

September 19, 2008

To: Executive Committee

From: Budget Committee

Subject: Capital Variance Report for the Six-month Period Ended June 30, 2008

Recommendations:

The Budget Committee recommended to the Executive Committee that:

- 1. City Council approve the in-year budget adjustments detailed in Appendix 2 of the report.**
- 2. City Council approve a technical adjustment to change the funding source for the Bergamot Avenue Child Care Project from Provincial Subsidies to a draw from the Child Care Expansion Reserve Fund (\$1.295 million).**
- 3. City Council approve a carry forward of unspent 2007 funding for Spadina Subway Extension (\$0.337 million) and Transit City Plan (\$1.925 million) as detailed in Appendix 2-A of the report, in order to continue work on these projects in 2008.**

Background:

The Budget Committee on September 19, 2008, considered a report (September 5, 2008) from the Deputy City Manager and Chief Financial Officer, entitled "Capital Variance Report for the Six-month Period Ended June 30, 2008".

for City Clerk



STAFF REPORT ACTION REQUIRED

Capital Variance Report for the Six-month Period Ended June 30, 2008

Date:	September 5, 2008
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\FP\Bc08014Fp (AFS#6964)

SUMMARY

The purpose of this report is to provide the City of Toronto Capital Variance Report for the six-month period ended June 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 six months period ended June 30, 2008 totalled \$531.4 million, representing 25.6% of the 2008 Approved Capital Budget of \$2.514 billion (see Appendix 1). City Operations spent \$153.7 million or 17.0% of the 2008 Approved Capital Budget of \$904.7 million; while Agencies, Boards and Commissions spent \$377.7 million or 32.2% of their collective 2008 Approved Capital Budget of \$1.172 billion. Rate Supported Programs spent \$82.6 million or 18.9% of the 2008 Approved Capital Budget of \$436.7 million. The above spending levels are consistent with prior years' performance. 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 summer months in accordance with capital project plans and schedules.

As shown in Appendix 1, projected expenditures to year end are estimated at \$2.108 billion or 83.7% of the total 2008 Approved Capital Budget of \$2.514 billion. Tax Supported Programs estimate spending 85.7%, while Rate Supported Programs estimate spending 73.9% of their respective 2008 Approved Capital Budget. Projected under-expenditures to year end are primarily attributed to unanticipated delays in construction start-up; challenges in hiring appropriate 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

The Deputy City Manager and Chief Financial Officer recommend that:

1. Council approve the in-year budget adjustments detailed in Appendix 2.
2. Council approve a technical adjustment to change the funding source for the Bergamot Avenue Child Care Project from Provincial Subsidies to a draw from the Child Care Expansion Reserve Fund (\$1.295 million).
3. Council approve a carry forward of unspent 2007 funding for Spadina Subway Extension (\$0.337 million) and Transit City Plan (\$1.925 million) as detailed in Appendix 2-A, in order to continue work on these projects in 2008.
4. Budget Committee forward this report to the Executive Committee for its consideration.

FINANCIAL IMPACT

As summarized in Table 1 below, for the six months ended June 30, 2008, actual expenditures for Tax Supported Programs totalled \$531.4 million or 25.6% of a 2008 Approved Capital Budget of 2.077 billion. By comparison, these Programs spent 28.9% of their 2007 Approved Capital Budget during the same period in 2007. Tax Supported Programs project a spending rate of 85.8% or \$1.79 billion by the end of 2008.

Rate Supported Programs spent \$82.6 million or 18.9% of their 2008 Approved Capital Budget of \$436.7 million. It is projected that by year-end, actual expenditures will approximate \$322.8 million or 73.9% of the 2008 Approved Capital Budget (see Table 1).

Table 1 Corporate Capital Variance Summary for the Six Months Ended June 30, 2008 (\$000s)						
	2008 Approved Capital Budget	Actual Expenditures - January 1 to June 30, 2008		Projected Actual to Year-End		
		\$000	%	'\$000	% of Plan	
Tax Supported Programs:						
Citizen Centred Services - "A"	203,340	32,562	16.0%	145,945	71.8%	
Citizen Centred Services - "B"	500,447	73,920	14.8%	425,647	85.2%	
Internal Services	144,876	37,597	26.0%	112,697	77.8%	
Other City Programs	56,003	9,639	17.2%	52,467	93.7%	
Agencies, Boards & Commissions	1,172,189	377,712	32.2%	1,044,104	89.1%	
Total - Tax Supported	2,076,854	531,430	25.6%	1,780,860	86.0%	
Rate Supported Programs:						
Toronto Parking Authority	26,746	5,580	20.9%	15,592	58.3%	
Toronto Water	410,000	76,982	18.8%	307,169	74.9%	
Total Rate Supported	436,746	82,562	18.9%	322,761	73.9%	
Total	2,513,600	613,992	24.4%	2,103,621	83.9%	

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 six 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 \$2.514 billion. Capital spending performance by Cluster and Program during the first six months of 2008 and projections to year-end are discussed below.

Citizen Centred Services “A”

For the six months ended June 30, 2008, actual capital expenditures for this Cluster totalled \$32.562 million or 16.0% of the 2008 Approved Capital Budget of \$203.340 million. Capital spending for Citizen Centred Services “A” is expected to increase to \$145.945 million or 71.8% 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:

3-1-1 Customer Service Strategy actual expenditures for the six months ended June 30, 2008 totalled \$3.700 million or 13.9% of the 2008 Approved Capital Budget of \$26.599 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 revision to the project schedule and milestones, it is expected that \$13.661 million or 51.4% of the 2008 Approved Capital Budget will be spent by year end. The unspent 2008 funds will be carried forward to 2009.

Children's Services spent \$0.012 million or 0.1% of its 2008 Approved Capital Budget of \$10.259 million. The projected year end spending is expected to be \$3.255 million or 31.7% of the 2008 Approved Capital Budget. The under-expenditure is mainly attributed to the following projects:

- The *Health and Safety project* will be under-spent by \$3.6 million at year-end because the Program is only receiving \$0.407 million of the \$4.0 million or (80%) of expected Provincial funds. 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 \$2.860 million at year-end. The construction of the Thorncliffe Park Child Care Centre is underway and is expected to be completed in 2009, while the Chester Le and St Andres Child Care Centres will be undergoing architectural review in August 2008.
- The *Regent Park Child Care Centre* is projected to be under-spent by \$0.550 million. Architectural drawings are being finalized and construction is expected to commence in the 3rd quarter of 2008.

Court Services' actual expenditures for the six months ended June 30, 2008 was \$0.448 million or 8.1% of the 2008 Approved Capital Budget of \$5.526 million. Projected expenditures at year-end are expected to be \$2.977 million or 53.9% 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 I* of the *POA Application Development project* (\$1.0 million) was delayed due to the extended time required for contract finalization with one 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 is expected to be installed at 137 Edward St. (including the intake courtrooms) and the *Old City Hall* courtrooms in July and October 2008, respectively.
- *Phase II (Court Admin Records System - CARS)* (\$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. The POA Application Development project will be terminated \$4.6 million under budget. The unspent funds will be returned to the Provincial Offences Stabilization Reserve for the future relocation of South District courts as addressed in 2009 Capital Budget submission.
- *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 capital expenditures for six months ended June 30, 2008 totalled \$1.407 million or 8.7% of the 2008 Approved Capital Budget of \$16.228 million. A majority of the 2008 planned projects are underway and expected to be completed by the end of the year. The Program is projecting expenditures of \$12.942 million or 79.8% of the 2008 Approved Capital Budget at year-end. The projected year-end under spending of \$3.286 million is mainly attributed to:

- Construction delays for *Todmorden Mills* as a result of delays in 2007;
- Delays in work at the *John Street Roundhouse* due to coordination issues with the tenant;
- The *BIA Streetscape project* at St. Clair Gardens is delayed since it is planned as part of the road work in the area, which has been deferred by Transportation Services.

Emergency Medical Services' (EMS) actual capital expenditures for the six months ended June 30, 2008 totalled \$1.372 million or 12.4% of the 2008 Approved Capital Budget of \$11.041 million. The Program's projected actual expenditures to year-end are expected to be \$9.293 million or 84.2% of the 2008 Approved Capital Budget. The under expenditure is mainly attributed to the following projects:

- The *CACC Redesign Project* projected expenditure to year-end is \$0.954 million or 49.0% of the 2008 Approved Capital Budget of \$1.942 million. The projected under-spending is the result of delays in negotiations with a key contractor; however, all issues have been resolved and the project is moving ahead with completion expected in early 2009.

- It is estimated that spending on the *Station Refurbishment* and *Asset Management* Projects will be \$2.4 million or 84.5% of the 2008 Approved Capital Budget of \$2.842 million by 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; the project will be implemented under-budget by \$0.284 million.
- The *Station 17* Project has been deferred to 2009 due to a change in scope. Request has been made to re-allocate the amount of \$0.550 million from this project to the *Station 18* Project (\$0.4 million) to cover higher than anticipated remediation costs; and to the *Headquarter Security* Project (\$0.150 million) as the cost to complete this project is higher than budgeted.

Long-Term Care Homes and Services spent \$1.354 million or 11.9% of its 2008 Approved Capital Budget of \$11.400 million during the six month period ended June 30, 2008. Contracts amounting to \$2.274 million or 20% of the 2008 Approved Capital Budget have been tendered and issued, while \$7.008 million or 60% is expected to be issued to contractors by September 2008. All Long-Term Care Homes and Services Maintenance projects are in progress and the Program projects that 100% of its 2008 Approved Capital Budget will be spent by year-end.

Parks, Forestry and Recreation (PF&R) spent \$22.277 million or 20.2% of its 2008 Approved Capital Budget of \$110.268 million. Capital spending is expected to reach \$82.765 million or 75.1% of the 2008 Approved Capital Budget at year-end. The projected under-spending is mainly due 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.
- Park Development projects (such as *CP PS LEAD* and *Wychwood* project) and Community Centre projects (such as *Warden Corridor*) are delayed as a result of tender changes and re-tendering in 2007 due to bids coming in over budget limits.

Shelter, Support and Housing Administration spent \$1.630 million or 18.5% of the 2008 Approved Capital Budget of \$8.828 million during the six months ended June 30 2008, and is projecting year-end spending of \$7.058 million or 80.0% of the 2008 Approved Capital Budget. Construction on 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 second half of the year, once user-acceptance of the pilot phase 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 spent \$0.362 million or 11.4% of its 2008 Approved Capital Budget of \$3.192 million. It is projected that the 2008 Approved Capital Budget will be fully spent by year-end. *The External Web* project is expected to be launched in November 2008. The first module of the

Employment Assistance project has been implemented. Corporate IT is expected to commence work on the *MIS - Data Mart* project in 2008. The Case Management project is in the planning stage.

Citizen Centred Services “B”

Actual capital expenditures for this Cluster during the six months ended June 30, 2008, totalled \$73.920 million or 14.7% of the 2008 Approved Capital Budget of \$500.447 million. Capital spending for this Cluster will increase to \$425.647 million or 85.1% of the 2008 Approved Capital Budget by year-end. Spending performance, including explanation of significant variances for programs within this Cluster, is summarized below:

City Planning’s actual expenditures for the six months ended June 30, 2008 totalled \$1.109 million or 10.8% of the 2008 Approved Capital Budget of \$10.223 million. The Program’s projected actual expenditures are expected to be \$7.562 million or 74.0% of the 2008 Approved Capital Budget by year-end. The projected year-end under-spending is attributed to the following projects:

- It is projected that by year-end, spending on the *Development Charge Funded Studies* will be \$1.130 million or 57.3% of the 2008 Approved Capital Budget of \$1.971 million. The projected under-spending is mainly accommodating changes to the Transit Environmental Assessment regulations and the announcement of the Transit City program. Given the required changes to the scope of work for these projects, completion is now anticipated in 2009;
- *The New Zoning By-Law* project projected expenditures to year-end are expected to be \$1.594 million or 75.0% of the 2008 Approved Capital Budget of \$2.126 million. The projected under-spending is due to challenges in hiring appropriate staff. The project is now at staffing capacity and the budget will be expended in 2009.

Policy, Planning, Finance and Administration’s (PPF&A) capital expenditures for the six months ended June 30, 2008 totalled \$0.703 million or 9.0% of its 2008 Approved Capital Budget of \$7.770 million. Policy, Planning, Finance and Administration is projecting that \$4.362 million or 56.1% of its 2008 Approved Capital Budget will be spent by year-end. PPF&A spending performance is attributed to the following:

- *Business Sustainment Systems* - \$0.360 million or 8.6% of the 2008 Approved Capital Budget for this project is spent. The program expects to spend \$1.847 million or 43.9% of the 2008 Approved Capital Budget. 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 the *MLS Division Technology Enhancement* project are behind schedule due to delays in obtaining consulting services for the project.
- *Asset Preservation 2008* – The Program expects to spend \$0.830 million or 100% of the 2008 Approved Capital Budget on this project.

- *Mainframe Application Replacement* - \$0.631 million or 48.7% of the 2008 Approved Capital Budget is projected to be spent at year-end. Six systems have been successfully developed, however, due to delays in hiring the remaining two systems will not be completed until the first quarter of 2009.

Fire Services' capital expenditures for the period ended June 30, 2008 totalled \$1.407 million or 18 % of the 2008 Approved Capital Budget of \$7.780 million. Fire Services' expenditures are expected to achieve 88 % spending rate at year-end. Spending to June 30th, 2008 is mainly attributed to the following projects:

- *Asset Management* projects were 19% spent or \$0.443 million out of a total 2008 Approved Capital Budget of \$2.3 million at the end of June 2008. Corporate Facilities is currently projecting 100% spending on these projects by year-end.
- *HUSAR* projects are 98% spent or \$0.720 million out of a total cash flow of \$0.733 million carried forward from 2006 & 2007. As of June 30, 2008, these projects were completed in compliance with the Federal March 31, fiscal year deadline for the 75/25 percent cost sharing arrangements with no further spending anticipated.

Under-spending as of June is mainly due to with the following projects:

- The *Toryork Bays Extension project* is 2.1% spent or \$27,854 out of a total 2008 Approved Capital Budget of \$1.337 million. 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 will be 48% spent as of year-end.
- New projects for the *Overhaul of the Fireboat Electrical System* for \$0.350 million and the *Payroll Time Entry System Upgrade* for \$0.280 million are currently in the planning and design phase and are expected to be well underway by year-end.
- There was no spending on the *Replacement of Portable Radios* project during the six months ended June, 2008. However, the contract for procurement of this equipment is expected to be complete in the next quarter with 100% spending by year-end.
- Expenditures on the *Repair and Refurbishment of Fire Training Props and Equipment* totalled \$0.074 million or 22% of a 2008 Approved Capital Budget of \$0.326 million. Re-estimation of the work involved is currently underway with 100% spending anticipated by year-end.

Solid Waste Management Services' capital expenditures for the period ended June 30, 2008 totalled \$25.574 million or 30% of its 2008 Approved Capital Budget of \$85.537 million. Solid Waste Management Services expenditures are expected to be 96.0% at year-end. Spending as of June is mainly attributed to the following projects:

- The *Diversion Facilities* project was 37% or \$22.6 million spent out of a total 2008 Approved Capital Budget of \$61.3 million mainly, the roll-out of single household recycling carts. As of

June, spending has also started on the Residual Waste Study for Mixed Waste Processing Facilities with 2% or \$7,219 spent. Various other projects such as SSO Additional Processing Capacity, Single Household Residual Waste Containers were underway at June 30th. Curb side Collection of Durable Goods, SSO Multi-Unit Residential Containers and Recycling Upgrades for Multi-Units will be started in the second half of the year. It is forecasted that the *Diversion Facilities* project projected expenditure will be 99 % at year-end.

- The *Perpetual Care of Landfill* actual expenditures totalled \$1.9 million or 26% spent of a 2008 Approved Capital Budget of \$7.4 million. Proposed construction of a perimeter leachate system at Thackery Landfill will be delayed to 2009 for \$0.5 million due to design issues. It is expected that the *Perpetual Care* project will be 93% spent at year-end.
- The *Transfer Station Asset Management* project was 10% or \$0.563 million spent out of a total 2008 Approved Capital Budget of \$5.7 million. Outstanding work on facilities such as the Dufferin and Bermondsey Transfer Stations will likely be occurring in the later part of 2008 and early 2009 due to permit and procurement delays. Transfer Station projects will be 78 % spent at year-end.
- The *Green Lane Landfill* project was 0.5% spent or \$0.034 million out of a total 2008 Approved Capital Budget of \$6.218 million. Green Lane projects will be 90% spent at year-end.
 - The *Landfill Gas Control System* project is forecasted to be 83% spent or \$3.0 million out of a total 2008 Approved Capital Budget of \$3.6 million in 2008 and \$0.6 million will be carried forward to 2009 due to delayed installation of additional gas wells.
 - The *Buffer Land Acquisition* project had no spending as of June 30th. Acquisitions of \$2.650 million are presently in process and are projected to be 100% spent at year end.
 - It should be noted that an unbudgeted expense for Provincial Land Transfer Taxes in the amount of \$3.7 million will be incurred in the 3rd quarter. This is funded from the Waste Management Reserve Fund which will bring total spending in 2008 for Green Lane capital to \$9.275 million. This charge for Provincial Land Transfer Taxes is eligible to appeal and the subject of the separate report authorizing an amendment to the Capital Budget to fund this expenditure from the reserve fund.

Transportation Services' capital expenditures for the period ended June 30, 2008 totalled \$45.007 million or 13.6% of the 2008 Approved Capital Budget of \$330.086 million. Transportation Services is projecting that \$267.585 million or 81.1% 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 on State of Good Repair projects including bridges, local and major roads, and expressways to June 30, 2008, total \$11.528 million or 8.2% of the 2008 Approved Capital Budget. The estimated spending is expected to be 81.5% or \$115.224 million at year-end. The major projected expenditures in 2008 include the following: local and major road reconstruction and resurfacing (\$53.727 million), sidewalk construction (\$8.545 million), rehabilitation and repair of city bridges (\$41.832 million) and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$27.757 million).

Funding for Infrastructure Enhancement projects total \$33.480 million or 17.8% of the 2008 Approved Capital Budget. The estimated spending by year-end is expected to be 80.8% or \$152.361 million. The major expenditures in 2008 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 Capital Budget of \$33.070 million. Progress on this project was delayed due to lead times required by Toronto Hydro to relocate some of its underground plant.
- The *Bloor Street Transformation* project's estimated expenditure at year-end is expected to be \$10 million or 76.9% of the 2008 Approved Capital Budget of \$13.0 million. The project has been tendered and awarded and construction will begin shortly enabling the project to be completed in 2009.
- The *Dufferin Jog Elimination* project's estimated expenditure at year-end is expected to be \$15 million or 78.1% of the 2008 Approved Capital Budget of \$19.198 million. Construction was delayed due to design changes; however tenders have been issued and work is proceeding.
- The *Morningside/Finch Rail Grade Separation* project's estimated expenditure at year-end is expected to be \$17.5 million or 83.7% of the 2008 Approved Capital Budget of \$20.912 million.

Waterfront Revitalization Initiative's capital expenditures for the six months ended June 30, 2008 was \$0.120 million or 0.2% of the 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 are expected to be finalized in August of 2008, no funds were released to Waterfront Toronto for the period January 1, 2008 to June 30, 2008. Waterfront Toronto is projecting capital expenditure between 90% and 100% of its total Approved Capital Budget by the year-end.

Internal Services

Internal Services' Programs spent \$37.597 million or 26.1% of their 2008 Approved Capital Budget of \$144.876 million during the first six months of 2008. Capital spending for this Cluster will increase to \$112.697 million or 77.8% of the 2008 Approved Capital Budget of \$144.876 million by year-end. Spending performance for Internal Services Programs is summarized below:

Facilities and Real Estate (F&RE) spent \$6.234 million or 15.8% of the 2008 Approved Capital Budget of \$39.433 million during first six months of 2008. The spending rate is consistent with project schedules for construction. Typically, F&RE spending is concentrated in the third and fourth

quarters, after construction work is tendered and awarded. The Program is projecting expenditures of \$36.323 million or 92.1% 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 2008 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 \$0.541 million or 1.4% of the 2008 Approved Capital Budget will not be spent due to minor unanticipated delays in implementation of several other projects.

Financial Services' capital expenditures for the six months ended June 30, 2008 was \$0.983 million or 7.7% of the 2008 Approved Capital Budget of \$12.821 million. Financial Services projected expenditures to year-end are expected to be \$6.792 million or 53.0% of the 2008 Approved Capital Budget of \$12.821 million by year-end.

Projected under-spending to year-end of 47.0%, which equates to \$6.029 million, 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 with revised plans that will require funds to be carried over to 2009.
- Delay in acquiring resources required for the verification of the information gathered has delayed the *Fixed Asset Record System* project resulting in under-spending of \$1.007 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* (\$0.390 million).

Fleet Services capital expenditures for the six months period ended June 30, 2008 totalled \$24.390 million or 39.7% of the 2008 Approved Capital Budget of \$61.365 million. Fleet Services' projected expenditure to year-end is expected to be \$46.040 million or 75.0% of the 2008 Approved Capital Budget. The projected under spending of \$15.325 million is caused by delay in the procurement of pick-up trucks in anticipation of the release of the new 2009 full hybrid pick-up truck specifications

Information and Technology's capital spending for the six months ended June 30, 2008 was \$5.990 million or 19.2% of its 2008 Approved Capital Budget of \$31.258 million. The Program projects spending of \$23.542 million or 75.3% of its 2008 Approved Capital Budget by year-end. The projected under spending is primarily due to delays the following projects:

- *The Website Redesign project* has experienced delays in getting an RFP issued because of complexity of three inter-related sub-projects which have extended the estimated time.

- The *Document Management* project has several sub-projects, including the Litigation Pilot project which is delayed due to vendor contractual issues. This delay has also affected the SAP 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 appropriate professionals to deliver on capital projects, causing several projects to be delayed, including the SAP 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 \$9.639 million or 17.2% of their 2008 Approved Capital Budget of \$56.003 million. Capital spending for this group of Programs will increase to \$52.467 million or 93.7% of the 2008 Approved Capital Budget by year-end. Spending performance, including explanation of significant variances for Programs within this group is summarized below:

City Clerk's Office's capital spending for the six months ended June 30, 2008 was \$3.486 million or 42.0% of its 2008 Approved Capital Budget of \$8.304 million. The Program is projecting spending of \$6.767 million or 81.5% of the 2008 Approved Capital Budget by year-end. The under-spending is mainly attributed to the retrofit of the Print Shop for which the site was acquired in March 2008, and the RFP process to retain an architect is continuing with a contract award expected in October 2008. Work schedules indicate that the retrofit subproject will be completed by December 2009.

The Sustainable Energy Plan's (SEP) actual expenditures for the six months ended June 30, 2008 totalled \$3.640 million or 15.9% 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 accepted 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 95.6% (\$21.897 million) since it is anticipated that the majority of spending will occur in the third and fourth quarters. Due to the deferral of the Nathan Phillips Square project start up, funds allocated for sustainable energy measures in the amount of \$1.000 million or 4.4% of the 2008 Approved Capital Budget will be carried forward into 2009. SEP staff will revise its projections if necessary, as it gains a better understanding of the energy efficiency and renewable energy projects funded from the Toronto Energy and Toronto Green Funds, which pertain 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 six months ended June 30, 2008 totalled \$2.262 million or 10.3% of the 2008 Approved Capital Budget of \$21.869 million. The 2008 Approved Capital Budget will be fully spent by year-end.

Union Station project consists of three main components of capital work: On-going State of Good Repair projects, New State of Good Repair projects as a result of the Building Condition Assessment and Service Improvement Projects. Spending on the On-going State of Good Repair projects to June 30, 2008, totalled \$0.203 million or 0.9% of the 2008 Approved Capital Budget.

Spending on New State of Good Repair projects to June 30, 2008, totalled \$1.558 million or 7.1% of the 2008 Approved Capital Budget. The York Street expansion joint project has been delayed due to the need for co-ordination with GO Transit's work on the train tracks. Design work on the Interior Finishes project is 75% complete and construction will begin by the end of the second quarter and anticipated to be completed by year-end.

Spending on the Service Improvement projects totalled \$0.501 million or 2.3% of the 2008 Approved Capital Budget. The consultations for the design work and specification of the Union Station Security project have been completed and the construction tenders have been awarded. The Loading Dock project has been delayed due to the co-ordination with GO Transit's work on the train tracks but is expected to be completed by year-end.

The Radio Communication System Replacement Project's capital expenditures for the period ended June 30, 2008 totalled \$18,000 or 3.8% of the 2008 Approved Capital Budget of \$0.473 million. The Radio Communications System Replacement Project is currently in the system design stage and registers good progress in this area. The Technical Subcommittee, with the approval of the Steering Committee has initiated procurement activities for the acquisition of specialized testing equipment and support tools (propagation modeling, standards, asset management). 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 100 % at year-end.

Climate Change capital expenditures for the six months ended June 30, 2008 totalled \$0.234 million or 9.5% of a 2008 Approved Capital Budget of \$2.460 million. The Toronto Environment Office is projecting that \$1.460 million or 59.3% of the 2008 Approved Capital Budget will be spent by year-end. The major expenditures in 2008 include the following:

- *Live Green Toronto* actual expenditures for the period ended June 30, 2008 totalled \$0.214 million or 14.2% of the 2008 Approved Capital Budget. Projected expenditures to year-end will total \$0.700 million or 46.7% of the 2008 Approved Capital Budget. Live Green Toronto was launched on May 24, 2008 at the Green Toronto Festival; however, implementation of the urban agriculture and animators elements of this project was delayed due to organizational restructuring.
- *Climate Change Adaptation* – no capital expenditures were incurred for this initiative during the period ended June 30, 2008; however, the estimated expenditure to year-end is expected to be \$0.250 million or 71.4%. Progress is ongoing; however, the opportunity to establish

partnerships with other GTA municipalities, the TRCA and the Federal Government will significantly enhance the results of this project but will delay its completion.

Agencies, Boards and Commissions (ABCs)

Collectively, Agencies, Boards and Commissions spent \$372.787 million or 32.1% of the 2008 Approved Capital Budget of \$1.162 billion during the six-month period ended June 30, 2008. Capital spending for ABCs will increase to \$1.034 billion or 89.0% of the 2008 Approved Capital Budget by year-end. Spending performance, including explanations of significant variances for individual ABCs is summarized below:

Exhibition Place capital expenditures for the six months ended June 30, 2008 totalled \$3.174 million or 5.3% of the 2008 Approved Capital Budget of \$60.401 million. Projected expenditures to year-end are estimated to be \$30.969 million or 51.3% of the 2008 Approved Capital Budget. Under-spending is attributed to the following projects:

- *The Conference Centre* projected expenditure to year-end is expected to be \$26.209 million or 57.1% of 2008 Approved Capital Budget of \$45.866 million. The under-spending is the result of construction lags due to permit delays. The project completion date is targeted for June 2009.
- No expenditures were incurred on the *Green Energy Initiatives* which are to be funded by third-party partners. Exhibition Place has yet to secure third-party funding for the capital projects with a 2008 Approved Capital Budget of \$9.775. 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 \$2.006 million or 33.3% of its 2008 Approved Capital Budget of \$6.018 million from the City of Toronto during the six months ended June 30, 2008. TRCA anticipates that the entire 2008 Approved Budget will be spent by year end.

Toronto Police Services' (TPS) actual capital expenditures for the six months ended June 30, 2008 totalled \$25.627 million or 25.3% of the 2008 Approved Capital Budget of \$101.479 million. TPS's projected expenditure to year-end is expected to be \$95.490 million or 94.1% of the 2008 Approved Capital Budget.

Toronto Public Health (TPH) spent \$1.165 million or 21.7% of its 2008 Approved Capital Budget of \$5.363 million during the first six months of the year. It is projected that 70.0% or \$3.751 million of the 2008 Approved Capital Budget will be spent by year-end. The under-spending of \$1.611 million is mainly attributed to the following:

- Delay in finalizing the hardware and software requirements combined with difficulty in hiring qualified IT staff for the HF/HL Mandatory Management Reporting project (\$0.782 million). As this is the first project that TPH will implement within the existing Public Health's Privacy

and Security Framework to ensure Personal Health Information Privacy Act (PHIPA) compliance, the complexity of finalizing the architectural requirements delayed the implementation process.

- Change in provincial timelines has delayed the implementation of the *Public Health Surveillance and Management System* (\$0.184 million).
- Delay in the completion and tendering of the RFP for the *Dental Strategy and Implementation project* (\$0.276 million).
- Difficulty in hiring and retaining appropriate IT staff, and delays in the vendor implementing new and innovative security related solutions for the *Personal Health Information and Protection Act (PHIPA) System Compliance project* (\$0.370 million).

Toronto Public Library (TPL) spent \$7.217 million or 32.0% of its 2008 Approved Capital Budget of \$22.550 million. This spending rate is consistent with prior years. TPL projects spending of 96.3% of its Approved Capital Budget by year-end. Under-expenditure is primarily due to the following:

- The implementation of *Virtual Branch Services project* is behind schedule in 2008 due to the complexity and scope of the work of the project, as well as the need to coordinate it with the new Integrated Library System, which was also delayed. This will result in an estimated \$0.377 million of funding to be carried forward to 2009; and,
- The start of construction of the *Kennedy / Eglinton Library expansion* may be delayed and will likely not be completed until 2009. TPL anticipates that approximately \$0.450 million from this project will be carried forward to 2009.

Toronto Transit Commission's (TTC) 2008 Approved Capital Budget of \$925.420 million (including \$171.949 million carried forward from 2007 and including the Toronto York Spadina Subway Extension and Transit City projects) was \$314.7 million or 34.0% spent as at June 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 \$837 million or 90.4% by year-end.

A significant part of the under spending is attributed to the eight projects listed below:

- No new Wheel-Trans buses will be purchased in 2008, as a result of difficulty in finding a manufacturer that is capable of producing a paratransit vehicle suitable to Wheel-Trans' needs.
- Surface track work is under-spent 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 are \$19.4 million less than anticipated due to the SNC Lavalin development at Islington station no longer proceeding.

- The Victoria Park Terminal replacement project is under-spent due to a delay in completing the design.
- The Birchmount Bus Garage repair bay modifications are under budget as a result of the deferral of the completion of construction to 2010.
- The Warden Station redevelopment engineering and construction has been deferred to 2009 as a result delays to complete the primary design.
- The purchase of streetcars is under budget due to changes in the timing of the project and in the payment schedule.
- The SRT conversion project is under budget due to changes in the schedule as a result of delays to date.
- The Spadina Subway Extension is under budget due to the deferral of engineering work and property acquisition to 2009.

The 2008 Approved Capital Budget for *Yonge-Dundas Square (YDS)* is \$0.100 million of which \$0.005 million was spent during the six months by June 30, 2008. The *YDS Replacement Steel Grating project* is expected to be completed and fully spent by year-end.

Toronto Zoo capital expenditures during first six months ended June 30, 2008, totalled \$2.886 million or 19.3% of its 2008 Approved Capital Budget of \$14.925 million. A majority of the 2008 projects are underway and expected to be completed by the end of the year. Toronto Zoo is projecting expenditures of \$13.125 million or 87.9% of the 2008 Approved Capital Budget at year-end. The projected year-end under-spending of \$1.799 million is mainly attributed to the delayed start in 2007 caused by re-tendering of Phase I of the North Zoo Site-Tundra project.

Sony Centre for the Performing Arts (SCFPA) spent \$0.931 million or 7.5% of its 2008 Approved Capital Budget of \$12.5 million. The reason for the projected under-spending is that construction for the redevelopment of the Sony Centre project is expected to commence in the fall of 2008. The Program expects to spend the entire 2008 Approved Capital Budget by year-end.

Rate Supported Programs:

For the six months ended June 30, 2008, Rate Supported Programs spent \$82.562 million or 18.9% of their 2008 Approved Capital Budget of \$436.744 million. Projected spending to year end is estimated at \$322.760 million or 74.6% of the 2008 Approved Capital Budget.

Toronto Water's 2008 Approved Capital Budget of \$410.000 million was 18.8% or \$76.982 million spent as of June 30th, 2008. This level of capital budget 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 anticipated 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 forecast 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 six months ended June 30, 2008 was \$5.580 million or 20.9% 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 the new car-park projects. The Authority projects that it will spend 58% or \$15.592 million of the 2008 Approved Capital Budget by the year-end.

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

Toronto Public Library:

Kennedy / Eglinton Library Branch Expansion Capital Project (\$0.950 million gross/ \$0.850 million debt) was included in TPL's 2008 Approved Capital Budget as part of the Partnership Opportunities Legacy Funding for projects located in the City's designated Priority Neighbourhoods. The landlord of this storefront library located in the Liberty Square Shopping Plaza has agreed to contribute an amount of \$0.060 million to supplement the branch renovation costs. Thus, TPL requests authority to increase the gross budget of this capital project from \$0.950 million to \$1.010 million, with no impact on debt.

Multi-branch Renovation Capital Project - City Planning has confirmed the availability of Section 37 funding of \$0.125 million for a new heating, ventilation and air conditioning system for the Yorkville Public Library. This renovation can be undertaken in 2008, as part of the 2008 Multi-branch Renovation Capital Project. A budget adjustment is requested to increase the 2008 Approved Capital Budget for this project from \$1.446 million gross (\$1.381 million debt) to \$1.571 million gross, leaving the approved debt unchanged.

Toronto Water:

Toronto Water is requesting a reallocation of \$1.800 million from the GO Hagerman Crossing Project to the Roof Rehabilitation Project Water 2008 Capital Budget with no net impact on 2008 gross expenditures and funding sources. This reallocation of funding will provide the opportunity to advance work on the Roof Rehabilitation Project at the Horgan Water Treatment Plant.

Emergency Medical Services:

The Station 17 Project has been deferred and additional funds requested in 2009 due to a change in scope. Funds of \$0.550 million from Station 17 project will be reallocated in 2008 to cover higher than anticipated remediation costs for Station 18 Project (\$0.400 million) and higher than budgeted project cost for Headquarter Security Project (\$0.150 million).

Children's Services:

Children's Services requires a technical adjustment of \$1.295 million to change the funding source for the Bergamot Avenue Child Care Project from Provincial Subsidies to a draw from the Child Care Expansion Reserve Fund. This project is a Best Start capital project with funding from the

2005/2006 funding allocation of the Provincial Best Start Plan (100% funded by the Province). In July 25, 26 and 27, 2006, City Council approved the transfer of Best Start funds to the Child Care Expansion Reserve Fund.

Transportation Services:

Transportation Services will be deferring cash flows in project Traffic Plant Requirements in the amount of \$0.400 million in 2009 and \$0.300 million in 2010 in order to align them with the anticipated delivery of vehicle traffic signal heads in those years that must be ordered in 2008. There will be no effect on project costs and no net debt impact over the life of the project.

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SIGNATURE

~~Joseph P. Pennachetti~~
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

- Appendix 1 - Consolidated Capital Variance Report, for the Six Months ended June 30, 2008
- Appendix 2 - Budget and Technical Adjustments
- Appendix 2-A Carry Forward Adjustment