

Toronto 2018 BUDGET



CAPITAL BUDGET NOTES



Sony Centre for the Performing Arts

2018 2027 CAPITAL BUDGET AND PLAN OVERVIEW

The Sony Centre for the Performing Arts (Sony Centre) is Canada's largest soft seat theatre. Designated a historical site by the City of Toronto, the Theatre offers a world class stage, state-of-the-art lighting and sound systems, multi-functional space, and event services.

The Sony Centre underwent extensive renovations from 2008 to 2010. These renovations included the renewal of auditorium interior finishes and did not address the required structural upgrades identified in the 1997 and 2006 Building Condition Audits.

A Building Condition Assessment (BCA) was performed for the Sony Centre in September 2015 and identified \$33.229 million in capital funding required for immediate repairs, as well as capital renewal items. A number of items identified in the BCA were deemed critical and, as a result, the 10-Year Preliminary Capital Plan includes new debt funding of \$8.715 million for capital works over and above those already addressed in 2017, to fund the following projects: Vertical Transportation, Theatre Systems and Equipment, Fire Safety Systems, Electrical Systems, Building Envelope, Mechanical Systems, and Accessibility for Ontarians with Disabilities Act (AODA) Audit.

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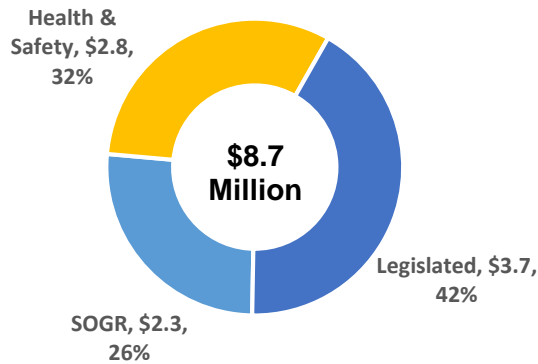
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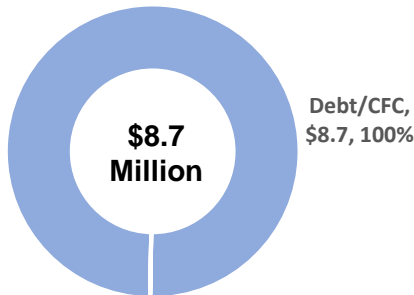
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CAPITAL SPENDING AND FINANCING

**2018 - 2027 Preliminary Capital Budget and Plan
By Project Category**



By Funding Source



Where the money goes:

The 2018 - 2027 Preliminary Capital Budget and Plan totalling \$8.715 million provides funding of:

- \$3.660 million which addresses and ensures that the Sony Centre complies with the AODA and the Ontario Building Code.
- \$2.778 million for health and safety projects such as elevator system modernization, replacement of fire alarm systems, and stage drapery and curtains replacement to ensure safety around the stage perimeter.
- \$2.277 million for SOGR projects which prioritizes replacing capital assets that have exceeded their life cycle.

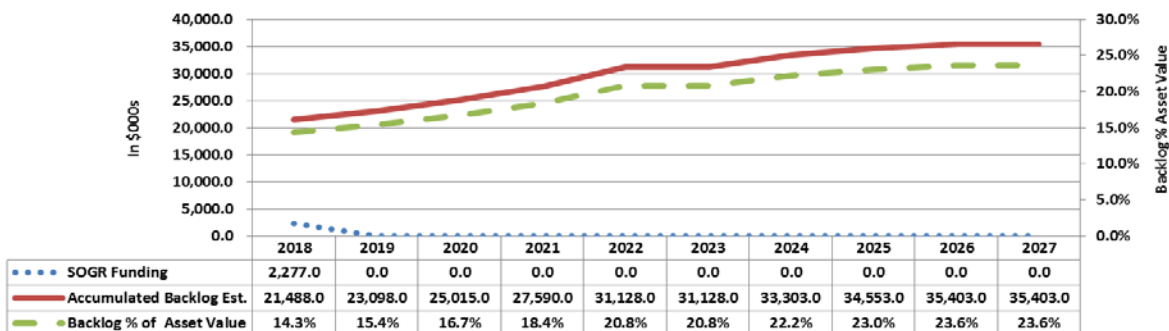
Where the money comes from:

The 10-Year Preliminary Capital Plan requires:

- Debt funding of \$8.715 million (100.0%), reflecting an increase in debt funding of \$5.965 million over the 10-year debt affordability target to provide adequate funding to comply with the AODA and address critical health and safety issues of the site.

State of Good Repair Backlog

The 10-Year Preliminary Capital Plan allocates \$2.277 million for State of Good Repair to help address the Sony Centre's backlog. However, this is not sufficient to fully reduce the growing SOGR backlog over the 10-year period, given that the asset replacement value as a percentage of backlog will rise from 14.3% in 2018 to 23.6% in 2027.



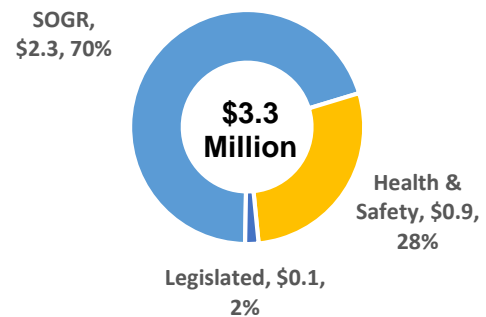
OUR KEY ISSUES & PRIORITY ACTIONS

- **Debt Affordability Target** is exceeded by \$5.965 million in 2018 to fund previously unfunded capital projects. The debt of \$2.750 million in 2018 is insufficient to address the much needed SOGR backlog over and above what is included in the current 10-Year Preliminary Capital Plan.
 - ✓ Sony Centre identified "unmet needs" totalling \$14.361 million, recommended by Sony Centre's 2015 building condition assessment, which require additional debt funding to reduce the SOGR backlog.

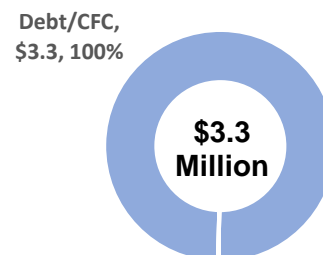
- **Capital Budgets for St. Lawrence Centre for the Arts and Toronto Centre for the Arts** are currently included in Economic Development and Culture's 10-Year Preliminary Capital Plan.
 - ✓ Economic Development and Culture, Financial Planning, and Civic Theatres Toronto will report back on bringing together the 10-year capital requirements of the three Civic Theatres into a single portfolio which will guide the discussion of revising the debt affordability targets for the Theatres.



2018 Preliminary Capital Budget By Project Category



By Funding Source



2018 CAPITAL BUDGET HIGHLIGHTS

The 2018 Preliminary Capital Budget for Sony Centre for the Performing Arts of \$3.251 million, excluding carry forward funding, will:

- Begin the replacements of the motor control centres at the north side (\$0.326 million), Main Lobby Presentation Systems (\$0.100 million), Roofs for the Vestibule, Mezzanine, East Canopy, and Stage Tower (\$0.689 million), and Insulated Glass Units (\$0.317 million).
- Begin repairing the Mechanical Systems (\$0.642 million), and Stage Roof Soffit (\$0.203 million).
- Install assistive listening system as per the Ontario Building Code, providing assistance to those who are hearing-impaired (\$0.060 million).
- Begin the health and safety projects such as Theatrical Performance Power Infrastructure System (\$0.724 million), Lounge Elevator Equipment Modernization (\$0.175 million), and Fire Alarm Systems & Annunciator Panel Replacement (\$0.015 million).

Actions for Consideration

Approval of the 2018 Preliminary Capital Budget as presented in these notes requires that:

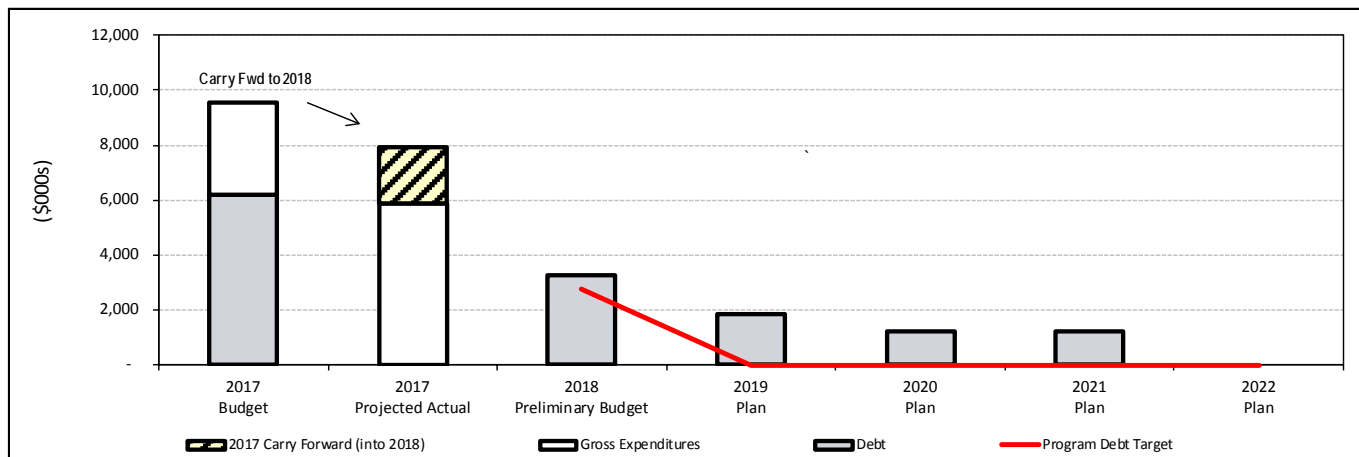
1. City Council approve the 2018 Capital Budget for Sony Centre for the Performing Arts with a total project cost of \$2.719 million, and 2018 cash flow of \$5.294 million and future year commitments of \$0.192 million comprised of the following:
 - a) New Cash Flow Funds for:
 - i. 12 new / change in scope sub-projects with a 2018 total project cost of \$2.719 million that requires cash flow of \$2.527million in 2018 and future year cash flow commitments of \$0.192 million for 2019.
 - ii. 1 previously approved sub-project with a 2018 cash flow of \$0.724 million
 - b) 2017 approved cash flow for 6 previously approved sub-projects with carry forward funding from 2017 into 2018 totalling \$2.043 million.
2. City Council approve the 2019 - 2027 for Sony Centre for the Performing Arts totalling \$5.464 million in project estimates, comprised of \$1.825 million in 2019; \$1.200 million for 2020; \$1.200 million for 2021; \$0.239 million for 2024; \$0.450 million for 2025; and \$0.550 million in 2026.
3. City Council request the General Manager of Economic Development and Culture, and Executive Director of Financial Planning Division to report back to Budget Committee with a proposal to consolidate the Capital Budgets of the three Civic Theatres into a single portfolio prior to the 2019 Budget Process.



Part 1

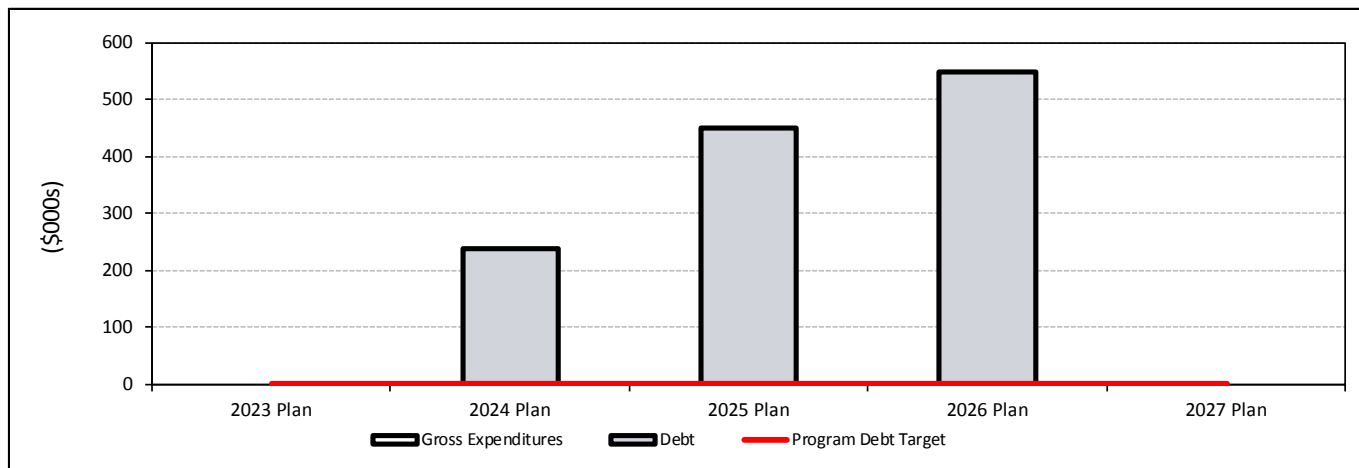
10-Year Preliminary Capital Plan

**Table 1a
10-Year Capital Plan
2018 Preliminary Capital Budget and 2019 - 2022 Capital Plan**



2018 Preliminary Capital Budget and 2019 - 2022 Capital Plan									
	2017		2018	2019	2020	2021	2022	2018 - 2022	5-Year Total Percent
	Budget	Projected Actual							
Gross Expenditures:									
2017 Capital Budget & Approved Future Year (FY) Commitments	9,564	5,871	724					724	9.7%
Changes to Approved FY Commitments									
2018 New/Change in Scope & FY Commitments			2,527	192				2,719	36.4%
2019 - 2022 Capital Plan Estimates				1,633	1,200	1,200		4,033	53.9%
2-Year Carry Forward for Reapproval									
1-Year Carry Forward to 2018		2,043							
Total Gross Annual Expenditures & Plan	9,564		3,251	1,825	1,200	1,200		7,476	100.0%
Program Debt Target			2,750					2,750	
Financing:									
Debt	6,194		3,251	1,825	1,200	1,200		7,476	100.0%
Reserves/Reserve Funds	913								
Development Charges	300								
Provincial/Federal	500								
Debt Recoverable									
Other Revenue	1,657								
Total Financing	9,564		3,251	1,825	1,200	1,200		7,476	100.0%
By Project Category:									
Health & Safety	3,459		914	625				1,539	20.6%
Legislated	150		60	1,200	1,200	1,200		3,660	49.0%
SOGR	4,955		2,277					2,277	30.5%
Service Improvement	1,000								
Growth Related									
Total by Project Category	9,564		3,251	1,825	1,200	1,200		7,476	100.0%
Asset Value (\$) at year-end	150,000		150,000	150,000	150,000	150,000	150,000	150,000	
Yearly SOGR Backlog Estimate (not addressed by current plan)			(1,831)	1,610	1,917	2,575	3,538	7,809	
Accumulated Backlog Estimate (end of year)		23,319	21,488	23,098	25,015	27,590	31,128	31,128	
Backlog: Percentage of Asset Value (%)		15.5%	14.3%	15.4%	16.7%	18.4%	20.8%		
Debt Service Costs			49	371	219	153	129	920	
Operating Impact on Program Costs									
New Positions									

**Table 1b
10-Year Capital Plan
2023 - 2027 Preliminary Capital Plan**



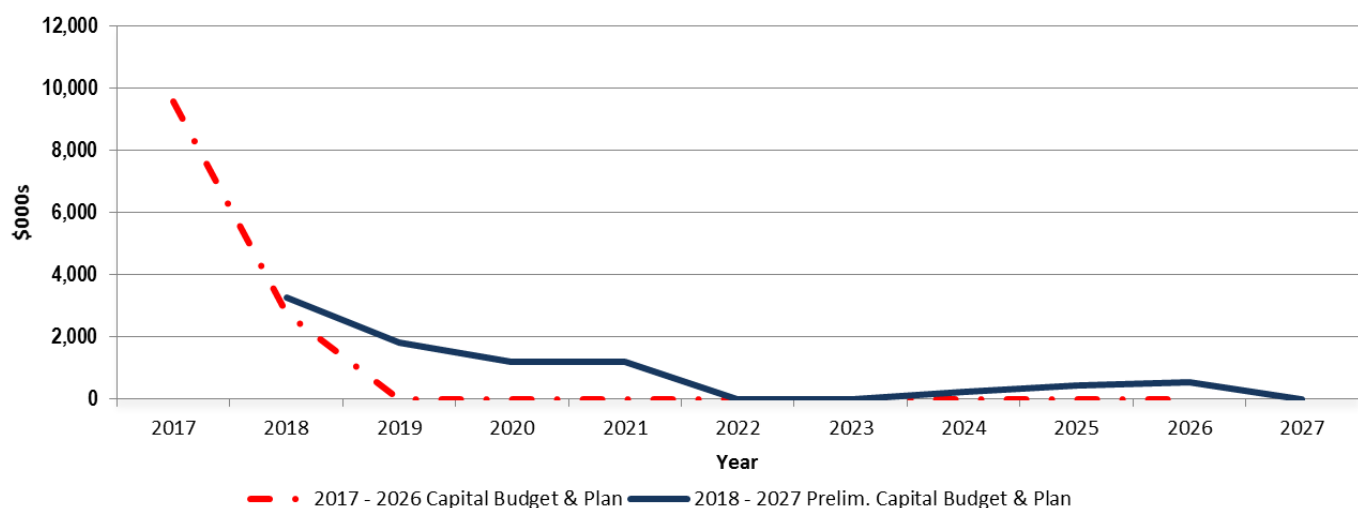
	2023 - 2027 Preliminary Capital Plan						10-Year Total Percent
	2023	2024	2025	2026	2027	2018 - 2027	
Gross Expenditures:							
2017 Capital Budget & Approved Future Year (FY) Commitments						724	8.3%
Changes to Approved FY Commitments							
2018 New/Change in Scope & FY Commitments						2,719	31.2%
2023 - 2027 Capital Plan Estimates		239	450	550		5,272	60.5%
2-Year Carry Forward for Reapproval							
Total Gross Annual Expenditures & Plan		239	450	550		8,715	100.0%
Program Debt Target						2,750	
Financing:							
Debt		239	450	550		8,715	100.0%
Reserves/Reserve Funds							
Development Charges							
Provincial/Federal							
Debt Recoverable							
Other Revenue							
Total Financing		239	450	550		8,715	100.0%
By Project Category:							
Health & Safety		239	450	550		2,778	31.9%
Legislated						3,660	42.0%
SOGR						2,277	26.1%
Service Improvement							
Growth Related							
Total by Project Category		239	450	550		8,715	100.0%
Asset Value(\$) at year-end	150,000	150,000	150,000	150,000	150,000	150,000	
Yearly SOGR Backlog Estimate (not addressed by current plan)		2,175	1,250	850		12,084	
Accumulated Backlog Estimate (end of year)	31,128	33,303	34,553	35,403	35,403	35,403	
Backlog: Percentage of Asset Value (%)	20.8%	22.2%	23.0%	23.6%	23.6%		
Debt Service Costs	0	5	35	59	59	1,077	
Operating Impact on Program Costs							
New Positions							

Key Changes to the 2017 - 2026 Approved Capital Plan

The 2018 Preliminary Capital Budget and the 2019 - 2027 Preliminary Capital Plan reflects a decrease of \$3.599 million in capital funding from the 2017 - 2026 Approved Capital Plan.

The chart and table below provide a breakdown of the \$3.599 million or 29.2% decrease in the Capital Program on an annual basis from 2017 - 2027.

Chart 1
Changes to the 2017 - 2026 Approved Capital Plan (In \$000s)



(\$000s)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	10-Year Total
2017 - 2026	9,564	2,750	0	0	0	0	0	0	0	0		12,314
2018 - 2027		3,251	1,825	1,200	1,200	0	0	239	450	550	0	8,715
Change %		18.2%	N/A	N/A	N/A			N/A	N/A	N/A		(29.2%)
Change \$		501	1,825	1,200	1,200			239	450	550		(3,599)

As made evident in Chart 1 above, the \$3.599 million decrease in the Capital Plan reflects the completion of 2017 capital projects such as the *East and West Side Restoration*, *Exterior Wall Rehabilitation*, *Rigging Replacement*, and *Porte-Cochere Lighting* totalling \$4.955 million. Conversely, increases in debt funding over the 2018-2027 period is due to the addition of new projects such as *Vertical Transportation*, *Fire Safety Systems*, *AODA Audit*, and *Mechanical Systems*.

Four new health & safety, one legislated, and one SOGR sub-projects were added to the 10-Year Preliminary Capital Plan, totalling \$5.965 million which were originally submitted as "unmet needs". These were included as new debt-funded projects to ensure AODA compliance and meet the health and safety standards of the facility for patrons and staff.

As reflected in Table 2 on the following page, changes to the 2017 - 2026 Approved Capital Plan, specifically the \$5.965 million increase in capital funding over the nine common years of the Capital Plans (2018 – 2026) arise from the level of increased investment in Sony Centre for the Performing Arts' capital projects, based on the following factors:

- Ensuring the Theatre is able to be AODA compliant by 2024, with funding provided to complete the assessment in 2018.
- Ensuring that all health and safety risks are addressed.
- Replacing equipment that has exceeded its useful life.

A summary of project changes for the years 2018 - 2026 totalling \$5.965 million are provided in Table 2 below:

Table 2
Summary of Project Changes (In \$000s)

\$000s	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018 - 2026 Total
2017 - 2026 Capital Budget & Plan	9,564	2,750										2,750
2018 - 2027 Preliminary Capital Budget & Plan		3,251	1,825	1,200	1,200			239	450	550		8,715
Capital Budget & Plan Changes (2018 - 2026)		501	1,825	1,200	1,200			239	450	550		5,965

	Total Project Cost	2018	2019	2020	2021	2022	2023	2024	2025	2026	2018 - 2026	2027	Revised Total Project Cost
Changes to Previously Approved Projects' Future Year Commitments													
<i>Theatre Systems and Equipment (2018-2026)</i>		(265)									(265)		
Total Changes to Previously Approved Commitments		(265)									(265)		
Changes to Previously Planned Project Estimates													
<i>Theatre Systems and Equipment (2018-2026)</i>		(102)									(102)		
Total Changes to Previously Approved Plan Estimates		(102)									(102)		
New to the 10-Year Capital Plan													
<i>Electrical Systems</i>	326	326									326		326
<i>Theatre Systems and Equipment (2018-2026)</i>	368		129					239			368		368
<i>Mechanical Systems</i>	486	486									486		486
<i>Vertical Transportation</i>	1,304		304						450	550	1,304		1,304
<i>Fire Safety Systems</i>	207	15	192								207		207
<i>Structure</i>	41	41									41		41
<i>AODA Projects</i>	3,600		1,200	1,200	1,200						3,600		3,600
Total New		868	1,825	1,200	1,200			239	450	550	6,332		
Total Changes		501	1,825	1,200	1,200			239	450	550	5,965		

Significant Capital Project Changes in Sony Centre for the Performing Arts:

The majority of changes to Sony Centre's Capital Program in the nine common years are due to additional debt funding being provided to address any non-compliant AODA issues, health and safety risks and the growing SOGR backlog.

Changes to Previously Approved Projects' Future Year Commitments

Project Cost Decreases:

- *Theatre Systems and Equipment* – The 10-Year Preliminary Capital Plan includes a decrease of \$0.265 million to the *Main Lobby Presentation Systems* sub-project as a result of reassessing the current needs for capital investment. Reduced debt funding has been reallocated to other critical health and safety projects.

Changes to Previously Approved Planned Project Estimates

- *Theatre Systems and Equipment* – The *Theatrical Lighting System, Dimmers and Controls* sub-project was removed from the overall SOGR portfolio. Debt funding has been reallocated to other health and safety projects that require immediate attention.

New to the 10-Year Preliminary Capital Plan

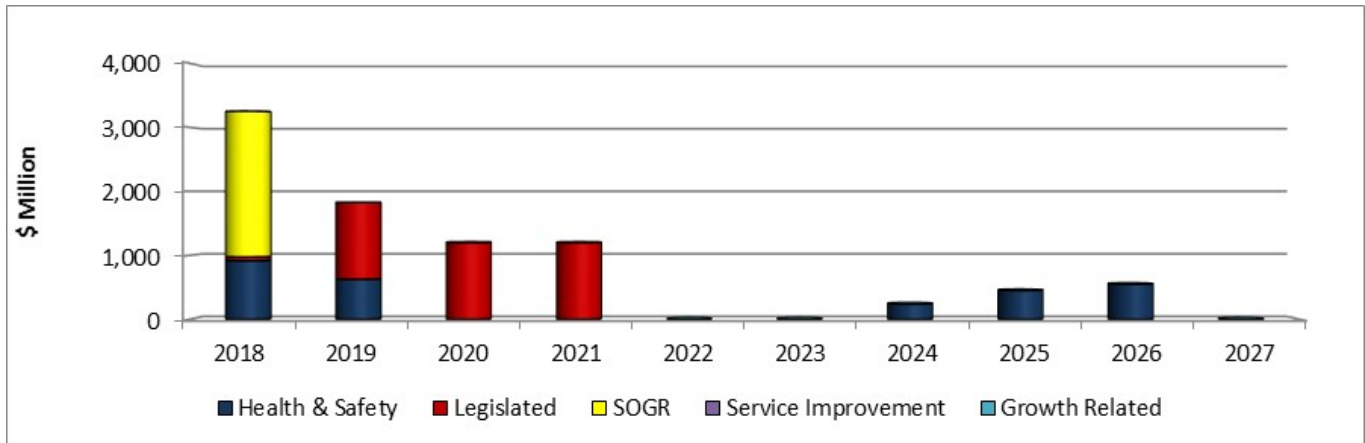
The following capital projects are new to the 10-Year Capital Plan:

- *Electrical Systems* – This project includes the *Motor Control Centres Replacement* sub-project to address the current system which has exceeded the recommended life cycle. The motor control centres provide power to equipment and mechanical rooms of the Theatre.
- *Theatre Systems and Equipment** – The stage drapery and curtain exceeded their useful life and require cleaning and flame-proofing work to comply with the Ontario Fire Code.
- *Mechanical Systems** – The air handling unit at the Sony Centre requires a major repair as several components of the system have not been replaced since 1959. The replacement of the air handling unit is crucial in managing the air flow of the building.
- *Vertical Transportation** – Two sub-projects are funded to modernize the elevator equipment systems which have never been replaced since 1959. Replacing the equipment systems for the elevators will provide new signals and fixtures, modernized controls, car battery lightings, and a pump motors.
- *Fire Safety Systems* – The fire alarm systems and the annunciator panel will be replaced as per the recommended replacement cycle.
- *Structure* – The stage roof soffit sustained a significant amount of damage due to water run-offs and leaks. To prevent further deterioration, loose concrete will be removed and repair the damages around the building.
- *AODA Audit** – Additional funding of \$3.6 million was allocated to this project with cash flow funding of \$1.2 million in each year of 2019, 2020, and 2021 to perform the work needed to comply with the AODA by 2024.
 - Sony Centre's 2017 Approved Capital Budget includes sufficient funds to complete the AODA study which will identify the scope of work required to comply with the Act.

**These projects were added to the 10-Year Preliminary Capital Plan which had originally been submitted as 'unmet needs'.*

2018 – 2027 Preliminary Capital Plan

Chart 2
2018 – 2027 Preliminary Capital Plan by Project Category (In \$000s)



As illustrated in Chart 2 above, the 10-Year Preliminary Capital Plan for Sony Centre for the Performing Arts of \$8.715 provides 42.0% funding for Legislated projects as priorities, 31.9% funding for Health and Safety projects, and 26.1% funding for State of Good Repair (SOGR) projects.

- Cash flow funding of \$2.277 million has been dedicated to SOGR projects which include the *Electrical Systems, Theatre Systems and Equipment, Building Envelope, Mechanical Systems, and Structure*. Detailed discussions are available on page 13, Table 3.
- Health and Safety category account for \$2.054 million with the majority of funding dedicated to the *Theatre Systems and Equipment, and Vertical Transportation* projects. Total cash flow funding of \$1.539 million allocated to the first two years will ensure that the capital assets are replaced as per the recommended replacement cycle.
- Legislated projects account for 42.0% or \$3.660 million of capital funding for the *AODA Audit* to begin capital work required to address any outstanding deficiencies in complying with the AODA and the *Theatre Systems and Equipment* to install assistive listening system for those who are hearing-impaired.

Table 3 below details all capital projects, by category, included in the 2018 - 2027 Preliminary Capital Budget and Plan for Sony Centre for the Performing Arts:

Table 3
2018 - 2027 Capital Plan by Project Category (In \$000s)

	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2018 - 2027 Total	Total Project Cost
Total Expenditures by Category												
Health & Safety												
<i>Theatre Systems and Equipment (2018-2026)</i>		129					239				368	368
<i>Vertical Transportation</i>	175	304						450	550		1,479	1,479
<i>Fire Safety Systems</i>	15	192									207	207
Sub-Total	190	625					239	450	550		2,054	2,054
Legislated												
<i>Theatre Systems and Equipment (2018-2026)</i>	60										60	60
<i>AODA Projects</i>		1,200	1,200	1,200							3,600	3,600
Sub-Total	60	1,200	1,200	1,200							3,660	3,660
State of Good Repair												
<i>Electrical Systems</i>	326										326	326
<i>Theatre Systems and Equipment (2018-2026)</i>	100										100	100
<i>Building Envelope</i>	1,006										1,006	1,006
<i>Mechanical Systems</i>	642										642	642
<i>Structure</i>	203										203	203
Sub-Total	2,277										2,277	2,277
Total Expenditures by Category (excluding carry forward)	2,527	1,825	1,200	1,200			239	450	550		7,991	7,991

2018 - 2027 Capital Projects

The 10-Year Preliminary Capital Plan is in keeping with the Agency's commitment to building reliable creative spaces for Toronto and Canada, inspirational homes for the artists today and exciting places for aspiring artists of the future.

Health and Safety

- Major Health and Safety projects include:
 - *Vertical Transportation (\$1.479 million)* – The freight and lounge elevator systems have never been replaced since 1959 when the Sony Centre was constructed. Due to the limited availability of replacement parts, these equipment will become obsolete in the coming years. Modernizing these equipment now will prevent unexpected outages and service disruptions.
 - *Theatre Systems and Equipment (\$0.368 million)* – Funding is required to replace the fire curtain as it has now exceeded its recommended replacement cycle.

Legislated

- Major Legislated projects total \$3.660 million or 42.0% of the total 10-Year Preliminary Capital Plan's expenditures.
 - *AODA Audit (\$3.600 million)* – Funding is made available to ensure full AODA compliance for the Sony Centre. Sony Centre is currently undertaking a comprehensive AODA study to be completed in time to inform the actions required to address outstanding AODA deficiencies starting in 2019.
 - *Theatre Systems and Equipment (\$0.060 million)* – The Ontario Building Code requires that the Sony Centre install new assistive listening systems for those patrons who are hearing-impaired.

State of Good Repair (SOGR)

- SOGR projects account for \$2.277 million or 26.1% of the total 10-Year Preliminary Capital Plan's investments and provides funding for the following projects:
 - *Electrical Systems (\$0.326 million)* – The motor control centre is due for a replacement as per the recommended replacement cycle. The motor control centres provide power supply to equipment and mechanical rooms.
 - *Theatre Systems and Equipment (\$0.100 million)* – The original project cost of \$0.365 million was revised down to \$0.100 million as a result of cost savings without changing the original scope of work. This project includes installing moving light fixtures, improving audio systems and creating a 'video wall' in the lower lobby. These enhancements will make Sony Centre more attractive for corporate events and promotional activities.
 - *Building Envelope (\$1.006 million)* – This project, at a cost of \$0.689 million will replace the roofs of the stage tower, mezzanine, east canopy, and vestibule. The balance of funding, \$0.317 million, is dedicated to replacing the insulated glass units within the building as it has exceeded its replacement cycle.
 - *Mechanical Systems (\$0.642 million)* – This project provides funding for the air handling unit repair to ensure consistent air flow throughout the building and upgrade the existing building automation system as the control system has become obsolete.
 - *Structure (\$0.203 million)* – The building condition audit calls for immediate repairs of the stage roof soffit to remove the loose concrete and repair the damaged areas of the roof soffit.

2018 Preliminary Capital Budget and Future Year Commitments

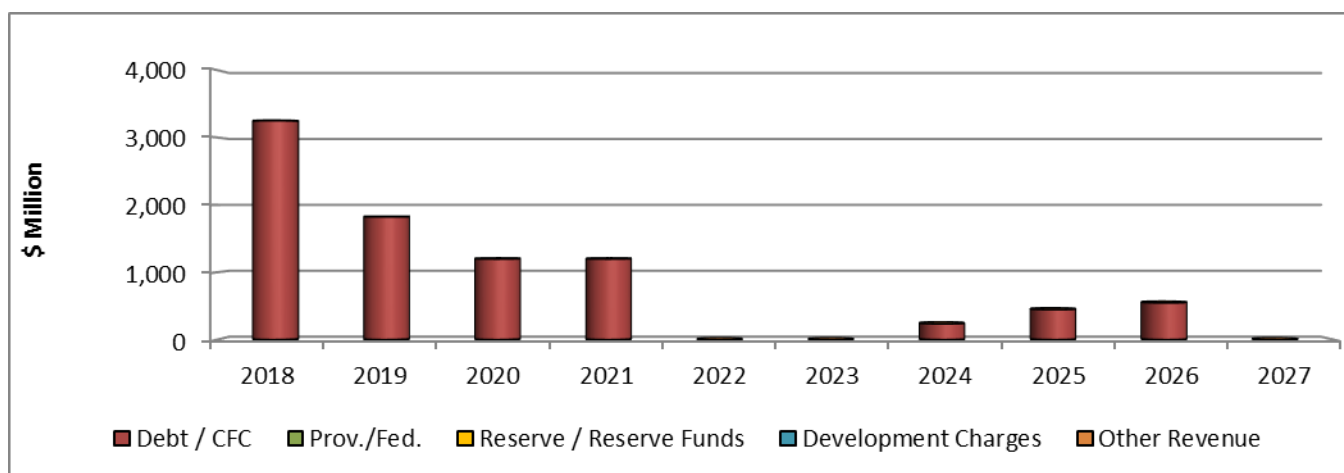
Included as a sub-set of the 10-Year Capital Plan is the 2018 Preliminary Capital Budget and Future Year Commitments, which consists of 2018 and future year cash flow funding estimates for projects previously approved by Council; as well as new projects which collectively, require Council approval to begin, continue or complete capital work.

Table 3a below lists the capital projects to be funded by the 2018 Preliminary Capital Budget and associated Future Year Commitments for Sony Centre for the Performing Arts:

Table 3a
2018 Cash Flow & Future Year Commitments (In \$000s)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total 2018 Cash Flow & FY Commits
Expenditures:											
New w/Future Year											
Electrical Systems	326										326
Theatre Systems and Equipment (2018-2026)	884										884
Building Envelope	1,006										1,006
Mechanical Systems	642										642
Vertical Transportation	175										175
Fire Safety Systems	15	192									207
Structure	203										203
Subtotal	3,251	192									3,443
Total Expenditure	3,251	192									3,443
Financing:											
Debt/CFC	3,251	192									3,443
Debt Recoverable											
Other											
Reserves/Res Funds											
Development Charges											
Provincial/Federal											
Total Financing	3,251	192									3,443

Chart 3
2018 – 2027 Preliminary Capital Plan by Funding Source (In \$000s)

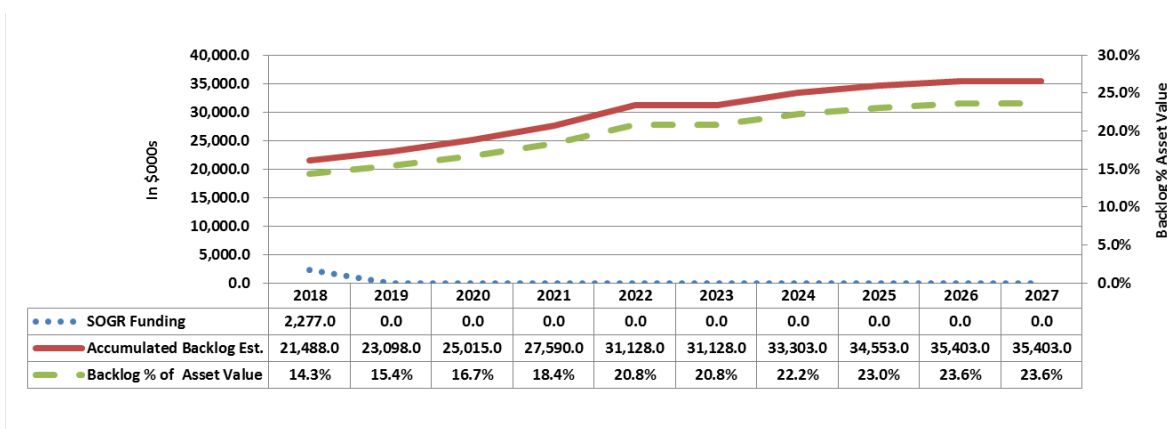


The 10-Year Preliminary Capital Plan of \$8.715 million will be financed entirely by debt.

- Debt funding for this Agency is above the 10-year debt affordability target of \$2.750 million, given the additional funding provided to Sony Centre to address such critical Legislated and Health and Safety related projects as the *AODA Audit* and the elevator modernization work.
 - A detailed analysis of the full breakdown of the 10-Year Preliminary Capital Plan totaling \$8.715 million is available on page 13 and 14 of this report.

State of Good Repair (SOGR) Backlog

Chart 4
SOGR Funding & Backlog (In \$000s)



The 10-Year Preliminary Capital Plan dedicates \$2.277 million to SOGR spending in 2018.

- The replacement value of Sony Centre's assets is estimated at \$150 million. At the end of 2017, Sony Centre reported a state of good repair backlog of \$23.319 million representing 15.5% of the asset replacement value.
- Total SOGR funding of \$2.277 million will bring the Sony Centre's SOGR backlog down to \$21.488 million, or 14.3% of its asset replacement value by the end of 2018. However, the backlog will continue to increase as there are SOGR projects that are currently unfunded. A detailed list can be found in the Issues section of this report.
- To address the growing concern over the Theatre's SOGR backlog, the Sony Centre will use its ticket surcharge revenue to further reduce the SOGR backlog by funding smaller capital maintenance items through its Operating Budget.
- Funding priority has been given to critical health and safety and legislated projects with little residual debt funding available for SOGR projects. As a result, the Theatre has allocated \$2.277 million to address critical SOGR projects for 2018.
- In 2018, staff from Civic Theatres Toronto, Financial Planning, and Economic Development and Culture will discuss the next steps to consolidate the three Civic Theatres' capital budgets. The outcome of this discussion will form the basis of a consolidated Capital Budget and Plan for the three Civic Theatres and guide future 10-Year Capital Plan submissions and debt target allocations.

10-Year Capital Plan: Net Operating Budget Impact

There are no net operating budget impacts or temporary capital project delivery positions arising from the approval of Sony Centre's 10-Year Preliminary Capital Plan. Contributions from the Facility Fee Reserve Fund or the Operating Budget provide for minor capital projects as needed.



Part 2

Issues for Discussion

Issues Impacting the 10-Year Capital Plan

Review of Capital Projects and Spending

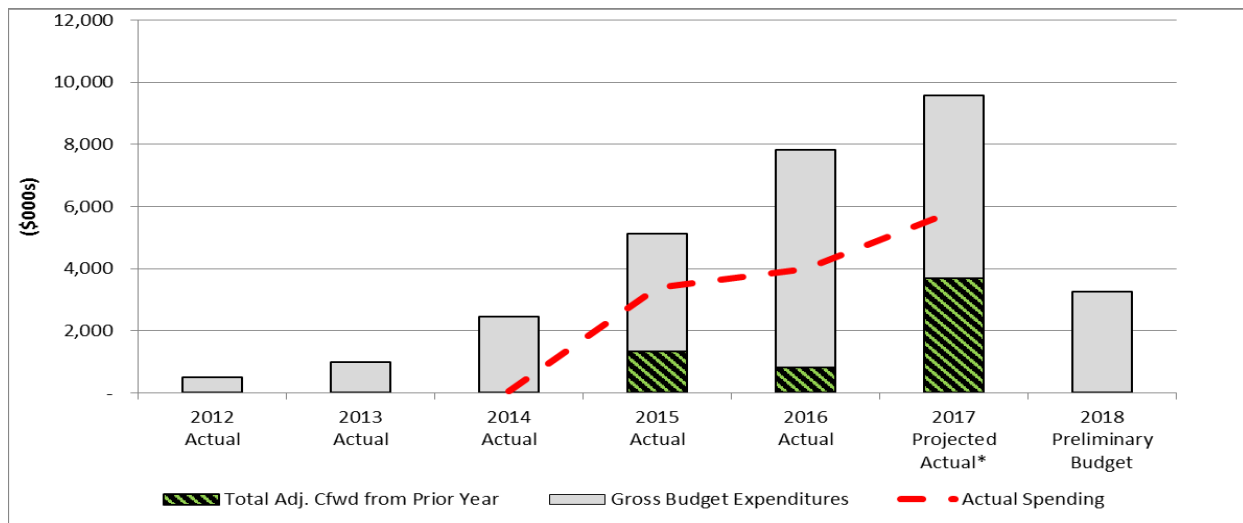
- City Council, at its meeting of May 25, 2017 considered the report entitled "2018 Budget Process – Budget Directions and Schedule EX25.18" and directed that City Programs and Agencies submit their 2018 – 2027 Capital Budget and Plans requiring that:
 - Annual cash flow funding estimates be examined to more realistically match cash flow spending to project activities and timing, especially in the first 5 years of the Capital Plan's timeframe.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.18>
- On average, the Sony Centre has had a capital spending rate of 60.7% over the last 5 years, reflecting an upward trend approaching the spending rate of 87.2% achieved in 2016. In 2017, Sony Centre forecasts a year-end spending rate of 61.4% driven by delayed health and safety capital projects to minimize disruptions to the site when performances are taking place.
 - No cash flow adjustments are required at this time as Sony Centre has demonstrated its readiness to proceed with capital projects. 2017 was an anomaly whereby capital works were intentionally put on hold to allow the Theatres to accommodate more shows and programming activities.
 - The Sony Plaza Development project has been delayed with no spending reported to-date. The non-debt funding of \$1.000 million is expected to be fully spent by year end in 2017. See Page 20 for more information.
- The following tables illustrates Sony Centre's rate of spending from 2012 to 2016.

**Chart 5
Capacity to Spend – Budget vs. Actual
(In \$000s)**

Category	2012			2013			2014			2015			2016			Spending Rate 5 Year 2012-2016 Avg. %	2017		
	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %		Budget	Projected Actual *	Spending Rate %
Health & Safety Legislated																3,459	1,641	47.4%	
SOGR							1,469	66	4.5%	4,117	3,376	82.0%	6,836	6,836	100.0%	4,955	4,230	85.4%	
Service Improvement Growth Related	500	0	0.0%	1,000	0	0.0%	1,000	0	0.0%	1,000	0	0.0%	1,000	0	0.0%	1,000	0	0.0%	
Total	500	0	0.0%	1,000	0	0.0%	2,469	66	2.7%	5,117	3,376	66.0%	7,836	6,836	87.2%	9,564	5,871	61.4%	

* 2017 Projection based on the 2017 Q3 Capital Variance Report



- In addition to reviewing capital spending rates, the 2018 – 2027 Preliminary Capital Budget and Plan for Sony Centre for the Performing Arts has been established following a review of capital requirements based on the reprioritization of capital work in order to address immediate health and safety, and legislated projects before allocating additional debt funds to reducing the SOGR backlog.
 - Given the debt target of \$2.750 million in 2018, the Sony Centre revisited its priorities for previously approved and current capital project requirements. As a result, the *Theatrical Lighting System, Dimmers and Controls* sub-project was removed and the project cost of the *Main Lobby Presentation Systems* sub-project was reduced as part of the *Theatres System and Equipment* project and the debt funding was reallocated to other SOGR projects such as the *Electrical Systems*.
 - Additional debt funding of \$5.965 million was allocated to Sony Centre to fund critical Health and Safety, Legislated, and SOGR projects. The most critical project is the *AODA Projects* for which the debt funding of \$3.600 million provided for the years 2019 to 2021 will ensure that the Sony Centre will be fully compliant with the AODA. Furthermore, other health and safety projects were given priority to eliminate risk of injury to both the patrons and staff.

Project Description	Total Expenditures	Non-Debt Funding	Debt Required	Cash Flow										
				2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Health & Safety/SOGR to Avoid Service Disruption / Legal Claims														
Theatre Systems and Equipment (2018-2026)														
Stage Drapery - Fire Curtain	368.0		368.0		129.0						239.0			
Replace Fire Alarm Systems & Annunciator Panel	207.0		207.0	15.0	192.0									
Vertical Transportation														
Elevator Modernization	1,000.0		1,000.0								450.0	550.0		
Freight Elevator Modernization	304.0		304.0		304.0									
Sub-total	1,879.0		1,879.0	15.0	625.0						239.0	450.0	550.0	
To Ensure Legislative Compliance														
AODA Audit														
AODA Projects	3,600.0		3,600.0		1,200.0	1,200.0	1,200.0							
Sub-total	3,600.0		3,600.0		1,200.0	1,200.0	1,200.0							
SOGR projects to reduce backlog														
Mechanical Systems														
Air Handling Unit Repair	486.0		486.0	486.0										
Sub-total	486.0		486.0	486.0										
Total	5,965.0		5,965.0	501.0	1,825.0	1,200.0	1,200.0				239.0	450.0	550.0	

2018 - 2027 Preliminary Capital Plan vs Debt Targets

- The Agency's 2018 Preliminary Capital Budget and 2019 - 2027 Preliminary Capital Plan exceeds the debt target over the 10 years by \$5.965 million representing an increased funding allocation to address immediate health and safety, and legislated projects.

(\$000s)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
2018 - 2027 Preliminary Capital Plan	3,251	1,825	1,200	1,200			239	450	550		8,715
Debt Funding Required	3,251	1,825	1,200	1,200			239	450	550		8,715
Program Debt Target	2,750										2,750
Over/(Under) Debt Target	501	1,825	1,200	1,200			239	450	550		5,965

Unmet Needs

SOGR Backlog

- Sony Centre has identified \$14.361 million in outstanding unfunded capital needs between the years 2018 to 2026. The entire amount reflects the SOGR backlog which Sony Centre cannot accommodate within existing debt affordability targets.
- The unmet needs, however, has decreased since 2017 during which the Theatre last reported a SOGR backlog value of \$22.651 million.
- See below for the full listing of SOGR projects currently unfunded:

Unmet Needs – Projects Excluded due to Funding Constraints (In \$000s)

Project Description (In \$000s)	Total Project Expenditure	Non-Debt Funding	Debt Required	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Exterior Finishes													
Exterior Hard Landscaping	1,000.0		1,000.0							500.0	500.0		
Electrical Systems													
Replace Motor Control Centres	344.0		344.0	344.0									
Theatre Systems and Equipment (2018-2026)													
Door Replacement	3,724.0		3,724.0		1,200.0	1,200.0	1,324.0						
Theatrical Lighting System - Dimmers & Control	102.0		102.0	102.0									
Acoustical Enhancement System	225.0		225.0			225.0							
Audio System Infrastructure	127.0		127.0		127.0								
Building-Wide Program Audio/Paging Loudspeaker	186.0		186.0				186.0						
Dimmer Replacement	500.0		500.0							500.0			
FOH Control	196.0		196.0					196.0					
Houselight Lighting Control	154.0		154.0		154.0								
Intercommunication System	127.0		127.0				127.0						
Lobby Video Wall	675.0		675.0							675.0			
Main Line Array	1,596.0		1,596.0							1,596.0			
Microphones and Processing	183.0		183.0				183.0						
Stage Monitoring	265.0		265.0					265.0					
Theatrical Lighting FOH Control	129.0		129.0		129.0								
Video Presentation and Monitoring System	467.0		467.0			155.0	312.0						
Video Systems Infrastructure	443.0		443.0				443.0						
Building Code Review													
Building Code Review	126.0		126.0			51.0				75.0			
Mechanical Systems													
Replace Chiller #1	806.0		806.0					806.0					
Replace Cooling Tower #1	286.0		286.0			286.0							
Upgrade HVAC Distribution	1,200.0		1,200.0							350.0		850.0	
Water Pipe Replacements	1,500.0		1,500.0							750.0	750.0		
Total	14,361.0		14,361.0	446.0	1,610.0	1,917.0	2,575.0	3,538.0		2,175.0	1,250.0	850.0	

- The majority of sub-projects contained in the *Theatre Systems and Equipment* project relate to replacing and repairing various aspects of the facility such as the dimmers, audio system infrastructure, and video systems infrastructure, many of which have already exceeded its replacement cycle. The cash flows for these projects as shown in the above chart are consistent with the recommended replacement cycle of these capital assets and are included to avoid the higher cost of maintaining obsolete assets and equipment.
- The *Mechanical Systems* project includes four sub-projects to replace: chillers, cooling tower, HVAC (heating, ventilation, and air conditioning) system, and water pipes. Not addressing these mechanical systems could result in more frequent disruptions to the facility when it is in use and higher costs to maintain the equipment.
- The *Building Code Review* project will assess the current condition of the facility and its compliance with the Ontario Fire Code and Ontario Building Code.
- The *Electrical Systems* project include modernization of the existing motor control centre. The 2018-2027 Preliminary Capital Plan includes funding for the north side of the building however, the motor control centre at the south side of the building must also be addressed.
- The *Exterior Finishes* project includes a complete refurbishment of the exterior elements of the building. The north side, for example, requires paving and other hard landscaping work.
- The unmet needs list was finalized following the 2015 Building Condition Assessment with an initial backlog reported at a value of \$33.229 million. This list was reviewed annually through the Budget Processes, and subsequently has had added additional debt over the targets of \$6.054 million in 2016 and \$2.409 million in 2017 to reduce the SOGR backlog.
 - To further reduce the backlog, Sony Centre allocated funding of \$2.800 million in 2017 and \$2.750 million in 2018 to SOGR projects such as *Theatres System and Equipment*, and redirected unspent funds from completed projects in 2017 to outstanding SOGR projects.
 - The SOGR backlog has been reduced to \$14.361 million as a result of the above actions and will be reviewed again through the 2019 Budget Process.

Sony Centre Redevelopment Project – Status Update

- The revised redevelopment project consisted of three phases:
 - Phase 1: interior renovations to the theatre itself,
 - Phase 2: construction of new backstage facilities, and
 - Phase 3: Public Plaza and exterior renovations as outlined below:

Projects ('000's)	Total Funding/Project Cost	Spent
Phase 1: interior Renovations		
Renovation work to the interior of the theatre	35.488	35.488
Phase 1 Sub total	35.488	35.488
Phase 2: Construction of New Backstage Facility		
Replacement of backstage facilities (reconnect the mechanical & electrical systems)	0.616	0.616
Phase 2 Sub total	0.616	0.616
Phase 3: Public Plaza & Exterior Renovations		
Public Plaza - West Side 2014	1.000	
Exterior Limestone & Granite Upgrades 2014	0.265	0.265
Pavers 2014 - Front	0.740	0.740
East Side Restoration 2014	0.200	0.081
Exterior Limestone & Granite Upgrades 2015	0.785	0.737
Phase 3 Sub total	2.990	1.823
Total	39.094	37.927

**Phase 1 and Phase 2 have been completed. Phase 3 is still underway.*

Phase 3: Public Plaza & Exterior Renovations

- The final phase of the redevelopment includes the Sony Centre's exterior renovations and establishment of a Public Plaza at a cost of \$2.990 million. The exterior renovations and the Public Plaza were funded through a combination of negotiated payments from the developer, development charges, and city debt.
- At the time of the 2017 Q3 Capital Variance Report, the spending for the Sony Centre Plaza Project had not yet occurred. The actual improvement work for the public plaza has been completed and the soft opening for the Plaza took place in late 2016. The project was delivered by the developer, according to an agreement with the City. Sony Centre will advise the City with the latest update on finalizing the cash disbursements.



Appendices

Appendix 1

2017 Performance

2017 Key Accomplishments

In 2017, Sony Centre for the Performing Arts made significant progress and/or accomplished the following:

- ✓ The following projects have been completed: *Limestone Cladding Restoration, Porte-Cochere Lighting Replacement, Stage Floor Replacement, Exterior Wall, West and East Side Restoration, Theatrical Performance Power Infrastructure System Upgrade, and Rigging System Upgrade.*
- ✓ Upgraded the lobby area with new murals and lighting system.

2017 Financial Performance

2017 Budget Variance Analysis (in \$000's)

2017 Budget	As of Sept. 30, 2017		Projected Actuals at Year-End		Unspent Balance	
	\$	% Spent	\$	% Spent	\$ Unspent	% Unspent
9,564	3,894	40.7%	5,871	61.4%	3,693	38.6%

* Based on 2017 Q3 Capital Variance Report

For additional information regarding the 2017 Q3 capital variances and year-end projections for Sony Centre for the Performing Arts, please refer to the attached link for the report entitled "*Capital Variance Report for the Nine-Month Period Ended September 30, 2017*" considered by City Council at its meeting on December 5, 2017.

<http://app.toronto.ca/tmmis/decisionBodyProfile.do?function=doPrepare&decisionBodyId=1022>

Impact of the 2017 Capital Variance on the 2018 Preliminary Capital Budget

- Sony Centre reported a year-end projected spending rate of 61.4% or \$5.871 million of the 2017 Approved Capital Budget of \$9.564 million. Sony Centre fully completed all of its SOGR projects such as the east and west side restoration work. However, several health and safety projects were delayed to prevent disruption to the performances and shows at the Theatre.
- No further cash flow adjustments are needed at this time to Sony Centre's 10-Year Preliminary Capital Plan as the increased level of programming activities at the Sony Centre have been factored into finalizing the Theatre's 10-Year Preliminary Capital Plan. All projects identified in the Capital Program have been selected on the basis that they are ready to proceed.

Appendix 2

**2018 Preliminary Capital Budget;
2019 - 2027 Capital Plan Including Carry Forward (\$000s)**

Project	Total Project Cost	Prior Year Carry Forward	2018	2019	2020	2021	2022	2018 - 2022	2023	2024	2025	2026	2027	2018 - 2027 Total
Health & Safety:														
<i>Theatre Systems and Equipment (2018-2026)</i>	1,092		724	129				853		239				1,092
<i>Vertical Transportation</i>	1,479		175	304				479			450	550		1,479
<i>Fire Safety Systems</i>	207		15	192				207						207
<i>Back of House Systems - Loading Dock</i>	994	497						497						497
<i>Fall Arrest System - Front of House</i>	1,154	577						577						577
<i>As-Built Documentation</i>	576	288						288						288
<i>Fire Curtain</i>	662	331						331						331
<i>Stage Floor</i>	400	200						200						200
Sub-Total		1,893	914	625				3,432		239	450	550		4,671
Legislated:														
<i>Theatre Systems and Equipment (2018-2026)</i>	60		60					60						60
<i>AODA Audit</i>	150	150						150						150
<i>AODA Projects</i>	3,600			1,200	1,200	1,200		3,600						3,600
Sub-Total		150	60	1,200	1,200	1,200		3,810						3,810
State of Good Repair:														
<i>Electrical Systems</i>	326		326					326						326
<i>Theatre Systems and Equipment (2018-2026)</i>	100		100					100						100
<i>Building Envelope</i>	1,006		1,006					1,006						1,006
<i>Mechanical Systems</i>	642		642					642						642
<i>Structure</i>	203		203					203						203
Sub-Total			2,277					2,277						2,277
Total		2,043	3,251	1,825	1,200	1,200		9,519		239	450	550		10,758

Appendix 3

2018 Preliminary Capital Budget; 2019 - 2027 Capital Plan

Report Phase 2 - Program 55 Sony Centre (Hummingbird) Program Phase 2 Sub-Project Category 01,02,03,04,05,06,07 Part B Sub-Project Status S2,S5,S6 Part C Sub-Project Status S2,S3,S4

CITY OF TORONTO

Gross Expenditures (\$000's)

Appendix 3 - 2018 Preliminary Capital Budget; 2019 - 2027 Capital Plan

Sony Centre (Hummingbird)

		Current and Future Year Cash Flow Commitments and Estimates									Current and Future Year Cash Flow Commitments and Estimates Financed By												
		2018	2019	2020	2021	2022	Total 2018-2022	Total 2023-2027	Total 2018-2027	Provincial Grants and Subsidies	Federal Subsidy	Development Charges	Reserve Reserves	Reserve Funds	Capital from Current	Other 1	Other2	Debt - Recoverable Debt	Total Financing				
Sub- Priority	Project No. SubProj No.	Project Name Sub-project Name	Ward	Stat.	Cat.																		
Financed By:																							
Debt						5,294	1,825	1,200	1,200	0	9,519	1,239	10,758	0	0	0	0	0	0	0	10,758	0	10,758
Total Program Financing						5,294	1,825	1,200	1,200	0	9,519	1,239	10,758	0	0	0	0	0	0	0	10,758	0	10,758

Status Code	Description
S2	S2 Prior Year (With 2018 and/or Future Year Cashflow)
S3	S3 Prior Year - Change of Scope 2018 and/or Future Year Cost\Cashflow)
S4	S4 New - Stand-Alone Project (Current Year Only)
S5	S5 New (On-going or Phased Projects)
S6	S6 New - Future Year (Commencing in 2019 & Beyond)

Category Code	Description
01	Health and Safety C01
02	Legislated C02
03	State of Good Repair C03
04	Service Improvement and Enhancement C04
05	Growth Related C05
06	Reserved Category 1 C06
07	Reserved Category 2 C07

Appendix 4

2018 Cash Flow and Future Year Commitments

CITY OF TORONTO

Gross Expenditures (\$000's)

Appendix 4 - 2018 Cash Flow and Future Year Commitments

Sony Centre (Hummingbird)

		Current and Future Year Cash Flow Commitments and Estimates									Current and Future Year Cash Flow Commitments and Estimates Financed By											
		2018	2019	2020	2021	2022	Total 2018-2022	Total 2023-2027	Total 2018-2027	Provincial Grants and Subsidies	Federal Subsidy	Development Charges	Reserve Reserves	Reserve Funds	Capital from Current	Other 1	Other2	Debt - Recoverable Debt	Total Financing			
Sub- Priority	Project No. SubProj No.	Project Name Sub-project Name	Ward	Stat.	Cat.																	
Financed By:																						
Debt						5,294	192	0	0	0	5,486	0	5,486	0	0	0	0	0	0	5,486	0	5,486
Total Program Financing						5,294	192	0	0	0	5,486	0	5,486	0	0	0	0	0	0	5,486	0	5,486

Status Code	Description
S2	S2 Prior Year (With 2018 and/or Future Year Cashflow)
S3	S3 Prior Year - Change of Scope 2018 and/or Future Year Cost/Cashflow)
S4	S4 New - Stand-Alone Project (Current Year Only)
S5	S5 New (On-going or Phased Projects)

Category Code	Description
01	Health and Safety C01
02	Legislated C02
03	State of Good Repair C03
04	Service Improvement and Enhancement C04
05	Growth Related C05
06	Reserved Category 1 C06
07	Reserved Category 2 C07

Appendix 5

2018 Preliminary Capital Budget with Financing Detail

(Phase 2) 55-Sony Centre (Hummingbird)

Sub-Project Category: 01,02,03,04,05,06,07

Type: B Sub-Project Status: S2

Type: C Sub-Project Status: S2,S3,S4,S5



CITY OF TORONTO
Appendix 5 - 2018 Preliminary Capital Budget with Financing Detail
Sony Centre (Hummingbird)
Sub-Project Summary

Project/Financing				2018	Financing										
Priority	Project	Project Name	Start Date	Completion Date	Cash Flow	Provincial Grants Subsidies	Federal Subsidy	Developmt Charges	Reserves	Reserve Funds	Capital From Current	Other 1	Other 2	Debt	Debt - Recoverable
<u>1</u>	<u>HUM908269</u>	<u>Fire Safety Systems</u>													
1		1 Replace Fire Alarm Systems & Annunciator Panel	01/01/2019	12/31/2020	15	0	0	0	0	0	0	0	0	15	0
		Project Sub-total:			15	0	0	0	0	0	0	0	0	15	0
<u>1</u>	<u>HUM908283</u>	<u>Structure</u>													
1		1 Stage Roof Soffit Repairs	01/01/2018	12/31/2018	203	0	0	0	0	0	0	0	0	203	0
		Project Sub-total:			203	0	0	0	0	0	0	0	0	203	0
Program Total:					5,294	0	0	0	0	0	0	0	0	5,294	0

Status Code Description
 S2 S2 Prior Year (With 2018 and/or Future Year Cashflow)
 S3 S3 Prior Year - Change of Scope 2018 and/or Future Year Cost(Cashflow)
 S4 S4 New - Stand-Alone Project (Current Year Only)
 S5 S5 New (On-going or Phased Projects)

Category Code Description
 01 Health and Safety C01
 02 Legislated C02
 03 State of Good Repair C03
 04 Service Improvement and Enhancement C04
 05 Growth Related C05
 06 Reserved Category 1 C06
 07 Reserved Category 2 C07