



**STAFF REPORT  
ACTION REQUIRED**

**Preliminary Capital Variance Report for the Year Ended  
December 31, 2008**

Date:	March 2, 2009
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\FP\bc09007FP (AFS# 6966)

**SUMMARY**

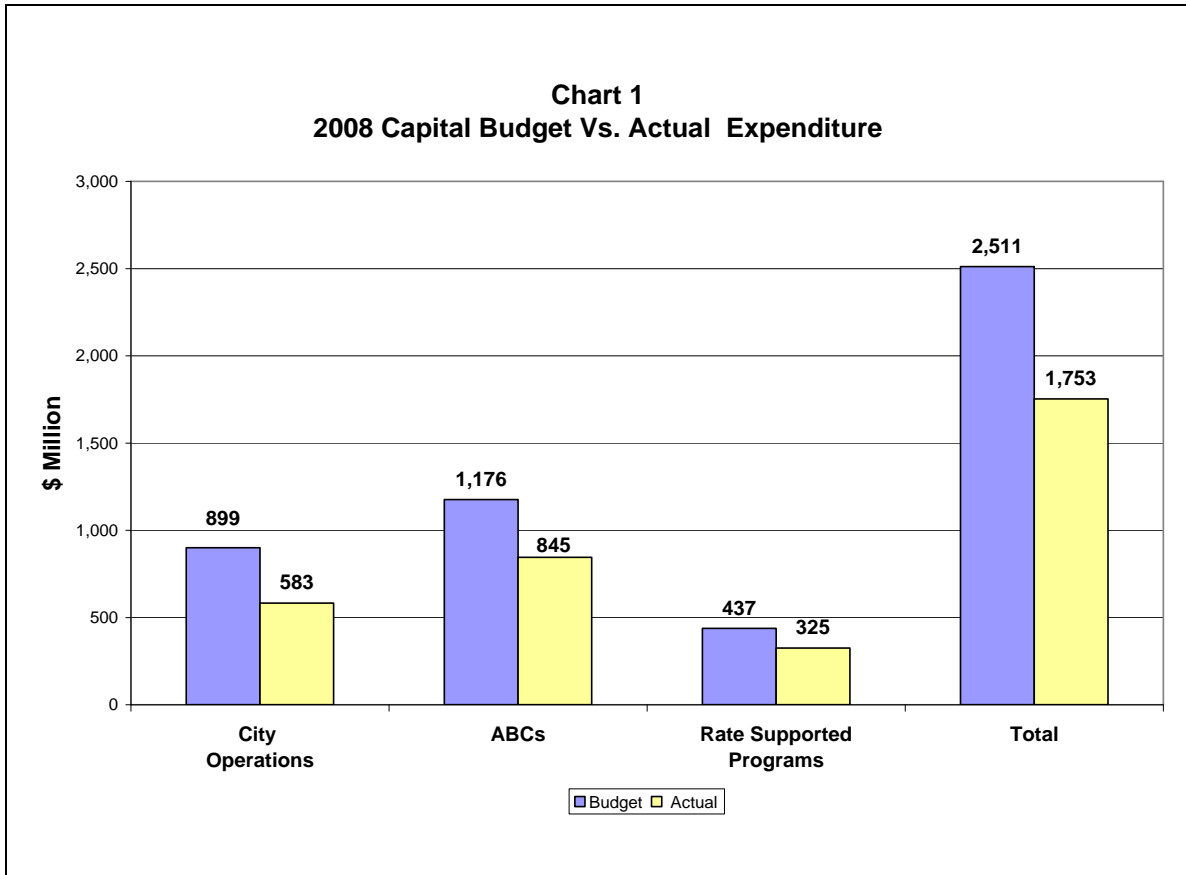
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The purpose of this report is to provide the City of Toronto Preliminary Capital Variance Report for the year ended December 31, 2008, and to request Council’s approval for budget adjustments which reallocate funds between projects with no incremental impact on its 2008 Approved Capital Budget. A report with any changes to the Preliminary year-end financial position will be submitted to Council following the completion of the external audit of the City’s accounts and financial statements, if necessary.

Capital expenditures for the year ended December 31, 2008 totalled \$1.753 billion or 69.8% of the Approved Capital Budget of \$2.511 billion. The under-spending is primarily attributed to the inability to find or secure suitable sites in accordance with planned timeframes; the need to revise design plans; delays in securing funds from cost-sharing partners; unanticipated delays in construction start-up and deferral of work; unanticipated legal and environmental issues; challenges in hiring qualified staff; and delays in the delivery of equipment from manufacturers. In addition, several projects were completed under-budget. Unspent funds for incomplete projects will be carried forward to 2009 on an as required basis, in accordance with the City’s Carry Forward Policy.

Capital expenditures for Tax Supported Programs for the year ended December 31, 2008 totalled \$1.427 billion, representing 68.8% of its 2008 Approved Capital Budget of \$2.074 billion being spent (see Appendix 1). City Operations spent \$582.779 million or 64.8% of its 2008 Approved Capital Budget of \$899.097 million; while Agencies, Boards and Commissions spent \$844.699 million or 71.9% of their collective 2008 Approved

Capital Budget of \$1.176 billion. Rate Supported Programs spent \$325.049 million or 74.4% of its 2008 Approved Capital Budget of \$436.746 million (see Chart 1).



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## RECOMMENDATIONS

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The Deputy City Manager and Chief Financial Officer recommend that:

1. Council approve the budget and technical adjustments to its 2008 Approved Capital Budget as detailed in Appendix 2 attached.
2. The Deputy City Manager and Chief Financial Officer report back to the Budget Committee on any changes to the City of Toronto's 2008 year-end financial position after the 2008 financial statements are finalised; and
3. The 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 year ended December 31, 2008, actual expenditures for Tax Supported Programs totalled \$1.427 billion or 68.8% of the City's 2008 Approved Capital Budget of \$2.074 billion. By comparison, these Programs spent 71.2% of their 2007 Approved Capital Budget during the same period in 2007.

Rate Supported Programs spent \$325.049 million or 74.4% of their 2008 Approved Capital Budget of \$436.746 million. By comparison, these Programs spent 59.1% of their 2007 Approved Capital Budget during the same period in 2007.

In compliance with prudent financial management practices, debt is issued only when needed to finance actual or committed capital expenditures. This strategy minimizes the incurrence of debt service costs and the resultant impact on the Operating Budget.

## 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 year ended December 31, 2008. It identifies factors that negatively impact capital spending plans and, where relevant, proposes appropriate corrective action.

<b>Table 1</b>				
<b>Preliminary Corporate Capital Variance Summary</b>				
<b>for the Year Ended December 31, 2008</b>				
<b>(\$000s)</b>				
	2008 Approved Budget	Actual Expenditures - January 1 to December 31, 2008		
		\$000	%	
<b>Tax Supported Programs:</b>				
Citizen Centred Services - "A"	209,006	123,032	58.9	
Citizen Centred Services - "B"	486,707	329,342	67.7	
Internal Services	144,876	96,481	66.6	
Other City Programs	58,508	33,924	58.0	
Agencies, Boards & Commission	1,175,530	844,700	71.9	
<b>Total - Tax Supported</b>	<b>2,074,627</b>	<b>1,427,479</b>	<b>68.8</b>	
<b>Rate Supported Programs:</b>				
Toronto Parking Authority	26,746	7,899	29.5	
Toronto Water	410,000	317,151	77.4	
<b>Total Rate Supported</b>	<b>436,746</b>	<b>325,050</b>	<b>74.4</b>	
<b>Total</b>	<b>2,511,373</b>	<b>1,752,529</b>	<b>69.8</b>	

## COMMENTS

At its meeting of December 11, 2007, Council approved a 2008 Tax-Supported Capital Budget of \$1.911 billion and a 2008 Rate-Supported Capital Budget of \$436.746 million for a total Tax and Rate-Supported 2008 Capital Budget of \$2.350 billion. Its 2008 Rate-Supported Capital Budget consists of \$410.000 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, its 2008 Adjusted Capital Budget is \$2.511

billion. Capital spending performance each Program and Agency, Board and Commission for the year-ending December 31, 2008 is discussed below.

## **Capital Variance by Program/ABC**

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

For the year ended December 31, 2008, actual capital expenditures for this Cluster totalled \$123.032 million or 58.9% of its 2008 Approved Capital Budget of \$209.005 million. Capital spending performance, including explanations of significant under-spending for Programs within this Cluster is summarized below:

<b>Citizen Centred Services "A"</b>		
<b>Capital Variance (\$ Million)</b>		
	<b>December 31, 2008</b>	
	<b>Over/(Under)</b>	<b>% of Budget</b>
311 Customer Service Strategy	(15.0)	43.7
Children's Services	(7.9)	22.7
Court Services	(3.2)	42.2
Economic Development & Tourism	(5.8)	64.8
Emergency Medical Services	(4.7)	61.9
LTCHS (Homes for the Aged)	(2.0)	82.6
Parks, Forestry & Recreation	(40.4)	64.7
Shelter, Support and Housing Administration	(4.6)	47.7
Toronto Employment and Social Services	(2.4)	24.8
<b>Sub-Total</b>	<b>(86.0)</b>	<b>58.9</b>

**311 Customer Service Strategy** - Spending on this project totalled \$11.607 million or 43.7% of its 2008 Approved Capital Budget of \$26.577 million. Under-spending is mainly attributed to the amount of time necessary to negotiate the Technology Solution contract signed on March 31, 2008, which resulted in a lower than planned spending of \$11.837 million or 44.5% of its 2008 Approved Capital Budget. Based on revised project schedules it is expected that significant spending will occur in the first quarter of 2009.

**Children's Services** spent \$2.331 million or 22.7% of its 2008 Approved Capital Budget of \$10.259 million. The under spending is primarily a result of the following:

- *Health and Safety Playground* project (\$5.0 million) is under-spent by \$3.641 million, as Children's Services only received a portion of the \$4.0 million (80%) share of provincial funding. The City's \$1.0 million (20% share) is fully spent.
- The *New Child Care Centres* project (\$3.910 million) is under-spent by \$3.238 million, with construction delays at *Thorncliffe Park* (\$1.823 million) resulting in under-spending of \$1.151 million, with a revision in the completion date to the fall of 2009; *Chester Le* (\$1.587 million) and *St Andrew* (\$0.5 million) are under-spent by \$1.587 million and \$0.5 million respectively, as both projects have been delayed due to design negotiation with the district school boards.

- The *Regent Park Child Care Centre* (\$0.950 million, part of the Regent Park Revitalization Initiative) was not spent during 2008, because of delays in identifying a suitable site for this Child Care Centre.
- The *118 Enderby Child Care Centre* (\$0.051 million) is under-spent by \$0.050 million, due to delays in finalizing the construction. The remaining 2008 cash flow of \$0.050 million will be carried forward into 2009.

**Court Services** spent \$2.333 million or 42.2% of its 2008 Approved Capital Budget of \$5.526 million. All projects are funded from the Provincial Offences Court Stabilization Reserve, and have no impact on the City's debt.

The under-spending of \$3.193 million is mainly attributable to:

- Delays in finalizing vendor contracts for the supply and installation of Digital Audio Recording (DAR) equipment of the *POA Application Development* project (\$0.853 million), which is scheduled for completion in 2009.
- Further reconfiguration of renovation work already completed in South District Facilities (\$0.200 million), to be concluded in early 2009.

The additional \$2.140 million in under-spending will not be carried forward into 2009 as Court Services has reprioritized projects and is requesting a reduction in project costs in the amount of \$2.344 million. The amount will remain in the Reserve as a contribution for future courthouse development at the St. Lawrence Market North location to replace the existing South District courthouse.

**Economic Development, Culture & Tourism** spent \$10.639 million or 64.8% of its 2008 Approved Capital Budget of \$16.428 million. The under-spending is mainly due to the following projects:

- *BIA 2008 Streetscape Improvement Program* is under-spent by \$1.221 million resulting from delayed transportation and transit projects which are coordinated with BIA projects. The funds will be carried forward to 2009.
- Its 2008 *John Street Roundhouse* is under-spent by \$0.414 million, because costs to move rolling stock came in over budget and staff is investigating more cost-efficient alternatives. The funds will be carried forward to 2009.
- Its 2008 *Façade Program* is under-spent by \$0.408 million due to contractor and weather related delays as well as cancellation of scheduled renovations by applicants.
- *Fort York Restoration*: under-spent by \$0.328 million, primary due to the delay in relocating the Nursery. The funds will be carried forward to 2009.
- *Todmorden Mills* project is under-spent by \$0.308 million, as site restoration has been delayed as a result of a proposal from Toronto Water to use the site for storm water management which has delayed planning approvals. The funds will be carried forward to 2009.
- The *Guild Restoration* project is under-spent by \$0.296 million, due to delays resulting from the recent partnership negotiations with Centennial College. The funds will be carried forward to 2009.

**Emergency Medical Services (EMS)** spent \$7.619 million or 61.9% of its 2008 Approved Capital Budget of \$12.301 million. The under-spending of \$4.682 million is primarily due to the following:

- *Station Rehabilitation Projects* were under-spent by \$1.250 million as construction cost estimates came in higher than expected requiring EMS to reprioritize its state of good repair projects and re-design other structural repairs and renovations to meet its approved budget. This delayed the completion of a number of projects to early 2009. The funds will be carried forward into 2009.
- The *Medical Equipment Project* is under-spent by \$1.012 million as some supplies were not available for delivery in 2008. Stretchers and defibrillators were received in 2008 while new ergonomically designed stair chairs and portable equipment for ambulances are expected to be delivered in early 2009. The funds will be carried forward into 2009.
- The *CACC Redesign Project* is under-spent by \$0.836 million as a result of delays in negotiations with a key contractor. These issues have been resolved and the project is moving ahead with completion expected in 2009. The funds will be carried forward into 2009.
- *Stations 17, 18 and 29 Projects* are under-spent by \$0.808 million. These projects were delayed due to higher than budgeted construction and soil remediation costs. Remediation and demolition of the existing stations did not start until late 2008 and funds will be required to complete the projects in 2009. \$451,000 will be carried forward into 2009.
- The *EMS/Fire Headquarters' Power Supply System Project* is under-spent by \$0.204 million. The project is near completion with minor changes to be completed in early 2009. The funds will be carried forward into 2009.

***Long-Term Care Homes & Services*** spent \$9.416 million or 82.6% of its 2008 Approved Capital Budget of \$11.400 million. While most of the planned maintenance projects are on schedule, projects in the amount of \$1.984 million were faced with unexpected delays due to problems with the existing contractors not being familiar with the Ministry of Health and Long-Term Care's stringent facility standards and requirements. Therefore, carry forward funding in the amount of \$1.984 million is required to ensure unfinished projects are completed in 2009.

***Parks, Forestry and Recreation*** spent \$74.080 million or 64.7% of its 2008 Approved Capital Budget of \$114.494 million. In addition to the amount spent, the Program has committed contracts valued at \$23.305 million or 20% for projects currently underway and \$1.100 million awaiting finalization of agreements to acquire land, totalling \$98.485 million.

The Program experienced delays in 2008 due to prolonged community consultations, poor weather conditions and delayed receipt of third party funding. Other areas of under-spending include:

- *CP-PS Lead Trail* project is under-spent by \$1.548 million due to unanticipated time required for receiving traffic management approvals and on-street lane closures.
- *Jenner Jean-Marie Community Centre* project is under-spent by \$3.691 million as a result of delayed construction due to weather conditions.

- *South Etobicoke Community Centre* project is under-spent by \$1.760 million due to the prolonged community consultation process and delays in signing the required shared use agreement with the Toronto Catholic District School Board (TCDSB).
- *Regent Park Pool* project is under-spent by \$2.850 million due to the Toronto Community Housing Corporation (TCHC) Design Review Committee approval/site plan authorization not being secured.
- *Work Order Management System* project is under-spent \$1.900 million due to the city-wide SAP upgrade.

***Shelter, Support and Housing Administration*** spent \$4.210 million or 47.7% of its 2008 Approved Capital Budget of \$8.828 million. The under spending is primarily a result of the following:

- *129 Peter Street Shelter* project (\$2.067 million) is under spent by \$1.653 million, as construction has been delayed due to asbestos removal and difficulties with sewage connection; the revised completion date is spring 2009.
- *Eva's Youth Shelter* project (\$1.927 million) is under spent by \$0.447 million, as construction has been delayed due to site constraints and difficulties with storm water connection; the revised completion date is spring 2009.
- *Social Housing Administration System* project is under-spent by \$1.092 million due to delays in recruiting qualified IT staff to develop the system; the *Shelter Management Information System* is under-spent by of \$0.662 million due to longer than anticipated implementation roll-out; all of the shelters are now projected to be networked through *SMIS* in 2009.
- The *HVAC Upgrade at Seaton House* project (\$0.550 million) is under-spent by \$0.550 million as the engineering estimates to complete these upgrades have proven to be too costly to proceed with the completion of this project.
- Capital Repairs/ Replacements for City Operated/ Leased Shelters project (\$0.707 million) is under-spent by \$0.206 million. Some sub-projects were temporarily delayed pending structural assessment of the buildings.

***Toronto Employment & Social Services*** spent \$0.791 million or 24.8% of its 2008 Approved Capital Budget of \$3.192 million. All projects are fully funded by provincial subsidies dedicated to technology for the OW program. 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. Since further enhancements to its functionality are still required, the unspent funding of \$0.744 million will be carried forward to 2009.
- The first module of the *Employment Assistance* project has been implemented and development work is ongoing. The Program will carry forward \$0.742 million to 2009.
- The Corporate Contract Management Office is expecting to finalize a contract with Oracle in 2009, for the development of an interactive dashboard for the *MIS –Data Mart* project. The unspent funding of \$0.515 million will be carried forward to 2009.
- The *Case Management* project is in the planning stage and \$0.400 million will be carried forward to 2009.



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

For the year ended December 31, 2008 actual capital expenditures for this Cluster totaled \$329.342 million or 67.7% of its 2008 Approved Capital Budget of \$486.707 million. Spending performance, including explanations of significant variances for Programs within this Cluster, is summarized below:

<b>Citizen Centred Services "B"</b>		
<b>Capital Variance (\$ Million)</b>		
	<b>December 31, 2008</b>	
	<b>Over/(Under)</b>	<b>% of Budget</b>
City Planning	(4.1)	59.5
Policy, Planning, Finance and Administration	(5.0)	36.0
Fire Services	(2.4)	68.1
Solid Waste Management Services	(19.0)	79.0
Transportation Services	(121.5)	63.0
Waterfront Revitalisation Initiative	(5.4)	87.2
<b>Sub-Total</b>	<b>(157.4)</b>	<b>67.7</b>

**City Planning** spent \$6.082 million or 59.5% of its 2008 Approved Capital Budget of \$10.223 million. The variance is primarily due to \$0.951 million of unspent funds for *Development Charge Funded Studies* which were delayed due to the Transit Environmental Assessment regulations and the announcement of the Transit City program, and \$0.747 million in under spending for the new Zoning By-law project due to previous challenges in hiring qualified staff. The project is now at staffing capacity and the approved cash flow funding will be expended in 2009.

**Policy, Planning, Finance and Administration (PPF&A)** spent \$2.796 million or 36% of its 2008 Approved Capital Budget of \$7.770 million. The under-spending of \$4.974 million is mainly attributed to the following:

- *Business Sustainment Systems Projects* are under-spent by \$3.018 million due to delays in filling contract and temporary staff positions for some of the projects. Redeployment of current staff resources along with continued progress in filling vacant positions will help to complete projects delayed in 2008 and improve capital delivery in 2009.
- *Mainframe Application Replacement* project is under-spent by \$0.782 million due to longer than anticipated procurement of hardware and software which is delayed until 2009. Six systems have been successfully developed and the remaining six systems will be completed in 2009 and 2010.

**Fire Services** spent \$5.049 million or 68% of its 2008 Approved Capital Budget of \$7.416 million. The 2008 under-spending of \$2.367 million is mainly attributed to the following projects:

- The *Replacement of Portable Radios*' approved cash flow of \$0.625 million as of December 31<sup>st</sup> was not spent and these funds will be carried forward into 2009. The

contract for procurement of this equipment was not completed by year-end. The single vendor that bid on the TFS/EMS portion of the RFQ was disqualified for non-compliance to terms and conditions of the call. A staff report will be sent to Bid Committee shortly which will recommend sole sourcing the procurement from Motorola.

- The *Toryork Bays Extension* project is 59.7% spent or \$0.798 million out of a total 2008 approved cash flow of \$1.337 million at year-end. The project construction phase was delayed for necessary approvals and contract preparation limiting possible site work in 2008. \$0.539 million will be carried forward into 2009.
- The *Payroll Time Entry System Upgrade* project had no spending of its \$0.280 million approved cash flow as of December 31<sup>st</sup>. The project remains in the planning, design and contract negotiation phase and is being delayed due to IT requirements and contract issues. \$0.280 million will be carried forward into 2009.
- *Repair and Refurbishment of Fire Training Props and Equipment* project is 33% spent or \$0.104 million out of a total 2008 approved cash flow of \$0.312 million at year-end. Re-estimation of the remaining work is currently underway and will continue with \$0.208 million to be carried forward into 2009.
- The projects for *Station C, Antenna Tower Remediation and Downtown & Waterfront Radio Coverage and the EMS/FIRE HQ Power System Upgrade* have been completed under budget. Total funds in the amount of \$0.275 million are no longer required. \$0.084 million will be carried forward into 2009 for final payments for the EMS/FIRE HQ Power System Upgrade.

***Solid Waste Management Services*** spent \$71.507 million or 79% of its 2008 Approved Capital Budget of \$90.547 million. The 2008 under-spending of \$19.040 million was mainly attributed to the following projects:

- The *Diversion Facilities* project is 89% spent or \$54.7 million out of a total 2008 approved cash flow of \$61.3 million. \$3.6 million will be carried forward into 2009. Under-spending of \$6.6 million is mainly attributable to:
  - *Single Household Bins* (recycling, organics and residual waste) is under-spent by \$2.7 million or 5% at year-end. This is due mainly to production delay with the medium size garbage bins, delays associated with townhouse curb collection and replacement of organics bins.
  - Delay in launching the *Curb side Collection of Durable Goods* pilot project resulted in under-spending of \$1.8 million and is due to additional operational resources being applied to its 2008 Bin Rollout.
  - *Recycling Upgrades for the Multi-Units* project is delayed due to uncertainty with moving forward within the budget and issues with the design changes that needed to be addressed before RFQ. *SSO Multi-Unit Residential Containers* project is delayed due to a shortage of contracted processing capacity. A total of \$1.4 million will be carried forward to 2009.
  - *Studies* for the Residual Waste Processing Facilities as well as for the Additional Single Stream Processing Facility were delayed due to the scope and methodology of changes and resulted in total under-spending of \$0.6 million.

- The *Green Lane Landfill* project was 49% spent or \$5.010 million out of a total 2008 approved cash flow of \$10.228 million. Under-spending of \$5.2 million was mainly attributable to:
  - The *Green Lane Development 2008* project had no spending of its 2008 approved cash flow of \$1.8 million in 2008 due to the delayed installation of additional gas wells. This amount will be carried forward to 2009
  - The *Buffer Land Acquisition* project was 0.3% spent or \$0.008 million out of a total 2008 approved cash flow of \$2.7 million. Two acquisitions for 2008 will be closing in 2009. Additional acquisitions are planned for 2009. \$2.642 million will be carried forward into 2009.
- The *Residential Collection* project was 49% spent or \$2.9 million out of a total 2008 approved cash flow of \$5.9 million. \$2.1 million will be carried forward into 2009. Under-spending of \$3 million was mainly attributable to delay in finalizing consulting site assessment for the *Yard Renovation Project* at Ingram, Bermondsey and Yonge. A total of \$2.1 million will be carried forward into 2009 to enable completion.

***Transportation Services***' capital expenditures for the year ended December 31, 2008 totalled \$207.124 million or 63.1% of its 2008 Approved Capital Budget of \$328.133 million. The major expenditures in 2008 included State of Good Repair for Roads of \$50.795 million, Bridge Rehabilitation of \$29.455 million and Infrastructure Enhancements of \$104.015 million. Most of the under-spending occurred in the Program's major projects which require third party coordination including the following:

- The *St. Clair Dedicated Right of Way* project's actual expenditures total \$14.505 million or 43.9% of its 2008 approved cash flow of \$33.070 million. The under spending resulted from longer than anticipated utility work with Toronto Hydro and Toronto Water. Progress on this project is on-going and is scheduled to be completed at the end of 2009.
- The *Bloor Street Transformation* project's actual expenditures total \$2.611 million or 20.1% of the approved cash flow of \$13.000 million. Progress on the project had been delayed by a court challenge and scheduling adjustments arising from the need to accommodate the local BIA's expressed intent to minimize disruptions to their seasonal shopping period during the latter part of 2008.
- The *Dufferin Jog Elimination* project's actual expenditures total \$4.970 million or 40.2% of its 2008 approved cash flow of \$12.363 million. The under spending is due to construction delays resulting from design changes and coordination obstacles with the railways. However, tenders have been issued and work is proceeding. The project is anticipated to be fully complete by spring 2010.

***Waterfront Revitalization Initiative***'s capital expenditures for the year-ended December 31, 2008 totalled \$36.784 million or 87.2% of its 2008 Approved Capital Budget of \$42.164 million. The under-spending of \$5.380 million is mainly attributed to the following:

- Implementation of the *West Don Lands Phase 1* was under-spent by \$2.908 million due to delays in construction of the Flood Protection Land Form.

- Hiring of consultants for the *Fort York Pedestrian Bridge CA* was delayed resulting in under spending of \$0.435 million.
- No *Technical Studies* were required in 2008 resulting in \$0.539 million not being spent.
- The finalization of the Contribution Agreement for *Financial Securities* was delayed resulting in \$0.912 million not being released.

### **Internal Services**

For the year ended December 31, 2008 actual capital expenditures for Internal Services' Programs totalled \$96.480 million or 66.6% of their collective 2008 Approved Capital Budget of \$144.876 million. Spending performance for Internal Services Programs is summarized below:

<b>Internal Services</b>		
Capital Variance (\$ Million)		
	<b>December 31, 2008</b>	
	Over/(Under)	% of Budget
Facilities & Real Estate	(12.7)	67.9
Financial Services	(9.3)	27.5
Fleet Services	(17.5)	71.5
Information Technology	(8.9)	71.4
<b>Sub-Total</b>	<b>(48.4)</b>	<b>66.6</b>

***Facilities and Real Estate (F&RE)*** spent \$26.775 million or 67.9% of its 2008 Approved Capital Budget of \$39.433 million. Approximately \$5.420 million in unspent funding or 14% of its 2008 Approved Capital Budget was due to a deferral of eight large capital projects, including the Nathan Phillips Square Revitalization, South District Yard Consolidation Study and mechanical and electrical upgrades at Toronto Police Service Headquarters. The remaining unspent funds of \$7.238 million or 18% of its 2008 Approved Capital Budget pertain to unanticipated delays in the implementation of a large number of smaller projects. The project management staff vacancies throughout most of the year, as well as larger than normal staff turnover, ultimately resulted in a decrease in planned capital spending.

Capital spending resulted in significantly increasing the life of the assets and achieving energy efficiencies where building automation systems and mechanical and electrical systems were replaced. Capital spending also resulted in increasing barrier free access to City Facilities and the safety and security by providing new security systems at City facilities.

***Financial Services*** spent \$3.526 million or 28.0% of its 2008 Approved Capital Budget of \$12.821 million. Under-spending is mainly attributed to the following:

- *Workflow and Document Management and Imaging projects* - Implementation was suspended for most of 2008 due to contract issues between the City and the proponent. As a result, the combined total under-spending at year-end is \$2.016 million for Accounting and Revenue Services. A settlement was recently reached

with the proponent and further development of these projects is pending a Senior Management Review.

- Due to a slow start in acquiring resources for the *Tax & Water Upgrade project*, the project is under-spent by \$1.807 million.
- System Implementation delays due to integration with other SAP projects for the *Fixed Asset Record System* project resulted in under-spending of \$1.242 million.
- The Financial Planning, Analysis & Reporting System (FPARS) is under-spent by \$1.908 million due to unanticipated delays in acquiring resources including an environment to test solutions in SAP.
- A delay in finalizing Local 79 wage harmonization has resulted in under-spending in the Collective Agreement Implementation project of \$0.488 million.

**Fleet Services** spent \$43.855 million or 71.5% of its 2008 Approved Capital Budget of \$61.365 million. 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 \$22.325 million or 71.4% of its 2008 Approved Capital Budget of \$31.258 million. The under spending is primarily due to delays in many projects, such as:

- The *Web Development* projects have experienced delays because of complexity of three inter-related sub-projects which have extended the estimated time line from two to three years. With the performance of the Web governance and implementation of the refresh, it is anticipated that the most of the project will be completed in 2009.
- The SAP projects are subject to confirmation and prioritization of the SAP five year project plan by the SAP Steering Committee. The Committee has requested the Integrated Project Advisory Group (IPAG) to develop an integrated plan, which will provide an updated project charter and a more defined scope, allowing these projects to proceed more effectively going into 2009.
- Document Management project has several sub-projects, including *the Litigation Pilot project*, which was on hold while the Project Advisory Committee and Legal Services Division resolve some major vendor issues. This delay has also affected all the document management projects given their interdependencies.
- Several Strategic Planning and Project Management Office projects have been delayed until the IT Governance & Transformation rollout has progressed further.

### **Other City Programs**

For the year ended December 31, 2008, actual capital expenditures for Other City Programs totalled \$33.923 million or 58.0% of their 2008 Approved Capital Budget of \$58.508 million. Spending performance, including explanation of significant variances for Programs within this group is summarized below:

<b>Other City Programs</b>		
Capital Variance (\$ Million)		
	<b>December 31, 2008</b>	
	Over/(Under)	% of Budget
City Clerk's Office	(6.6)	39.0
Sustainable Energy Plan	(9.6)	58.3
Union Station	(6.8)	68.7
Radio Replacement Project	(0.1)	87.0
Climate Change	(1.5)	38.0
<b>Sub-Total</b>	<b>(23.1)</b>	<b>58.0</b>

*City Clerk's Office* spent \$4.219 million or 39.0% of its 2008 Approved Capital Budget of \$10.821 million for the year ended December 31, 2008. The under spending is mainly due to the retrofit of the Print Shop being delayed, for which the site was acquired in March 2008, and the tender for a contractor closed in January 2009. The tenders are being reviewed and the retrofit subproject will be completed by the 4th Quarter of 2009. In addition, the acquisition of property in November 2008, for Elections Operations had a closing date of February 2009, and 90.3% of the \$3.300 million will only be paid upon closing.

*The Sustainable Energy Plan's* actual expenditures total \$13.334 million or 58.3% of its 2008 Approved Capital Budget of \$22.885 million. The following projects were the principal causes of the under-expenditure:

- *Upgrades – City Facilities* are complete with the exception of the project at *Nathan Phillips Square, City Hall podium roof*, which is delayed due to extensive stakeholder consideration that is being incorporated in the design of the project.
- *Deep Lake Water Cooling* project with a 2008 cash flow totalling \$5.135 million is 92% complete with \$4.725 million actual expenditures. Funds of \$0.100 million for Union Station are carried forward to 2009 as Enwave does not have any Deep Lake Water Cooling capacity to proceed with the project in 2008.
- *Toronto Energy Conservation Fund and Green Fund projects* have encountered delays to ensure proper controls are in place due to the evolving administrative process that is being developed and implemented for issuing loans. Preliminary year-end actual disbursements for 2008 are \$1.200 million or 13.3% of its 2008 approved cash flow of \$9.000 million.
- *The Energy Retrofit* projects including Public Health, Children Services and Ambulance Stations experienced delays in negotiating the construction contract and expected times for design and engineering, resulting in \$0.361 million or 41% of its 2008 approved cash flow, being carried forward into 2009.

*The Union Station Project's* actual expenditures totalled \$15.024 million or 68.7% of its 2008 Approved Capital Budget of \$21.869 million. The Union Station project consists of three main components: 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* projects total \$0.211 million or 1% of its 2008 approved cash flow. The Pedestrian Bridge project is delayed awaiting the

contract for continued repairs to the bridge to be awarded. 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 total \$4.308 million or 20% of its 2008 approved cash flow. The York Street Expansion Joint project is delayed to ensure the co-ordination with GO Transit's work on the train tracks. Unspent funds for the Environmental project, the Interior Finishes project, the Structural project and the Heritage and Revitalization Fees project, totalling \$0.102 million will be carried forward into 2009 for continued design work.
- Spending on the *Service Improvement* Projects total \$10.504 million or 48% of its 2008 approved cash flow.
- Funding for the *Security projects* and the *Loading Dock* project is fully spent in 2008.

***The Radio Communication System Replacement Project's*** capital expenditures for the period ended December 31, 2008 total \$0.412 million or 87% of its 2008 Approved Capital Budget of \$0.473 million. The Radio Communications System Replacement Project is currently in the system design stage and is progressing. Spending in 2008 was for test module software, the acquisition of specialized testing equipment and support tools (propagation modeling, standards, asset management) as well as for travel and registration costs related to training and testing activities for the Technical Subcommittee members. \$0.061 million will be carried forward into 2009 and includes funding for a Project Manager who is expected to be hired by March 2009.

***Toronto Environment Office*** spent \$0.935 million or 38% of its 2008 Approved Capital Budget of \$2.460 million. The low level of spending is attributed to restructuring in TEO which delayed the hiring of staff to manage projects and longer than anticipated required negotiations with a number of third parties. As a result, capital projects have been delayed and will be completed in 2009. Project delays have resulted in the need to carry-forward funds of \$1.525 million from 2008 into 2009.

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

For the year ended December 31, 2008, actual capital expenditures for Agencies, Boards and Commissions collectively, total \$844.67 million or 71.9% of its 2008 Approved Capital Budget of \$1.17 billion. Spending performance, including explanations of significant variances for individual ABCs is summarized below:

<b>Agencies, Boards and Commissions</b>		
Capital Variance (\$ Million)		
	<b>December 31, 2008</b>	
	Over/(Under)	% of Budget
Exhibition Place	(35.4)	41.5
Go Transit	0.0	100.0
Toronto And Region Conservation Authority	0.0	100.0
Toronto Police Service	(12.8)	87.5
Toronto Port Authority	0.0	100.0
Toronto Public Health	(2.2)	59.5
Toronto Public Library	(1.6)	93.0
Toronto Transit Commission	(264.3)	71.5
Yonge-Dundas Square	(0.1)	4.6
Toronto Zoo	(4.6)	69.1
Sony Centre (Hummingbird)	(9.9)	20.8
<b>Sub-Total</b>	<b>(330.8)</b>	<b>71.9</b>

**Exhibition Place** spent \$25.041 million or 41.5% of its 2008 Approved Capital Budget of \$60.401 million. The under spending is mainly due to the following:

- *The Conference Centre* is under-spent by \$25.386 million as a result of construction lags due to heritage issues. Project completion is targeted for June 2009.
- *The Green Energy Initiatives* is under-spent by \$9.775 million. These initiatives are to be funded by third-party partners which Exhibition Place has yet to secure. 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.

**Toronto and Region Conservation Authority (TRCA)** spent 100% of its 2008 Approved Budget of \$6.018 million for the City's share of TRCA capital works within the boundaries of the City of Toronto.

**Toronto Police Service** spent \$89.983 million or 87.5% of its 2008 Approved Capital Budget of \$102.806 million. The variance is primarily due to \$3.987 million of unspent funds for the acquisition of Workstation, Laptop and Printer – Lifecycle Plan, as the lifecycle replacement strategy has identified additional useful life for these items which will now be replaced in the following year. Delays in the completion of the New Training Facility resulting from a combination of labour disruptions in June 2007, earlier-than-expected winter conditions in 2007 and heavy snow falls in 2008 has also resulted in \$1.815 million of further under-expenditures.

**Toronto Public Health (TPH)** spent \$3.191 million or 59.5% of its 2008 Approved Capital Budget of \$5.363 million. The under spending of \$2.172 million is mainly attributable to the following:



- The *HF/HL (Healthy Families/Healthy Living) Mandatory Management Reporting Project* is under-spent by \$0.874 million due to several factors: delays in implementing a new Public Health privacy and security framework to ensure PHIPA compliance; delays in the finalization of architectural requirements; delay in awarding of the City's corporate contract for infrastructure software; and difficulty in hiring and retaining qualified IT staff. The project will be completed in 2009.
- The *Dental Strategy and Implementation Project* is under-spent by \$0.589 million as cost estimates received through the Request for Proposals (RFP) process exceeded the approved budget. A revised RFP that further clarifies the scope of work and includes a budget range will be issued in early 2009.
- The *PHIPA (Personal Health Information Protection Act) System Compliance Project* is under-spent by \$0.359 million due to delays in implementing a complex new security solution combined with the difficulty in hiring and retaining qualified IT staff. The project will be completed in 2009.
- The *Public Health Surveillance and Management System Project* is under-spent by \$0.349 million due to the change in provincial timelines resulting in delayed hiring of staff resources to implement the project. This phase of the project will be completed in 2009.

**Toronto Public Library (TPL)** spent \$21.153 million or 93.04% of its 2008 Approved Budget of \$22.735 million. This spending rate is an improvement over prior years. The under-expenditure is primarily due to the following:

- The *2007 – 2009 Technology Asset Management Program* is behind schedule in 2008 due to procurement delays, and thus approximately \$0.196 million is anticipated to be carried forward to 2009;
- The *S. W. Stewart Library* re-opened May 29, 2008, but minor deficiencies and warranty issues remain to be addressed. Thus, approximately \$0.142 million from this project will need to be carried forward to 2009;
- Construction of the *Jane/Sheppard Neighbourhood Library Relocation* capital project is near completion, shelving installation is underway and the branch reopening is expected by the end of the first 2009 quarter. A 2008 unspent balance of \$0.193 million will be carried forward to 2009;
- The renovation and expansion of the *Bloor / Gladstone District Library* is well underway with construction anticipated to be substantially completed in the first quarter of 2009. A 2008 unspent balance of \$0.250 will be carried forward to 2009.
- Construction of the *Thorncliffe Neighbourhood Library Renovation*, developed in partnership with Parks, Forestry & Recreation and Children's Services, is anticipated to be substantially completed in mid 2009. A carry forward balance of \$0.212 million from 2008 to 2009 will be required;
- The *Jane / Dundas Neighbourhood Library* re-opened in February 2008. Outstanding deficiencies are being addressed and will be completed in the first quarter of 2009 and thus, \$0.051 million will be carried forward to 2009;
- Public consultations were held in June 2008 and the schematic design is in progress for the *Brentwood Library Reconstruction project*. A balance of \$0.042 million will be carried forward to 2009;

- Construction of the *Kennedy / Eglinton Library* renovation project is underway and scheduled to be completed in 2009. A balance of \$0.042 million will be carried forward to 2009; and
- Selection of the architectural design was completed and construction began early December 2008 for the *Sanderson Library Renovation* project. A balance of \$0.162 million will be carried forward to 2009.

**Toronto Transit Commission's (TTC)** spent \$663.400 million or 71.5% of its 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).

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

- Projected spending on Wheel-Trans buses is \$17.371 million under budget as no Wheel-Trans buses will be delivered in 2008 as a result of difficulty in finding a manufacturer who is capable of producing a paratransit vehicle suitable to Wheel-Trans' needs.
- Surface track work is \$37.062 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 was \$19.854 million less than planned as the SNC Lavalin development at Islington station is no longer proceeding and GO Transit / Metrolinx has 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 \$53.892 million under budget at year-end due to changes in the timing of the project and in the payment schedule.
- Subway car purchases are \$16.034 million under budget due to the redistribution of contingency payment to future years.
- The replacement of 40 foot diesel/electric hybrid buses is behind schedule due to a strike at the bus manufacturer in 2007 which resulted in the project being \$30.506 million under budget at year-end.
- The Spadina Subway Extension project is \$46.498 million under budget due the deferral of engineering work and property acquisition to 2009.
- Other Buildings and Structures project is \$20.286 million under budget due to design delays on the Wheel-Trans facility – renewal project and also due to the deferral to of the Carhouse Modification for the new LRV's to future years.

Its 2008 Approved Capital Budget for *Yonge-Dundas Square* is \$0.100 million of which \$0.005 million was spent during the year-ending December 31, 2008. The *YDS Replacement Steel Grating Project* is expected to be completed and fully spent by 2009 year-end.

**Toronto Zoo** spent \$10.314 million or 69.1% of its 2008 Approved Budget of \$14.925 million. The under spending is mainly due to the following projects.

- *North Zoo Site-Tundra Construction project* is under-spent by \$3.469 million as the project had to be re-tendered due to the original tendering being over budgeted.

- *Refurbishing of Africa Pavilion* project is under-spent by \$0.316 million as the construction is delayed until completion of the Tundra Trek.

*Sony Centre* spent \$2.597 million or 20.8% of its 2008 Approved Budget of \$12.5 million for its redevelopment project. This project has been delayed pending closing of the real estate agreement with the condominium developer on the site. This agreement provides for developer contributions to fund the project to renovate the theatre. The program expects to complete the project by the end of 2009.

### **Rate Supported Programs**

For the year-end December 31, 2008, Rate Supported Programs' actual expenditures total \$325.049 million or 74.4% of their 2008 Approved Capital Budget of \$436.746 million. Spending performance, including explanations of significant variances within this group is summarized below:

<b>Rate Supported Programs</b>		
Capital Variance (\$ Million)		
	<b>December 31, 2008</b>	
	Over/(Under)	% of Budget
Toronto Parking Authority	(18.8)	29.5
Toronto Water	(92.8)	77.4
<b>Sub-Total</b>	<b>(111.7)</b>	<b>74.4</b>

*Toronto Water* spent \$317.151 million or 77.4% of its 2008 Approved Capital Budget of \$410.000 million. This level of capital budget spending by Toronto Water represents a significant increase of \$65.015 million or 15.9% compared to the 2007 spending rate \$252.136 million or 61.5%. In addition, \$317.151 million reflects the best spending rate achieved by the Program to date. The high year-end spending rate for 2008 is the result of construction proceeding on several large projects; expenditures for a large number of contracts that were awarded early in the year; and, multi-year contracts initiated in 2007 which are now fully underway.

*Toronto Parking Authority (TPA)* spent \$7.899 million or 29.5% of its 2008 Approved Capital Budget of \$26.746 million. The overall level of capital spending resulted from a combination of factors, which included delays arising from the unavailability of appropriate sites; delays due to on-going negotiations for identified sites; projects cancelled because of a low probability of finding an appropriate site; and time lags in joint venture arrangements.

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

As outlined in Appendix 2, technical and budget adjustments are included for various Programs and ABCs. The adjustments are required to reallocate funds to cover the acceleration of construction in 2008, offset by the deferral of delayed projects to 2009; to advance funds budgeted in 2009 for equipment delivered ahead of plan; to cover

overspending for the projects in 2008 offset by savings in other projects; to reduce the project costs; and to reflect changes in funding sources.

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## **SIGNATURE**

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Cam Weldon  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

- Appendix 1 - Consolidated Capital Variance Report for the Year-Ending December 31, 2008
- Appendix 2 - Budget and Technical Adjustments