

2013 Capital Budget and Cash Flow for Pan/Parapan American Games

Date:	December 11, 2012
To:	Budget Committee
From:	Giuliana Carbone Acting Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2012\Internal Services\Fp\Bc12030Fp

SUMMARY

This report presents recommendations to adjust the previously approved cash flow for Pan/Parapan American Games to be included in the 2013 Recommended Capital Budget. There is no change in total project cost for the Pan/Parapan American Games.

RECOMMENDATIONS

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

1. City Council approve the 2013 Recommended Capital Budget for Pan/Parapan American Games with 2013 cash flow of \$21.987 million and future year commitments of \$51.703 million comprised of the following:
 - a) New Cash Flow Funding for:
 - i) 8 previously approved sub-projects with a 2013 cash flow of \$21.406 million; and a future year cash flow commitment of \$51.464 million in 2014 and \$0.239 million in 2015;
 - b) 2012 approved cash flow for 1 previously approved sub-project with carry forward funding from 2012 into 2013 totaling \$0.581 million.
2. City Council approve new debt service costs of \$0.375 million in 2013 and incremental debt costs of \$3.012 million in 2014, \$4.776 million in 2015 and \$0.025 million in 2016 resulting from the approval of the 2013 Recommended Capital Budget, to be included in the 2013 and future year operating budgets.

Financial Impact

In December 2009, City Council approved the Capital Budget and future year commitments for the Pan/Parapan American Games in the amount of \$49.5 million, fully funded by debt. Subsequently, in February 2011, City Council approved three additional projects and additional city funding of \$47 million (\$23 million in reserve fund funding and \$24 million in debt funding), for a total City investment of up to \$96.5 million for nine Pan Am Games capital projects.

Since then, capital projects for Pan Am Games have been reviewed and adjusted during the annual budget process to reflect the revised cash flow and timelines.

The 2013 Recommended Capital Budget does not include any new projects or changes of scope to the previously approved projects. It is entirely comprised of funding that has been approved in past years as future year commitments. However, these commitments and cash flow have been revised to reflect the following changes:

1. \$0.110 million has been accelerated from future years into 2012 for the Nathan Phillips Square capital project to ensure that sufficient funding is available to complete this project in 2012; and
2. cash flow has been revised for the Resurfacing of the Cycling Course capital project to ensure it is in line with the revised schedule provided by TO2015.

The revised cash flow for Pan/Parapan American Games capital projects requires Council approval.

DECISION HISTORY

In December 2008, City Council endorsed the City's participation in a bid for the Pan Am Games to be held in Toronto and the Greater Golden Horseshoe.

In December 2009, City Council approved capital investment totalling \$49.5 million in debt funding for six City-owned assets to be used as training, competition or festival venues during the Games.

In February 2011, City Council approved three additional projects and additional funding of \$47 million (\$23 million in reserve fund funding and \$24 million in debt funding), for a total City investment of up to \$96.5 million for nine Pan/Parapan American Games capital projects.

Staff reports related to the Pan/Parapan American Games are available at:

Toronto 2015 Pan American/ ParaPan American Games Bid
<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-16632.pdf>

Toronto 2015 Pan American/ ParaPan American Games Bid
<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-18591.pdf>

Toronto 2015 Pan/Parapan American Games Capital Facilities and Investments
<http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-34833.pdf>

Governance and Operations of the Pan Am Aquatic Centre & Field House
<http://www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-51466.pdf>

ISSUE BACKGROUND

Toronto is the official host city of the 2015 Games, and a signatory to the Pan Am Games Multi-Party Agreement (the “MPA”), which defines the rights and responsibilities of the Toronto Organizing Committee for the 2015 Pan American and Parapan American Games (TO2015); the Canadian Olympic and Paralympic Committees; and the City, Provincial and Federal governments with respect to the governance, financing and delivery of the Games.

Among its key provisions, the MPA requires TO2015 to employ the services of Infrastructure Ontario (“IO”) as the project manager for various Pan Am capital projects, including the Pan Am Aquatic Centre (PAAC) project. It also prescribes that the City of Toronto and the University of Toronto shall each contribute 22% of the capital cost of the PAAC and outlines cost sharing on the other City facilities.

The MPA also requires the establishment of the Toronto 2015 Legacy Fund, capitalized by Ontario and Canada, which will contribute to the operation and maintenance costs of designated Legacy Facilities, including the PAAC. The MPA permits the use of facility naming rights as a revenue generating opportunity, and clarifies that the City of Toronto will assume no responsibility for any deficit of TO2015.

The approved projects which the City is contributing to financially in support of the Games include:

- Remediation of the PAAC site
- The development of the PAAC
- The refurbishment of tracks in Birchmount and Centennial parks and at the Toronto Track and Field Centre at York University
- Improvements to Nathan Phillips Square
- Resurfacing up to 20 km of streets to support the Games’ cycling road race
- The development of a BMX cross facility in Centennial park
- Upgrades to the Etobicoke Olympium

The PAAC is the largest and most complex facility developed for the 2015 Games. Designed to meet the sport, recreation and training needs of Toronto area residents, university students and high performance athletes alike, the facility will house two 10-lane, 50 meter pools; a dedicated dive tank; a multi-court gymnasium; a running track; a climbing wall; and various fitness and training areas. It will also house the Canadian

Sport Institute Ontario (“CSIO”).

COMMENTS

Total City Council approved funding for the Pan/Parapan American Games capital projects is \$96.5 million and is comprised of \$73.5 million in debt and \$23 million in reserve fund funding. All of the projects are cost-shared with other Games partners. The City's share of total project costs is 22% for the PAAC and 44% for the other projects.

PAAC Site Remediation and Construction

In 2011 City Council approved a capital project called PAAC Site Remediation with total project cost of \$52 million and a cash flow of \$46 million in 2011 and \$6 million in 2012. This project provides funding for the remediation of the lands upon which the PAAC will be built and is funded by \$23 million (44%) in reserve fund funding provided by City of Toronto with the remaining funding of \$29 million (56%) provided by the University of Toronto.

The remediated site for the PAAC was handed over to the Infrastructure Ontario on June 28, 2012.

City Council has also approved a capital project called Pan Am Aquatic Centre/Canadian Sport Institute for Ontario 2011-2014 and an investment of up to \$54.765 million for the City's 22% share of total costs for this capital project. The University of Toronto is also providing 22% of the total capital costs with the remaining 56% covered by TO2015.

After a rigorous evaluation process under the auspices of Infrastructure Ontario, a contract was awarded to PCL in July 2012, and construction is now underway.

Capital Project	Description	MPA Total Project Cost	City of Toronto Share	Status Update
PAAC Site Remediation	Remediation of the lands upon which the PAAC will be built	\$52M	\$23M	The remediated site was handed over to Infrastructure Ontario on June 28, 2012.
PAAC Construction	Construction of the Pan Am Aquatic Centre	\$248.932M	\$54.765M	Contract awarded to PCL in July 2012. Construction underway.

The future year operating impacts for the Parks, Forestry and Recreation Division's portion of the operating responsibility for the PAAC is estimated to be \$5 million per year. These future year operating costs have been included in the Future Year Outlooks for Parks, Forestry and Recreation Division (incremental increase of \$2 million in 2014 and \$3 million in 2015).

Future year operating impacts for other Pan Am related projects are expected to be much less significant and are in the process of being determined. These operating impacts of capital projects will be included for consideration in the future year budget submissions for each respective City Division.

The MPA permits the use of facility naming rights as a revenue generating opportunity. The revenue from a Naming Rights agreement will provide assistance in reducing the PAAC's annual operating costs. Any revenue resulting from a Naming Rights agreement will be incorporated into and submitted for consideration with the future year budget submissions.

Other Pan/Parapan American Games Capital Projects Managed by Games Partners

The status of other Pan Am related capital projects being managed by Games partners are outlined in the table below. Unless otherwise agreed, these projects are or will be managed by Infrastructure Ontario on behalf of TO2015. As previously noted, the City of Toronto's funding share represents 44% of total project costs, with the remaining 56% covered by TO2015.

Capital Project	Description	MPA Total Project Cost	City of Toronto Share (44%)	Status Update
Etobicoke Olympium Retrofit	Retrofit of existing facility	\$20M	\$8.800M	Contract awarded. Design and development stage in 2012 & 2013 with construction to be completed in 2014.
Centennial Track Resurfacing	Track resurfacing and upgrades to meet international specifications at both facilities and development of new throwing and jumping areas at Birchmount	\$1.658M	\$0.730M	Contract awarded. Construction to be completed in 2014.
Birchmount Track Resurfacing		\$1.036M	\$0.456M	Contract awarded. Construction to be completed in 2014.
York Track Retrofit	Upgrades to the existing City-operated track at York University	\$3.628M	\$1.596M	Contract awarded. Construction to be completed in 2014.
BMX Track	Creation of a new Bicycle Moto Cross (BMX) track in Centennial Park	\$1.547M	\$0.678M	Construction to be completed in 2014.

Pan/Parapan American Games Capital Projects Delivered by the City

Two other Pan Am related projects delivered and managed by the City are the Nathan Phillips Square and Resurfacing of Cycling Course projects.

Capital Project	Description	MPA Total Project Cost	City of Toronto Share (44%)	Status Update
Nathan Phillips Square as Festival Site	Improvements at Nathan Phillips Square to prepare it as a festival site	\$4.146M	\$1.825M	Work completed. Invoice to be submitted to TO2015 for reimbursement by end of year.
Resurfacing of Cycling Course	Resurfacing of 20 km of municipal roads on proposed route for cycling	\$9.537M	\$4.197M	The route for the cycling course has not yet been finalized by T02015 and Games partners.

It is important to note that projects being delivered by the City of Toronto reflect full MPA project cost in the City's financial systems and attached appendices, and show a recovery from other funding partners as "Other Revenues". For those projects being delivered and managed by Infrastructure Ontario on behalf of TO2015 only the City of Toronto's 44% share of total project costs is reflected in the City's financial systems and attached appendices.

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SIGNATURE

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ATTACHMENTS

Attachment 1 – 2013 Recommended Capital Budget; 2014 to 2022 Capital Plan
Attachment 2 – 2013 Recommended Cash Flow and Future Year Commitments
Attachment 3 – 2013 Recommended Capital Projects with Financing Details