$20.000 million or 100% of its 2008 contribution toward GO Transit growth capital expenditures.

**The Toronto and Region Conservation Authority (TRCA)** received \$4.012 million or 66.7% of its 2008 Approved Capital Budget of \$6.018 million from the City of Toronto during the nine months ended September 30, 2008. TRCA anticipates that the entire 2008 Approved Capital Budget will be spent by year-end.

**The Toronto Police Service's** 2008 Approved Capital Budget of \$101.479 million was 45.4% or \$46.087 million spent, as at September 30, 2008. Actual expenditures by year-end are anticipated to be \$91.637 million or 90.3% of the 2008 Approved Capital Budget.

The majority of the Toronto Police Service's projected year-end under spending is attributed to the following projects:

- The *New Training Facility* projected expenditure to year-end is expected to be \$41.536 million or 96.7% of the 2008 approved cash flow of \$42.933 million. The projected under spending developed from a combination of labour disruptions in June 2007, earlier-than-expected winter conditions in 2007 and heavy snow falls in 2008. As a result, completion is projected to be approximately nine weeks behind schedule.
- The *Workstation, Laptop and Printer – Lifecycle Plan* project's forecasted expenditure at year-end is expected to be \$2.097 million or 33.2% of the 2008 approved cash flow of \$6.324 million. The projected under spending is the result of the lifecycle replacement strategy, which has extended the useful life for these items. The Police Service will now replace many of the aging workstations, laptops and printers, originally scheduled for replacement in 2008, in the following year.

**Toronto Public Health:** As at September 30, 2008, TPH spent \$1.902 million or 35.5% of the 2008 Approved Capital Budget of \$5.363 million. The year-end capital expenditure is projected to be \$3.230 million or 60.2% of the 2008 Approved Capital Budget. The under spending of \$2.132 million is mainly attributable to the following:

- Delays in implementing a new *Public Health Privacy and Security Framework* to ensure PHIPA compliance and finalization of associated architectural requirements combined with the difficulty in hiring and retaining qualified IT staff due, in part, to the scarcity of IT professionals in the market place for the *HF/HL Mandatory Management Reporting* project (\$0.789 million)
- Change in provincial timelines which has delayed the implementation of the *Public Health Surveillance and Management System* (\$0.414 million)
- Delay in the completion and tendering of the RFP due to the complexity of the inter-related sub-projects and business requirements for the *Dental Strategy and Implementation* project (\$0.605 million)
- Difficulty in hiring and retaining qualified IT staff, and delays with the vendor implementing new and innovative security related solutions for the *Personal Health Information and Protection Act (PHIPA) System Compliance* project (\$0.325 million).

**Toronto Public Library (TPL)** spent \$12.364 million or 54.8% of its 2008 Approved Capital Budget of \$22.550 million. This spending rate is ahead of the level of expenditure in prior years. TPL projects to spend 98.7% of its 2008 Approved Capital Budget by year-end and the under-expenditure are primarily due to the following:

- The 2007 – 2009 *Technology Asset Management Program* is behind schedule in 2008 due to procurement delays, and thus the acquisition of hardware totals \$0.150 million is anticipated to be carried forward to 2009; and,

- *The S. W. Stewart Library* re-opened May 29, 2008. However, minor deficiencies and warranty issues are currently being addressed. Thus, TPL anticipates approximately \$0.149 million from this project funding to carry forward to 2009.

**Toronto Transit Commission's (TTC)** 2008 Approved Capital Budget of \$927.682 million (including \$173.509 million carried-forward from 2007 and including the Toronto York Spadina Subway Extension and Transit City projects) was \$398.1 million or 42.9% spent as at August 30, 2008. The TTC is currently addressing the unspecified reduction of \$59.085 million included in the 2008 Approved Capital Budget. It is anticipated that the TTC's spending will be \$735.8 million or 79.3% by year-end.

A significant part of the projected year-end under spending is attributable to the seven projects listed below:

- Projected spending on *Wheel-Trans* buses will be \$17.471 million under budget because no *Wheel-Trans* buses will be purchased in 2008 as a result of difficulty in finding a manufacturer which is capable of producing a paratransit vehicle suitable to *Wheel-Trans*' needs.
- Surface track work is projected to be \$32.487 million under budget due to the deferral of work on the St. Clair Reserved Transit Line and the deferral of associated track work on St. Clair.
- Expenditures on the *Kipling/Islington station* improvements will be \$20.554 million less than planned due to the SNC Lavalin development at Islington station no longer proceeding and due to GO Transit / Metrolinx having taken over ownership of the Kipling Inter-regional bus terminal which will result in the Provincial government reimbursing the TTC for all spending on the bus terminal.
- The purchase of streetcars is projected to be \$53.592 million under budget at year-end due to changes in the timing of the project and in the payment schedule.
- The Subway car purchases will be \$21.634 million under budget due to changes in the milestone schedule which affects the timing of progress payments.
- The replacement of 40 foot diesel buses is behind schedule due to a strike at the bus manufacturer in 2007 which will result in the project being \$22.106 million under budget at year-end.
- The *Spadina Subway Extension* project will be \$42.098 million under budget due the deferral to 2009 of engineering work and property acquisition.

The 2008 Approved Capital Budget for *Yonge-Dundas Square* is \$0.100 million of which \$0.005 million was spent during the nine months by September 30, 2008. The *YDS*

*Replacement Steel Grating Project* is expected to be completed and fully spent by year-end.

**Toronto Zoo** spent \$6.076 million or 41% of its 2008 Approved Capital Budget of \$14.925 million during the six months ended September 30 2008. Capital spending is expected to reach \$12.970 million or 86.9% of the 2008 Approved Budget at year-end. The projected year-end under spending is mainly due to the following projects:

- The *North Zoo Site-Tundra Construction* project is scheduled to be 85% spent by December 2008 with completion in 2009.
- The *North Zoo Site-Phase II Detailed Design* project for the Canadian Wilderness/Eurasia is underway but the final design was delayed as a result of the delay experienced in the North Zoo Site Redevelopment Project.

**Sony Centre for the Performing Arts (SCFPA)** spent \$1.808 million or 14.5% of its 2008 Approved Capital Budget of \$12.5 million. The reason for the projected under-spending is due to the delay in closing the real estate agreement with the condominium developer. The Program expects to spend \$2.408 million or 19.3% of the 2008 Approved Capital Budget by year-end.

**Rate Supported Programs:**

For the nine months ended September 30, 2008, Rate Supported Programs spent \$167.67 million or 38.4% of their 2008 Approved Capital Budget of \$436.74 million. Projected spending to year-end is estimated at \$319.66 million or 73.2% of the 2008 Approved Capital Budget. Spending performance, including explanations of significant variances within this group is summarized below:

<b>Rate Supported Programs</b>				
Capital Variance (\$ Million)				
	<b>September 2008</b>		<b>Projected Y/E 2008</b>	
	Over/(Under)	% of Budget	Over/(Under)	% of Budget
Toronto Parking Authority	(18.9)	29.22%	(14.3)	46.71%
Toronto Water	(250.1)	39.00%	(102.8)	74.92%
Sub-Total	(269.0)	38.40%	(117.1)	73.19%

**Toronto Water's** 2008 Approved Capital Budget of \$410.000 million was 39% or \$159.882 million spent as of September 30, 2008. This level of capital spending was influenced by the large snow fall in early 2008 which limited construction work from January to April and delays in obtaining environmental assessment approval from the Ministry of the Environment.

Actual expenditures by year-end are expected to be 75% or \$307.169 million. The high rate of year-end forecasted spending for 2008 is a result of construction proceeding on several large projects; expenditures forecasted for the large number of contracts awarded

early in the year and the multi-year contracts initiated in 2007 which are now fully underway and expected to meet cash flow projections for 2008.

*Toronto Parking Authority's* capital expenditures for the nine months ended September 30, 2008 was \$7.815 million or 29% of the 2008 Approved Capital Budget of \$26.746 million. Implementation of most of the construction projects is on schedule since a majority were planned to commence towards the end of the first quarter and into the second quarter of 2008. Suitable sites are still being sought for several of the new car-park projects. The Authority projects that it will spend 47% or \$12.493 million of its 2008 Approved Capital Budget by the year-end.

### **Technical and In-year Budget Adjustments (see Appendix 2)**

#### **Toronto Public Library:**

TPL is requesting that Council approve the reallocation of capital under spending from the S. Walter Stewart project to Jane/Dundas and Cliffcrest Relocation projects to cover the unanticipated HVAC, plumbing, electrical and fire safety cost; as well as, the acceleration of the construction of Jane/Sheppard and Thorncliffe Renovation projects offset by the deferral of the Kennedy/Eglinton Renovation, Sanderson Renovation and Virtual Branch Services projects as outlined in Appendix 2.

#### **Solid Waste Management Services:**

SWMS is requesting a reallocation of \$0.200 million to the Additional Single-Stream Processing Facilities project in order to secure professional technical services for the single-stream recyclable materials (SSRM) planning study which will recommend the optimum system to manage the entire quantity of the City's SSRM over the period 2012-2032. The approved 2008 capital budget did not have sufficient funds budgeted for this project.

#### **Toronto Water:**

Budget adjustments are required to move unspent cash flow into the Structural Relining and Sewer Replacement program as detailed in Appendix 2 to accommodate higher than expected tender prices encountered this summer due to rising commodity prices.

## **Sony Centre for the Performing Arts:**

Budget adjustments are required to increase funding from Reserve Fund XR3003 and decrease funding from other sources to accommodate the alternative "fallback" scenario for Sony Centre Redevelopment.

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## **SIGNATURE**

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Cam Weldon  
Acting Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

- Appendix 1 - Consolidated Capital Variance Report, for the Nine Months Ended September 30, 2008
- Appendix 2 - Budget and Technical Adjustments
- Appendix 3 - Capital Projects Recommended for Closure