

# Analyst Briefing Notes

## Budget Committee Review

(October 29, 2007)

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October 20, 2007

**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2007 Approved Capital Budget of \$352.655 million was 20% or \$68.935 million spent as at June 30, 2007. As a result of such impediments as delays in property acquisitions and coordination in third party funded projects, actual expenditures by year-end are anticipated to be \$256.237 million, representing 73% of the 2007 Approved Budget. Of this unspent balance, \$35.229 million is projected to be carried forward in 2008.
- The 2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates total \$2.359 billion of which \$1.166 billion is projected for the Program's 5 Year Capital Plan, requiring new debt funding of \$0.923 billion.
- The 5-Year Capital Plan addresses the SOGR backlog as it is currently known. At year-end 2007 the estimated SOGR backlog is \$310.146 million. The average annual growth to the backlog for SOGR over the 5-Year Capital Plan is \$21.054 million which requires capital works for bridges, roads, sidewalks, and expressways. In recognition of Transportation Services' state of good repair needs, the 5-Year Capital Plan also includes \$4.400 million per year (total of \$22 million) to address the backlog on the western Gardiner Expressway at grade section from Dowling Ave. to Hwy 427. In 2012, \$15.000 million in debt was provided to address the SOGR backlog.
- The 5-Year Capital Plan includes provision for hydro enhancement work for the St. Clair Transit Improvement project. \$5.5 million had been allocated in 2007 with a further \$16.070 million in 2008. The change in scope in 2008 results from recommendations from Toronto Hydro that the area between Caledonia Road and Gunns Road would have to be undergrounded due to a new minimum clearance requirement. It is recommended that the remaining sections of the project be under-grounded as well. The change in scope in 2008 is funded by a contribution from Toronto Hydro of \$7.260 million and \$7.310 million will be funded by the City. The remaining \$1.500 million has been funded by deferring other road projects in adjacent wards.
- The 5-Year Capital Plan for Transportation Services supports the City's strategic priorities such as "A Cleaner and More Beautiful City", "A Wonderful Waterfront City" and a "A Greener City" by continuing to include funding for Street Trees, "A Creative City" and "Better Transit Today" including the dedicated transit right-of-way projects on St. Clair West, as well as increased project funding for Cycling Infrastructure. Starting in 2008 Transportation Services will be responsible for the delivery of Neighbourhood Improvement projects. A Public Realm unit will be established which will play a key role in supporting Corporate strategic priorities by ensuring capital assets are maintained and future needs are addressed.
- Approval of the 5-Year Capital Plan for Transportation Services will result in an operating impact of \$0.280 million in program costs and debt service costs of \$107.506 million. The approval of the 2008 Recommended Capital Budget will result in an operating impact of \$0.270 million in program costs and debt service costs of \$33.007 million.

- The 2008 Recommended Capital Budget with a total cash flow of \$287.892 million (including carry forward funding) includes previously approved commitments and new/change in scope projects requiring 2008 cash flow of \$252.663 million gross with total debt funding of \$174.731 million, \$32.962 million funded from third parties, \$19.941 funded through Development Charges and \$1.509 million funded through Reserve Funds. Debt funding of \$174.731 in 2008 is over the debt target of \$168.661 million as a result of provision for Hydro enhancement work on St. Clair. This excludes \$13.000 million in recoverable debt funding due to funding requirements for the Bloor Street Transformation. This debt is recoverable from the local Business Improvement area.
- Funding for the 2008 Recommended Capital Budget is allocated as follows: 45% to State-of-Good-Repair projects (SOGR) at \$114.251 million; 37% to Growth-Related projects at \$94.191 million, 13% to Service Improvement projects at \$34.741 million and 4% to Health & Safety projects at \$9.480 million.
- The 2008 Recommended Capital Budget will allow the Program to complete work on bridge rehabilitation, median and resurfacing work on the Gardiner and Don Valley expressways, major and local road reconstruction and resurfacing, and sidewalk reconstruction. The 2008 Recommended Capital Budget also funds Service Improvement projects such as traffic control installations, signage and road safety improvement projects, accelerated cycling initiatives and the Bloor Street Transformation project. Funding for Growth projects will allow construction of the Dufferin Street Jog Elimination, Morningside and Finch Avenue grade separation, the Simcoe Street Underpass, the installation of the St. Clair Dedicated Streetcar Line and Neighbourhood Improvements projects.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

- (1) the 2008 Recommended Capital Budget for Transportation Services with a total project cost of \$215.269 million and a 2008 cash flow of \$287.892 million and future year commitments of \$83.214 million in 2009; \$23.787 million in 2010 and \$2.167 million in 2011. The 2008 Recommended Capital Budget consists of the following:
  - (a) New Cash Flow Funding for:
    - (i) 39 new sub-projects with a 2008 total project cost of \$215.269 million that requires cash flow of \$161.838 million in 2008 and a future year commitment of \$40.264 million in 2009, \$11.000 million in 2010 and \$2.167 million in 2011;
    - (ii) 38 previously approved sub-projects with a 2008 cash flow of \$89.830 million and a future year commitment of \$42.950 million in 2009 and \$12.787 million in 2010;
    - (iii) 1 sub-project from previously approved projects with carry forward funding from 2006 and prior years requiring 2008 cash flow of \$0.995 million, which forms part of the affordability target that requires Council to reaffirm its commitment; and
  - (b) 2007 approved cash flow for 40 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$35.229 million;
- (2) 2008 Development Charge funding be approved subject to funds being available in the Development Charge Reserve Accounts;
- (3) all sub-projects with third party financing be approved, subject to the receipt of such funding during 2008;
- (4) operating impacts of \$0.270 million in 2008 that emanate from the approval of the 2008 Recommended Capital Budget be considered within the overall scope of Transportation Services 2008 operating budget;
- (5) new debt service costs of \$5.242 million in 2008 and incremental costs of \$20.656 million in 2009, \$5.595 million in 2010, \$1.275 million in 2011 and \$0.238 million in 2012 resulting from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets;
- (6) the 2009-2012 Capital Plan of Transportation Services totalling \$878.248 million in project commitments and estimates, comprised of \$242.190 million in 2009, \$224.238 million in 2010, \$199.295 million in 2011 and \$212.525 million in 2012, be approved;
- (7) The Deputy City Manager responsible for Transportation Services report back to the Public Works and Infrastructure Committee prior to the 2009 Capital Budget process regarding ongoing discussions with York Region on Steeles Widenings and Grade Separations;

- (8) The General Manager of Transportation Services work with the General Manager of the Toronto Transit Commission to develop policy on standards to be utilized on future transit right of way projects, roles and responsibilities of the collaborating program areas and a recommended project approval process to ensure that all costs are identified. It is recommended that the policy be reported back to Public Works and Infrastructure Committee prior to the 2009 Capital Budget process;
- (9) The General Managers of Toronto Water and Transportation Services report back to Budget Committee in early 2008 on a joint list of capital projects that could be accelerated into 2008 should 2008 projects be delayed; and
- (10) The General Manager of Transportation Services report back to Public Works and Infrastructure Committee on detailed cost estimates of Sustainable Transportation Initiatives to be implemented in 2009 and beyond prior to the 2009 Capital Budget process.

## 2007 Capital Variance Review

2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2007 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
352,655	68,935	20	256,237	73	96,418

**Comments / Issues:**

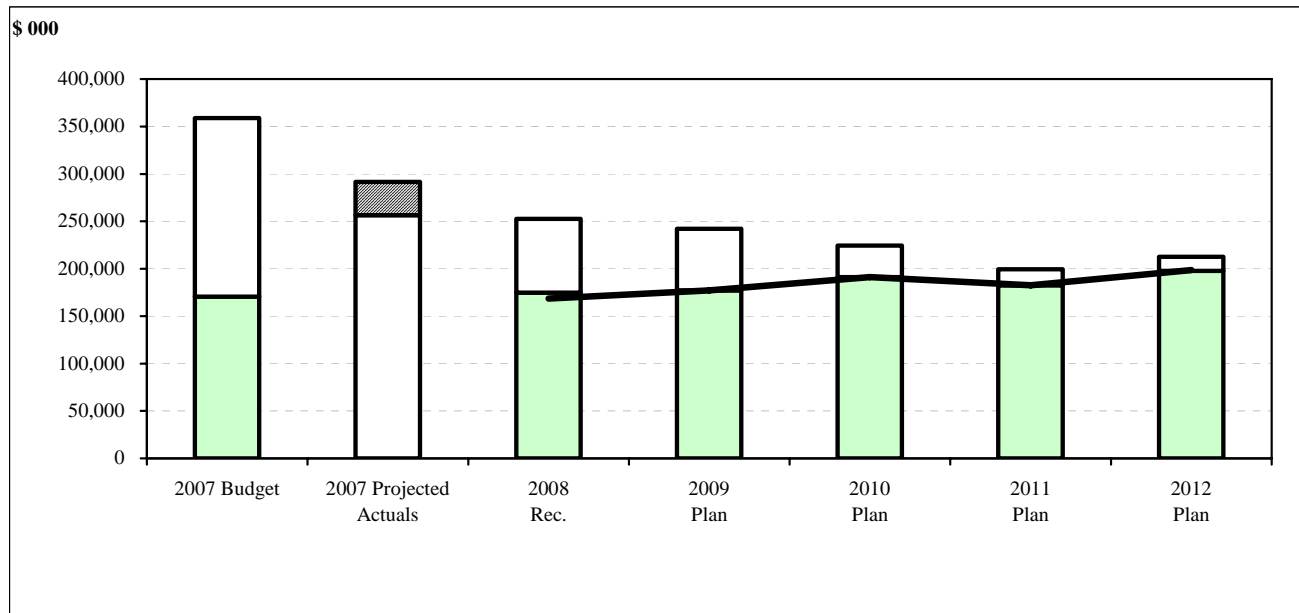
- The Transportation Services' 2007 Approved Capital Budget of \$352.655 million was 20% or \$68.935 million spent, as at June 30<sup>th</sup>, 2007. As reported in the 2<sup>nd</sup> Quarter Variance Report actual expenditures by year-end are anticipated to be \$256.237 million or 73% of the 2007 Approved Capital Budget. However, the 2007 Approved Capital Budget was reduced to \$298.893 million through two reallocation reports that were approved by Council on July 16-19, 2007 which will result in a higher spending rate that will be reported out in the 3<sup>rd</sup> Quarter Variance Report.
- The funding from 2007 carried forward into the 2008 Recommended Capital Budget is \$35.229 million and is lower than the projected unspent actual expenditures of \$96.418 million identified in the 2<sup>nd</sup> Quarter Capital Budget Variance Report. The 2008 Capital Budget does not reflect any subsequent changes to funding being carried forward from 2007 into 2008 based on unspent cash flow balance projected as at June 30<sup>th</sup>, 2007. Adjustments to carry forward funding will be reported through to Budget Committee during its review of the 2008 Capital Budget.
  - A major reason for the difference between the recommended carry forward funding amount of \$35.229 million and the projected unspent actual expenditure of \$96.418 million is because the approval of the two reallocation reports in July results in a budget adjustment that will reduce the 2007 Approved Budget by \$53.762 million.
- Transportation's capital work consists of two main categories of projects: Infrastructure Enhancements and State of Good Repair (SOGR). Infrastructure Enhancement projects tend to be more complex than SOGR, and often require more coordination with third parties for timing of project delivery. This results in greater difficulties in completing capital projects for Infrastructure Enhancements than it is for SOGR projects. As a result, Transportation Services has submitted three reports this year to reallocate funding from projects that have been delayed to ones that are ready to proceed in order to increase the efficient use of resources to deliver service results and outcomes during the fiscal year.
- The total of \$53.762 million or 15% of the originally 2007 approved 5-year Capital Plan that has been deferred to future years, includes the following projects:
  - The St. Clair Dedicated Right of Way Project (Yonge to Gunn's Road): The amount deferred to future years is \$37.3 million or 83.2% of the 2007 approved cash flow. Work has been delayed due to lead times required by Toronto Hydro to relocate some of its underground plant.

- The Bloor Street Transformation Project: The amount deferred to future years is \$12 million or 92.3% of the 2007 approved cash flow. The project is currently under-going engineering and design changes and the local BIA has not yet finalized its conceptual plans.
- The Dufferin Street Jog Elimination Project: The amount deferred is \$7.3 million or 57% of the 2007 approved cash flow. Construction has begun but work was delayed due to property expropriations; however demolition tenders have been issued and work is proceeding. The main structural work is planned to commence in 2008.

**Cost Containment Impact**

- Transportation Services did not defer and/or cancel projects in the 2007 Approved Capital Budget as a cost containment measure.

## 5-Year Capital Plan (2008 Recommended Budget, 2009 – 2012 Plan)



			5-Year Plan					
			2008	2009	2010	2011	2012	2008-2012
			Budget	Projected Actual				
<b>Gross Expenditures:</b>								
2007 Capital Budget & Future Year Commitments	358,787	256,237	80,320	3,780				84,100
Recommended Changes to Commitments			10,505	39,170	12,787			62,462
2008 New/Change in Scope and Future Year Commitments			161,838	40,264	11,000	2,167		215,269
2009 - 2012 Plan Estimates				158,976	200,451	197,128	212,525	769,080
1-Year Carry Forward to 2008		35,229						
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>358,787</b>	<b>291,466</b>	<b>252,663</b>	<b>242,190</b>	<b>224,238</b>	<b>199,295</b>	<b>212,525</b>	<b>1,130,911</b>
<b>Program Debt Target</b>			<b>170,598</b>					
			<b>168,661</b>	<b>176,991</b>	<b>191,237</b>	<b>182,600</b>	<b>198,479</b>	<b>917,968</b>
<b>Financing:</b>								
Recommended Debt	170,598		174,731	176,991	191,237	182,600	197,600	923,159
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds	834		1,509	1,539	1,009			4,057
Development Charges	25,601		19,941	4,000	1,000	1,000	2,250	28,191
Recoverable Debt	12,000		13,000	12,000				25,000
Federal								
Provincial								
Other Revenue	149,754		43,482	47,660	30,992	15,695	12,675	150,504
<b>Total Financing</b>	<b>358,787</b>		<b>252,663</b>	<b>242,190</b>	<b>224,238</b>	<b>199,295</b>	<b>212,525</b>	<b>1,130,911</b>
<b>By Category:</b>								
Health & Safety	12,903		9,480	11,975	11,940	10,136	10,100	53,631
Legislated								
SOG	163,290		114,251	140,241	166,173	156,152	161,620	738,437
Service Improvement	33,403		34,741	33,364	19,133	20,212	17,840	125,290
Growth Related	149,191		94,191	56,610	26,992	12,795	22,965	213,553
<b>Total By Category</b>	<b>358,787</b>		<b>252,663</b>	<b>242,190</b>	<b>224,238</b>	<b>199,295</b>	<b>212,525</b>	<b>1,130,911</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)			10,000	25,977	39,295	25,000	5,000	105,272
Accumulated Backlog Estimate (end of year)			320,146	346,123	385,418	410,418	415,418	415,418
<b>Operating Impact on Program Costs</b>			270	10				
<b>Debt Service Costs</b>			5,242	24,530	25,206	26,514	26,014	107,506

\* Note that the 1-Year Carry Forward reflects the latest estimate as of October 1, 2007



**5-Year Capital Plan Overview**

- The 5-Year Capital Plan (2008 Recommended Budget and 2009-2012 Plan) requires cash flows including carry forward funding from 2007 into 2008 of \$287.892 million in 2008, \$242.190 million in 2009, \$224.238 million in 2010, \$199.295 million in 2011 and \$212.525 million in 2012.
- Funding for the 5-Year Capital Plan is comprised of 82% debt, 13% in other funding which includes third party and other revenue, 2.4% from DC Reserve Funds, 2.2% from Recoverable Debt and 0.3% from other reserve funds. The debt target was achieved for the 2009-2012 Recommended 5-Year Capital Plan, but is \$6.070 million over the debt target for the 2008 Recommended Capital Budget because of the required hydro under-grounding work on the St. Clair Transit Right of Way Project scheduled for 2008.
- The Program is ready to proceed with the 5-Year Capital Plan. The ability to proceed will continue to depend on a number of factors including the disposition of planning, tendering and engineering studies. Also affecting the Program's ability to achieve the 5-Year Capital Plan is the availability of funding for projects that involve third party agreements. Ability to achieve the 5-Year Plan will be enhanced by periodic Reallocation Reports seeking Council approval to reallocate spending from projects that for various reasons need to be delayed to other projects that are ready to proceed. As well Council has approved the "Plan to Improve the Development and Implementation of a Co-ordinated Multi-Year Joint Transportation Service and Toronto Water Capital Program" which will also help to improve capital project delivery. Details of the Co-ordinated Multi-Year Joint Capital Program Plan will be discussed in Part II: Issues for Discussion (see page 20).
- State of Good Repair (SOGR) project funding represents 65% of spending within the 5-Year Capital Plan, the average in each of the years is \$147.687 million. Average annual expenditures on major projects include bridge rehabilitation \$34.330 million, expressways \$26.036 million, major roads \$30.918 million, local roads \$38.782 million, sidewalks \$9.119 million and miscellaneous infrastructure \$8.502 million.
- This 5-Year Capital Plan will result in a SOGR backlog estimated to be approximately \$415 million by 2012. By maintaining the current level of SOGR debt funding, the estimated backlog will grow by an average rate of \$21.05 million per year. Note that this SOGR backlog is an estimate based on debt affordability and does not include variances due to schedule slippage. The current backlog is presently estimated at \$310 million. This is estimated to include the following:
  - \$168 million in major and local road and sidewalks
  - \$50 million in bridge rehabilitation
  - \$92 million related to the western Gardiner Expressway
- In response to Transportation Services' SOGR backlog, funding in the amount of \$5.5 million per year over four years is included in the Recommended 5-Year Capital Plan to reduce the backlog of work on the western Gardiner Expressway. Future years' funding will allow the Program to start major rehabilitation work on the western section of the Gardiner from the Humber River to Highway 427. In addition an extra \$15 million in debt funding was allocated in 2012 to address backlog in Major and Local Road Resurfacing and Bridge Rehabilitation.
- Transportation Services continues to be challenged by the ability to allocate adequate funding within debt constraints in order address SOGR backlog priorities while at the same time addressing

growth and service improvement priorities such as the Bloor Street Transformation, the St. Clair Transit Improvement the Dufferin Street Jog Elimination and various grade separation projects meant to improve traffic safety.

- Service Improvement/Growth funding averages \$68 million per year or 30% of the 5-Year Capital Plan funding estimates.
  - The Service Improvement projects consist of traffic light installations, signage and road safety improvement projects and additional bicycle lanes.
  - Growth projects include major development-related road projects including road widening and improving grade separations. Projects in this category are the Dufferin Street Jog Elimination, grade separations on Steeles, Sheppard and Morningside, various track replacement work (recoverable from the TTC), Highway 27 (401-Steeles) and the completion of the St. Clair Dedicated Streetcar Line. Projects are prioritized based on resource/land availability and current assessed need to maintain appropriate safety and capacity standards in accordance with the City's priorities and debt affordability guidelines.

### **Multi Year Debt Affordability Target**

The 2008-2012 Capital Plan is over the debt target for 2008 by \$6.070 million. This resulted from a change in scope for the St. Clair West Transit Improvement project. Toronto Hydro required the undergrounding of hydro for the area between Caledonia Road and Gunns Road for the St. Clair West Transit Improvement Project. This represented an extra pressure the Program could not fully afford to absorb given it's backlog of SOGR projects. Transportation Services has met the Council approved debt affordability targets for the years of 2009-2012. This was achieved by re-allocating resources from projects dedicated to backlog elimination and deferring projects. In addition there is recoverable debt of \$13 million for 2008 and \$12 million for 2009 for the Bloor Street Transformation Project. This project involves upfront debt funding to be recovered from the BIA over 20 years. The debt target was increased by \$15 million in 2012 from 2011 to help address the backlog in State of Good Repair projects.

### **Program Capacity and Readiness to Proceed**

As a major driver of the capacity to spend, the state of readiness of projects is one of the main criteria for proceeding with major components of the 5-Year Capital Plan. As mentioned previously, one factor in determining the state of readiness is the negotiations with third parties where there is reliance on third party funding and coordination. Transportation Services' state of good repair program is the main focus of their regular capital works and is generally ready to proceed. New road, bridge and underpass projects are currently scheduled on an on-going basis, with readiness determined by design preparation, perceived need, disposition of planning, tendering and engineering studies. However, usually growth or service improvement projects are less likely to be predictable. Projects such as the Dufferin Street Jog Elimination, the Simcoe Street Underpass are subject to negotiations with third parties such as developers and land owners as it pertains to project timing or scheduling of resources based on third party funding agreements.

### **Backlog of Projects – Unmet Needs**

The main focus of the 5-Year Capital Plan is to complete on-going state of good repair projects for major and local roads, bridge infrastructure and expressways. Due to recent years' funding constraints, there is a backlog of State of Good Repair work for on-going maintenance currently estimated at \$310

million by year-end 2007. While the Program is managing its many project challenges within funding constraints, the focus is to ensure cash flow is approved only for those projects ready to proceed.

The Recommended 5-Year Capital Plan represents what cash flow spending can be achieved given the constraints of budget and project scheduling. In order to accomplish this and meet the debt affordability targets, funding to reduce the backlog for Local and Major Roads had been re-allocated to other projects of higher and immediate priority in the past. The 2008-2012 Recommended Capital Plan includes an extra \$15 million in 2012 to address the SOGR backlog. The current SOGR backlog is estimated to be \$310 million, and will grow to \$415 million by the end of 2012. The backlog continues to grow despite increased spending to address it because of a large proportion of the City's roads and bridges were constructed in the 1960s and 1970s. A lot of these roads and bridges that were constructed in this time period are just now requiring reconstruction and will add even further to the existing backlog unless there is substantial investment in SOGR.

### **Recommended Changes to the 2007 – 2011 Capital Plan**

- There was an increase in the debt target for 2012 of \$15 million dollars as compared to 2011. This increase in debt funding is being used to address the backlog in State of Good Repair projects. The additional \$15 million dollars was allocated to the following projects, \$5 million for City Bridge Rehabilitation; \$5 million for Local Road Resurfacing and \$5 million for Major Road Resurfacing.
- Consultation with the Cycling Committee has produced an acceleration strategy, including increased staff resources and funding for Toronto Bike Plan projects. Cash flow in the 2008-2012 Recommended Capital Plan has increased to \$30.100 million, representing an increase of \$1.815 million of what was estimated for the same time period in 2007.
- The North Yonge Centre Project has been removed from the Recommended 5-Yr Capital Plan. It is estimated that it will cost \$46.430 million to complete the project over the next five years. Currently there is insufficient funding available from Development Charges to complete the project. The project will be prioritized against other growth projects in 2009 subject to the availability of Development Charging funding.
- The Morningside/Finch Grade Separation Project requires an increase of \$17.752 million in order to complete the project in the 2008-2012 Recommended Capital Plan. The increase was due to requirements imposed by the Toronto Regional Conservation Authority in order to obtain permits, change in market conditions regarding construction costs and property acquisitions not originally forecasted to accommodate a dedicated bicycle path.
- The St. Clair Avenue West Transit Right of Way project requires an additional \$14.570 million in order to complete the project in the 2008-2012 Recommended Capital Plan. The increase is being driven by the need to accommodate hydro under-grounding that is necessary in order to complete the project. A total of \$7.260 million of the \$14.570 million will be funded by Toronto Hydro.

## **Capital Project Highlights**

### **Strategic Priorities**

The 5-Year Capital Plan for Transportation Services advances various strategic priorities:

#### ***A Cleaner and More Beautiful City:***

*Standardize and Beautify Toronto's Street Furniture.*

Transportation Services currently has a capital project entitled "Street Furniture Harmonization" which is almost complete. An agreement has been signed with Astra Media Outdoor LP for \$428 million in guaranteed revenue over twenty years to supply a common design for waste bins, benches and newspaper boxes. This will result in Toronto streets having a more attractive look that will help build a sense of community across the city.

#### ***Neighbourhood Improvement Projects***

In 2007, the Clean and Beautiful Secretariat became part of Transportation Services Program and is to be integrated with the new Public Realm unit within the Program. As a result, the Neighbourhood Improvement Projects will now be delivered by Transportation Services. These projects aim to invest up to \$0.080 million in capital projects per ward, per year that support making Toronto's neighbourhoods clean and beautiful. This money could be used to fund a wide range of improvements from installing art to building new partnerships.

#### ***A Wonderful Waterfront City:***

*Construct bike trails and lakefront promenades across the City from Etobicoke to Scarborough.*

Public access to and enjoyment of Toronto's waterfront are key objectives of waterfront renewal. Waterfront Toronto is charged with delivering the water's edge promenade and bike trails in the designated waterfront area. Their efforts are also supported by Parks, Forestry, and Recreation, City Planning and Transportation Services. No immediate deliverables have been identified for Transportation Services. Transportation Services also has a City-wide Cycling Infrastructure Project that will address the waterfront as well as road infrastructure projects within the new precincts.

#### ***A Greener City:***

*Make Toronto greener by improving the tree management and care program to feed, care for, save or replace existing street trees in our city.*

Parks, Forestry and Recreation plants trees through the Tree Advocacy Program and through capital funds provided by Transportation and Toronto Water, to beautify roads and reduce rain water runoff and erosion. Transportation Services currently has a project entitled "Street Tree Planting" that has a 5-Year Capital Plan total of \$6.142 million with \$1.509 million recommended for 2008. The plan is to plant 800 trees in 2008.

***A Creative City:***

*Improve the public realm around Toronto's major cultural institutions.*

There is a need for coordination of all functional visual elements placed on sidewalks surrounding major cultural institutions; such as: TTC access/signage vending carts/boxes, traffic signals, signs, lighting, utility installations and signage. Community Planning and Urban Design together with Transportation Services will initiate a comprehensive review as part of the development review process for these significant cultural sites. An example of this kind of project was the Princes' Gates project at Exhibition Place funded in 2006 in the amount of \$0.700 million.

Currently a Public Realm unit is being established that will be assigned the strategic responsibility and accountability for planning, implementing and managing sidewalk spaces to achieve a beautiful, functional and safe pedestrian realm.

***Better Transit Today:***

*The City must make public transit a priority by expanding the number of enclosed, dedicated transit right-of-ways.*

Planned routes to be considered include:

- Yonge Street from Finch to Steeles
- Kingston Road from Victoria Park to Eglinton
- York University bus rapid transit
- Rapid transit through the East Bayfront and Portlands
- Rapid transit along Don Mills from Steeles to the city centre.

The planning and EA approval process for these projects is/has been a coordinated effort between TTC (the ultimate operator), Transportation Services, City Planning, and Waterfront Toronto in the case of the Waterfront projects. Funds have been allocated within the TTC Capital Budget for the Yonge Street and York University EAs (Environmental Assessments). Transportation Services has been named as the lead for the Yonge Street project and will be involved in projects such as Kingston Road.

***Speed up the implementation of Toronto's bike plan:***

Consultation with the Cycling Committee has produced an acceleration strategy, including increased staff resources and funding for the Toronto Bike Plan projects. Transportation Services currently has a City-wide Cycling Infrastructure Project with \$5.5 million recommended for 2008 as well as a further \$24.6 million planned over the 2009-2012 period. This represents an increase of \$4.613 million or 18.1% increase over the previous 2007-2011 Approved Capital Plan.

## Summary of Major Capital Initiatives

	\$000s						
	2008 Rec. Budget	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total 2008 -2012	Total 2013 -2017
<b>Climate Change and Clean Air Action Plan</b>							
<i>Purchase of PM10 Sweepers</i>	7,000					7,000	
<i>Cycling Infrastructure</i>	5,500	5,000	6,000	6,800	6,800	30,100	38,104
<b>Street Tree Planting</b>	1,509	1,539	1,009	1,043	1,042	6,142	5,598
<b>Neighbourhood Improvement Project</b>	3,520	3,520	3,520			10,560	
<b>Total</b>	<b>17,529</b>	<b>10,059</b>	<b>10,529</b>	<b>7,843</b>	<b>7,842</b>	<b>53,802</b>	<b>43,702</b>

- Funding for the Climate Change, Clean Air and Sustainable Energy Action Plan includes the Purchase of PM10 Sweepers and Cycling Infrastructure initiatives. The allocation of \$7.000 million for PM 10 Sweepers in the Recommended 5-Year Capital Plan enables Transportation to move its entire street sweeper fleet to new technology. This technology has been shown to collect over 90% of the particulate matter found on roads and improve street level air quality by as much as 20%. The allocation of \$30.100 million for Cycling Infrastructure over the 2008-2012 timeframe is to implement bicycle lanes and other cycling infrastructure as outlined in the City of Toronto Bike Plan.
- The Street Tree Planting Project has a cash flow of \$1.509 million in 2008, \$1.539 million in 2009, \$1.009 million in 2010, \$1.043 million in 2011 and \$1.042 million in 2012.
- The Neighbourhood Improvement Project has a cash flow of \$3.520 million in 2008, \$3.520 million in 2009 and \$3.520 million in 2010. This capital project formerly resided in City Planning's Capital Program. On August 6, 2007 the Clean and Beautiful City Secretariat was transferred and will now form part of the Public Realm Unit in Transportation Services. The project is dedicated to providing \$0.080 million per ward, per year to support projects that make Toronto's neighbourhoods even more clean and beautiful by funding a wide range of improvements from installing art and working towards building new partnerships.

## Operating Budget Impact – 5-Year Plan

### Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
<b>2008 Recommended Capital Budget</b>					
New Traffic Control Signals/Devices	250.0				
Traffic Control - RESCU	20.0				
Debt Service Charges (\$000s)	5,241.9	20,656.3	5,595.0	1,275.0	238.4
<b>Recommended 2009-2012 Capital Plan</b>					
Traffic Control - RESCU		10.0			
Debt Service Charges (\$000s)		3,873.8	19,611.1	25,239.1	25,775.6
<b>Total</b>					
Program Costs (net) (\$000s)	270.0	10.0			
Debt Service Charges (\$000s)	5,241.9	24,530.1	25,206.1	26,514.1	26,014.0
<i>Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.</i>					

The incremental operating costs outlined above include the following:

- Traffic Control RESCU System - The operating impact associated with this project is estimated to be \$0.020 million for 2008 and \$0.010 million for 2009 for maintenance and additional systems.
- New Traffic Control Signals – The operating impact associated with this project is estimated to be \$0.250 million in 2008 is for maintenance and additional systems.

There are no new positions being added as a result of approving the 2008 Recommended Capital Budget and 2009-2012 Capital Plan.

- Debt service charges arising from approval of the 2008 Recommended Capital Budget are \$5.242 million in 2008, \$20.656 million in 2009, \$5.595 million in 2010, \$1.275 million in 2011 and \$0.0238 million in 2012.
- The operating impact of approving the 2009-2012 Recommended Capital Plan will result in additional debt service costs of \$3.874 million in 2009, \$19.611 million in 2010, \$25.239 million in 2011 and \$25.776 million in 2012.

**Total 2008 Recommended Cash Flow & Future Year Commitments**  
(\$000s)

	2006 & Prior Year Carry Forwards	2008 Previously Approved Cash Flow Commitments	2008 New Cash Flow Recommended	2008 Total Cash Flow Recommended	2008 Debt Target	2007 Carry Forwards	Total 2008 Cash Flow (Incl 2007 C/Fwd)	2009	2010	2011	2012	2013-2017	Total Cost
<b>Expenditures</b>													
Previously Approved	995	89,830		90,825		35,229	126,054	42,950	12,787				181,791
Change in Scope			32,322	32,322			32,322						32,322
New			20,515	20,515			20,515	15,000	11,000	2,167			48,682
New w/Future Year			109,001	109,001			109,001	25,264					134,265
<b>Total Expenditure</b>	<b>995</b>	<b>89,830</b>	<b>161,838</b>	<b>252,663</b>		<b>35,229</b>	<b>287,892</b>	<b>83,214</b>	<b>23,787</b>	<b>2,167</b>	<b>0</b>	<b>0</b>	<b>397,060</b>
<b>Financing</b>													
Debt	260	46,905	127,566	174,731	168,661	29,177	203,908	47,864	11,000	2,167			264,939
Recoverable Debt		13,000		13,000			13,000	12,000					25,000
Prov. Subsidy/Grant													
Development Charges	735	10,330	8,876	19,941		1,089	21,030	3,000					24,030
Other		19,502	23,980	43,482		4,963	48,445	20,350	12,787				81,582
Federal Grants													
Reserves/Res Funds		93	1,416	1,509			1,509						1,509
<b>Total Financing</b>	<b>995</b>	<b>89,830</b>	<b>161,838</b>	<b>252,663</b>	<b>168,661</b>	<b>35,229</b>	<b>287,892</b>	<b>83,214</b>	<b>23,787</b>	<b>2,167</b>	<b>0</b>	<b>0</b>	<b>397,060</b>

**Comments / Issues:**

- The 2008 Recommended Capital Budget is \$287.892 million and includes funding for 2007 projects carried forward into 2008 of \$35.229 million; previously approved project commitment funding of \$90.825 million; and, \$161.838 million for new/change in scope projects.
- Previously Approved projects require cash flow funding of \$90.825 million in 2008 and future year commitments of \$42.950 million in 2009 and \$12.787 million in 2010. Projects for 2008 include the Dufferin Street Jog Elimination (\$16.054 million), the Bloor Street Transformation (\$13 million), the Simcoe Street Underpass (\$9.583 million) the St. Clair Transit Improvement (\$18.500 million) and major/local roads and expressways (\$16.570 million).
- Funding for the 2008 Recommended Capital Budget and future year commitments is \$264.939 million from debt, \$25.000 million from recoverable debt, \$24.030 million from Development Charges, \$81.582 million from other revenue and \$1.509 million from Reserve and Reserve Funds.



## 2008 Recommended Capital Budget

### 2008 Recommended Capital Budget versus Debt Target

The 2008 debt affordability guideline for Transportation Services is set at \$168.661 million. This debt level represents an 8.5% decrease from the \$184.464 million in new debt that was approved for 2007. Additional debt funding was allocated in 2007 to address the backlog on the Western portion of the Gardiner Expressway. The 2008 Recommended Capital Budget requires \$174.731 million debt and is therefore 3.5% above the target of the established debt guidelines. This is being driven by the inclusion of hydro under- grounding work that is required to complete the St. Clair Transit Improvement project.

### Recommended Capital Budget by Category

**State of Good Repair:** These sub-projects represent 45.2% of the 2008 Recommended Capital Budget or \$114.251 million of \$252.663 million. State of Good Repair projects are driven by rehabilitation project work on Expressways such as the Gardiner and Don Valley Parkway, City Bridges and on Local and Major Roads. These projects are designed to extend the useful life of assets; ensure service reliability; and postpone replacement.

**Service Improvement Projects:** These projects represent approximately 13.7% or \$34.741 million. Examples of service improvement projects include Cycling Infrastructure, Advanced Traffic Signal Controls, Street Planting, LED Signal Module Conversion and Purchasing PM10 Sweepers. These projects are designed to address the public desire for a more sustainable transportation system as well as implement initiatives outlined in the Climate Change, Clean Air and Sustainable Energy Action Plan.

**Growth Projects:** These projects account for 37.2% or \$94.191 million of the 2008 Recommended Capital Budget and include the Dufferin Street Jog Elimination, Morningside Avenue/Finch Avenue Grade Separation and St. Clair Transit Right of Way. These projects are designed to address the need for increased infrastructure as the City continues to grow. Development Charges utilized as a funding source whenever it is applicable and available.

**Health and Safety:** These projects account for the remaining 3.7% or \$9.480 million of the 2008 Recommended Capital Budget and includes PXO Replacement & Visibility Enhancements, Signal Major Modifications and New Traffic Control Signals. These projects are designed to address the need to improve the safety for all users of the City's Right of Ways.

**PART II: ISSUES FOR DISCUSSION****2008 Capital Budget Issues****Finch/Morningside Grade Separation**

The 2008 Recommended Capital Budget has been increased by \$17.752 million due to an increased project scope resulting from demands made by the Toronto Regional Conservation Authority regarding the timing of project delivery. Additional land was purchased in order to accommodate a dedicated bicycle path that was not anticipated in earlier estimates.

**North Yonge Centre**

This project has been deferred to future years. This project originally received 100% funding from the North Yonge Centre Development Charge Reserve fund which was an area specific development charge that dates back to the pre-amalgamation of the City of Toronto. The North Yonge Centre Development Charge Reserve Fund has since run out of funds because it no longer receives any collections due to amalgamation. Due to project delays, the original cost estimates have increased and this reserve fund is no longer sufficient to complete the project at the current construction and land acquisition prices. It is anticipated that the Development Charges By-law update expected in 2009 will be able to accommodate a greater amount of development charge funding towards this project and therefore the inclusion of this project in future capital plan will be reconsidered at that time.

**St. Clair Transit Improvements**

The additional change in scope funding included in the 2008 Recommended Capital Budget is \$14.570 million. This project was driven by additional hydro under grounding for two sections of St. Clair which are from Wychwood to Caledonia and Caledonia to Gunns Road. The Caledonia to Gunns Road section must be undergrounded due to a new Toronto Hydro minimum clearance requirement at an estimated cost of \$5.50 million. The under-grounding of Caledonia to Gunns Road provides consistent treatment of hydro along St. Clair and must be incorporated to complete this project. The section of Wychwood to Caledonia, of which the section between Oakwood to Westmount Ave was originally intended to have hydro plants remain overhead. It is now proposed that the entire section of Wychwood Ave to Caledonia Road implement the under grounding of hydro at a cost of \$7.12 million in order to achieve a consistent look for the whole section.

City Council, at its meeting on July 25, 26 and 27, 2007 approved a motion endorsing a unified treatment regarding mid-block decorative street lighting and sidewalks along the entire project length. It is proposed that because of the necessity of cutting into sidewalk in order to accommodate the hydro under grounding, mid-block decorative street lighting and sidewalks be added as well at a cost of \$1.95 million. Toronto Hydro has agreed to share almost 50% of the costs of these enhancements and the net cost to the City would be \$7.310 million, funded from debt.

The project for decorative sidewalks has an estimated cost of \$1.000 million. Should the costs for the sidewalks be less than \$1.000 million; the under spending will be used to provide tree trenches and additional trees. Other funding sources will be pursued to complete the tree trenches and additional trees as the project proceeds. Staff have advised that the three sub-projects – Mid-block Decorative Sidewalks, Mid-block Decorative Street Lighting and Tree Trenches and Additional Trees must

proceed concurrently when the existing sidewalk is demolished to accommodate the hydro undergrounding.

These additional enhancements were not identified in the initial stages of project development. Council originally had approved the project cost based on the environmental assessments that were done before any public consultations were completed. The additional enhancements were incorporated after community consultations took place and subsequent associated public consultations need to be completed before Council's approval of future projects in order that estimates are better known and full project costs should be budgeted in one place to increase accountability and transparency.

It is recommended that policies and standards be developed for future Transit right of way projects to ensure that all costs are identified. The General Manager of Transportation is requested to work with the General Manager of Toronto Transit Commission to develop these policies and standards and to report to Public Works and Infrastructure Committee on their findings.

### **Development Charges**

Development Charge funding has been maximized in the 2008 Recommended Capital Budget. Growth related projects have been prioritized against the funding available.

## **5-Year Capital Plan Issues**

### **Multi-Year Joint Transportation Services and Toronto Water Capital Program**

To strengthen the coordination between Transportation Services and Toronto Water, Council approved the "Plan to Improve the Development and Implementation of a Coordinated Multi-Year Joint Transportation Service and Toronto Water Capital Program" (July 2007). This cross-functional initiative outlines a new planning process to address a more efficient renewal strategy for rehabilitating the City's aging infrastructure. Once fully implemented, the Plan will secure a coordinated fixed 5-year capital program well in advance of construction activity. In addition, the initiative will permit Technical Services staff to proceed in an unimpeded manner with the scoping and design of capital works several years prior to their scheduled implementation dates.

The new planning process requires Transportation Services and Toronto Water to include as part of their annual capital budget submission an "A-List": Projects within the target budget and "B-List": Projects which could be accelerated to the A-list, as required. Toronto Water is currently working on finalizing the "A-List" and "B-List" of projects in consultation with Transportation Services and Technical Services. It is expected that in early 2008, Toronto Water and Transportation Services will be able to report back to Budget Committee regarding the joint list of capital projects.

**Street Tree Planting:** The Road Enhancement Reserve will be unable to sustain funding for Street Tree Planting by the end of 2008. The current forecasted balance at December 31, 2007 will be \$1.509 million whereas the cash flows required in the recommended in 5-year capital plan are \$4.057 million. Starting in 2009, the Road Enhancement Reserve will be depleted. Transportation Services will need to either accommodate this project within debt affordability targets or fund this project from another source of funding.

**Sustainable Transportation Initiatives:** There are a number of sustainable transportation approved initiatives in a report that was considered by Council on October 22, 2007. Many of these initiatives have been approved in principle and require further review and consultation. Currently the Recommended 5-year Capital Plan does not include any funding for these initiatives. It is recommended that detailed cost estimates be reported back to Public Works and Infrastructure Committee prior to implementation and that there be no net financial impact other than what will be approved for the 2008 Capital and Operating Budgets for Transportation Services.

## **Issues Referred to the Budget Process**

### **Issues Referred to 2008 Capital Budget Process**

#### **Scarlett/St.Clair/Dundas**

A report on this project was referred from City Council on September 26 and 27, 2007 to Budget Committee and directed that any change in the status of this project be reported out to Council. The report proposes to increase the overall cash flow funding for this project by \$4.45 million and accelerate the timing of the project due to design modifications in consultation with TTC staff in order to protect for a future exclusive transit right-of-way. The project is entirely debt funded and funding will need to be reallocated from SOGR projects in the 5-Year Capital Plan in order to accommodate this project and keep within debt affordability limits.

#### **Keele/Wilson**

A motion was introduced at Budget Committee on September 20, 2007 to include \$0.350 million in the 2008 Transportation Services Capital Budget. The motion has been referred to the 2008 Capital Budget process.

All of the above referrals currently have not been included in the 2008-2012 Recommended Capital Plan and remain outstanding.

### **Outstanding Issues from Prior Years**

#### **Steeles Widenings and Grade Separations**

The issue below continues to remain outstanding from the 2007 Capital Budget process and discussions remain on-going.

Three separate sections of Steeles Avenue across the top of the City have been identified for widenings as well as a grade separation in the east end but have not been included in the 5-Year Capital Plan. The widenings include Steeles Avenue West (Hilda Ave to Bathurst St) in 2013 for \$2.760 million, Steeles Avenue West (Jane St to Weston Rd) in 2013 for \$5.800 million and Steeles Avenue East (Beare Rd to Tapscott) in 2013/2014 for \$14.650 million. The approximate cost of this work is estimated to be \$120 million to be cost shared equally between the City and York Region pending a Boundary Agreement. This additional state of good repair funding has not been factored into the 5-Year Capital Plan (ongoing discussions with York Region also involve cost share discussions on this front). It is recommended that the Deputy City Manager responsible for Transportation Services report

back to the Public Works and Infrastructure Committee prior to the 2009 Capital Budget process regarding ongoing discussions with York Region on this issue.

## **Appendix 1**

### **2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates**

**Appendix 2**

**2008 Recommended Cash Flow  
& Future Year Commitments**

**Appendix 3**  
**2008 Recommended Capital Projects**  
**with Financing Details**



## Appendix 4

### Reserve / Reserve Fund Review

(\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31,2007	Proposed Withdrawals				
			2008	2009	2010	2011	2012
DC Res. Fund -Scarborough (XR2012)	Beginning Balance	\$8,018	\$8,018	(\$0)	(\$0)	(\$0)	(\$0)
	TRN906383 Morningside/Finch Grade Separation		\$8,018				
	<b>Subtotal</b>	<b>\$8,018</b>	<b>(\$0)</b>	<b>(\$0)</b>	<b>(\$0)</b>	<b>(\$0)</b>	<b>(\$0)</b>
DC Res. Fund- Roads (XR2024)	Beginning Balance	\$195	\$195	\$633	\$9,342	\$21,451	\$33,933
	DC Contributions		\$12,361	\$12,709	\$13,109	\$13,482	\$13,482
	TRN906070 Sheppard Ave. E/Kennedy Rd. Grade Separation						\$500
	TRN077 Dufferin Street Jog Elimination		\$4,816				
	TRN160 Engineering Studies		\$119				
	TRN907020 Keele/Wilson		\$500				
	TRN000184 Growth Related Capital Works			\$4,000	\$1,000	\$1,000	\$1,000
	TRN814 Simcoe Street Underpass		\$4,870				
	TRN355 Steeles/Kennedy Grade Separation						\$250
	TRN00188 Finch Ave. E/Kennedy Rd Grade Separation						\$500
	TRN906383 Morningside/Finch Grade Separation		\$1,593				
	TRN380 Safety and Operational Improvements		\$25				
	<b>Subtotal</b>	<b>\$195</b>	<b>\$633</b>	<b>\$9,342</b>	<b>\$21,451</b>	<b>\$33,933</b>	<b>\$45,165</b>
Road Enhancement Res. Fund (XR1401)	Beginning Balance	\$1,509	\$1,509	\$0	(\$1,539)	(\$2,548)	(\$2,548)
	TRN906073 Street Tree Planting		\$1,509	\$1,539	\$1,009	\$0	\$0
	<b>Subtotal</b>	<b>\$1,509</b>	<b>\$0</b>	<b>(\$1,539)</b>	<b>(\$2,548)</b>	<b>(\$2,548)</b>	<b>(\$2,548)</b>
<b>Total Reserve / Reserve Fund</b>	<b>Net Balance</b>	<b>\$9,722</b>	<b>\$633</b>	<b>\$7,803</b>	<b>\$18,903</b>	<b>\$31,385</b>	<b>\$42,617</b>