

# Analyst Briefing Notes

## Budget Committee Review

(February 8, 2007)

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

- The 2006 Approved Capital Budget of \$5.676 million was 58% spent as at September 30, 2006. Actual expenditures by year-end are anticipated to be \$3.900 million, or 69% of the Approved Budget, resulting in projected 2006 cash flow funding of \$1.776 million being carried forward into 2007. This projected under expenditure is primarily due to delays in starting construction on the Pedestrian Bridge. A revised tender, which incorporated the City's paving and stone conservation below the bridge with TTC's work in the moat and future development options was not signed off by Parks Canada due to heritage concerns.
- The 2007 Recommended Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates total \$34.892 million of which \$32.737 million is projected for the Program's 5-Year Capital Plan requiring cash flow of \$11.201 million in 2007, \$10.395 million in 2008, \$3.338 million in 2009, \$4.003 million in 2010 and \$3.800 million in 2011. The 5-Year plan exceeds the program debt targets in 2007 (by \$1.500 million) and 2008 (by \$1.500 million). Years 2009 to 2011 meet the program debt targets.
- The 2007 Recommended Capital Budget and 2008-2011 Capital Plan is comprised of three major components:
  - State of Good Repair Projects
  - Projects Supporting the Union Station District Plan; and
  - Security Upgrades
- The state of good repair projects included in the 5-Year Capital Plan include replacement of the pedestrian bridges along Front Street (\$3.327 million); Expansion Joint Replacements (\$4.857 million); Copper Roof Repairs (\$2.290 million); Building Condition Assessment (\$0.626 million); and various other repairs. The state of good repair requirements will be reviewed following the building condition assessment to be completed in early 2007; and the revitalization strategy to be provided by June, 2007.
- Two new sub-projects have been included in the 5-Year Capital Plan to support the Union Station District Plan. These are the new South Access Project (\$6.000 million gross; \$3.000 million net); and the North-West Path Extension Project (\$0.314 million gross; \$0 net). These projects advance the Mayor's objective to develop public spaces that require refurbishment and improvement.
- The Security Upgrades project is a new project that will be 75% funded by the Federal Government. Total 2007 and 2008 funding recommended is \$5.707 million; with \$4.280 million provided by Transport Canada. Funding will provide enhanced security measures to combat terrorism at Union Station.
- The 2007 Recommended Capital Budget, including previously approved commitments, requires new 2007 cash flow of \$9.425 million gross with debt funding of \$5.143 million bringing Union Station's Recommended Capital Budget \$1.500 million over the debt

guideline. This cash flow combined with carry forward funding of \$1.776 million for 2006 projects brings the total 2007 Recommended Capital Budget to \$11.201 million gross.

- 65% of the 2007 recommended new cash flow is allocated to Service Improvement projects, 24% is allocated to Health & Safety projects and 11% is allocated to State-of-Good-Repair projects.
- The 2007 Recommended Capital Budget includes \$2.216 million for state of good repair projects (including the completion of the Building Condition Assessment; continuation of the replacement of the pedestrian bridges and terrazzo flooring); \$3.214 million gross; \$1.500 million debt for Union Station District Plan projects (the study for the North-West Extension Project will be completed in 2007 and the South Access will begin, to be completed in 2008) and \$3.995 million gross; \$1.427 million debt for the Security Upgrades. Tenders will be going out for each of Security sub-projects and it is anticipated that the Security Centre, Detection Systems, Barriers/Controls and the Responder Communications projects will be ready to start by the end of November, 2007.
- State of good repair backlog for Union Station is not known at this time. A building condition assessment will be conducted in 2007 and the results will identify any work required to restore Union Station to a state of good repair.
- The 5-Year Plan does not reflect the implementation of a Revitalization Strategy to be developed.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for Union Station with a total project cost of \$10.975 million and a 2007 cash flow of \$11.201 million and future year commitments of \$9.052 million be approved. The 2007 Recommended Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 3 new sub-projects with a 2007 total project cost of \$10.975 million that requires cash flow of \$7.315 million in 2007 and a future year commitment of \$4.979 million in 2008 and \$0.108 million in 2009;
    - ii) 4 previously approved sub-projects with a 2007 cash flow of \$2.110 million and a future year commitment of \$3.114 million in 2008, \$0.623 million in 2009 and \$0.228 million in 2010; and
  - b) 2007 approved cash flow for 3 previously approved sub-project with carry forward funding from 2006 into 2007 totalling \$1.776 million;
2. new debt service costs of \$0.097 million in 2007 and incremental costs of \$0.410 million in 2008, \$0.198 million in 2009 and \$0.012 million in 2010 resulting from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future year operating budgets; and
3. the 2008-2011 Capital Plan for Union Station totalling \$21.536 million in project commitments and estimates, comprised of \$10.395 million in 2008; \$3.338 million in 2009; \$4.003 million in 2010; and \$3.800 million in 2011, be approved.

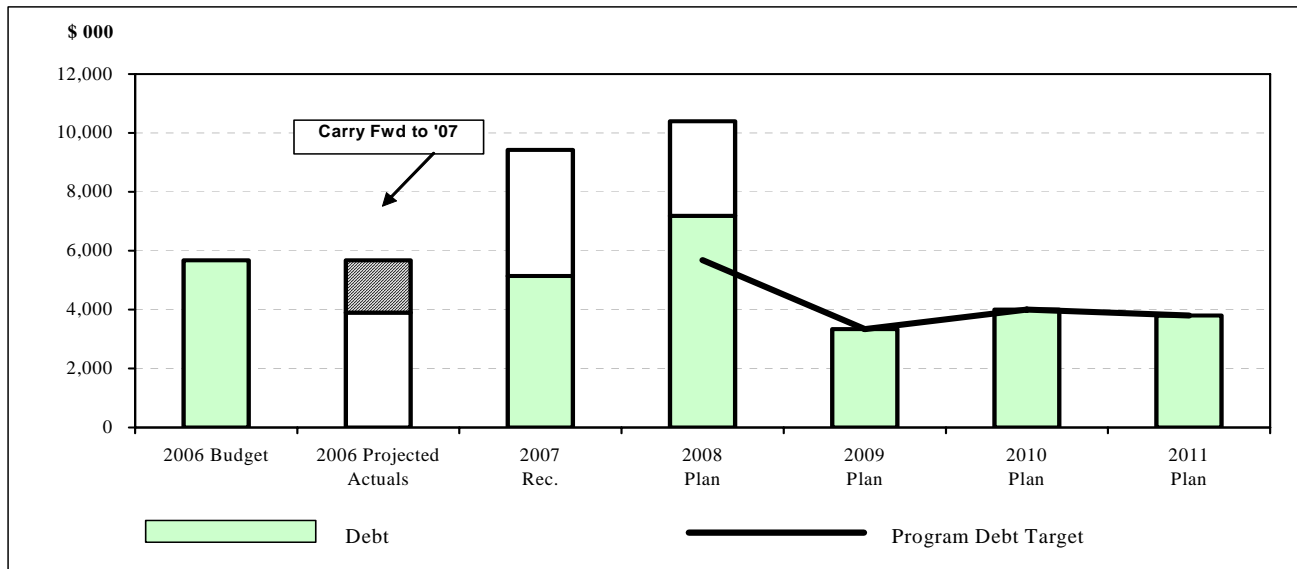
### 2006 Capital Variance Review

2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of Sept 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
5,676	3,294	58	3,900	69	1,776

#### Comments / Issues:

- At the end of the 3rd quarter, \$3.294 million or 58% of the 2006 Approved Capital Budget of \$5.676 million was spent. Under spending was mainly due the tendering of the Skylight and West Window projects. When tendered, the Skylight and West Window projects exceeded the budget estimates. Funding was re-allocated from within this budget and it is anticipated that the project will be completed by December 31, 2006. The projected year-end spending rate for the Union Station program is 69%.
- The recommended carry forward funding included in the 2007 Recommended Capital Budget is \$1.776 million. The carry forward funding is required for the replacement of the pedestrian bridge along Front Street in the amount of \$1.440 million. Construction is expected to start in the first quarter of 2007. Carry forward funding in the amount of \$0.120 million is required to complete the study to determine the preferred routing for a Northwest Path extension and to commence environmental assessments for the Northwest Path Connection Project. The remaining carry forward funding of \$0.216 is required to continue the Building Condition Audit.

## 5-Year Capital Plan (2007-2011)



	2006		5-Year Plan					
	Budget	Projected Actual	2007 Rec.	2008	2009	2010	2011	2007-2011
<b>Gross Expenditures:</b>								
Capital Budget & Future Year Commitments	5,676	3,900	9,425	10,395	3,338	4,003	3,800	30,961
New Plan Estimates								
1-Year Carry Forward to 2007		1,776						
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>5,676</b>	<b>5,676</b>	<b>9,425</b>	<b>10,395</b>	<b>3,338</b>	<b>4,003</b>	<b>3,800</b>	<b>30,961</b>
<b>Program Debt Target</b>			<b>3,643</b>	<b>5,683</b>	<b>3,338</b>	<b>4,003</b>	<b>3,800</b>	<b>20,467</b>
<b>Financing:</b>								
Recommended Debt	5,676		5,143	7,183	3,338	4,003	3,800	23,467
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds								
Development Charges								
Federal			4,068	212				4,280
Provincial								
Other Revenue			214	3,000				3,214
<b>Total Financing</b>	<b>5,676</b>		<b>9,425</b>	<b>10,395</b>	<b>3,338</b>	<b>4,003</b>	<b>3,800</b>	<b>30,961</b>
<b>By Category:</b>								
Health & Safety	3,717		3,123	1,875				4,998
Legislative								
SOGR	1,745		520	3,808	3,338	4,003	3,800	15,469
Service Improvement	214		5,782	4,712				10,494
Growth Related								
<b>Total By Category</b>	<b>5,676</b>		<b>9,425</b>	<b>10,395</b>	<b>3,338</b>	<b>4,003</b>	<b>3,800</b>	<b>30,961</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year) **								
<b>Operating Impact on Program Costs</b>								
<b>Debt Service Costs</b>			154	781	890	487	554	2,866

\* Note that the 1-Year Carry Forward reflects current projection and as reflected in CAPTOR.

\*\* To be determined.

## **5-Year Capital Plan Overview**

### **Overview**

The 2007 Recommended Capital Budget and 2008-2011 Capital Plan for Union Station is comprised of state of good repair projects, the addition of two sub-projects (Northwest Path Connection Project and the South Access Tunnel Project) supporting the Union Station District Plan; and the new Security Enhancement Project.

### **State of Good Repair Projects**

The state of good repair project plan for Union Station has been revised. The funding for these projects have been re-allocated to provide funding of \$1.427 million for the Security Plan Project (\$5.707 million) and the re-allocation of \$0.410 million for the Building Condition Assessment Project (\$0.626 million). The state of good repair projects include copper roof repairs, the replacement of the pedestrian bridge, expansion joint replacement and a building condition assessment.

### **Union Station District Plan**

At its meeting on June 27, 28 and 29, 2006, City Council adopted the recommendations in the report entitled 'Union Station District Plan – Area Bounded by Bay Street, Wellington Street, Simcoe Street, the Rail Corridor, Rees Street and Lake Shore Boulevard/Harbour Street'. By adoption of the report, City Council approved the adoption of the Union Station District Plan prepared by architects Alliance, in association with ERA Architects, Entra Consultants, Metropolitan Knowledge International, Bruce Mau Design and Diana Gerrard Landscape Architects. The Plan addresses improvements to the public realm surrounding Union Station and supports the recognition of the district as a Heritage Conservation District. In addition, Council approved \$6.0 million gross and net to fund the construction of a south entrance to Union Station and authority to commence environmental assessments for the creation of a northwest PATH connection and improvements to Front Street West. Funding for the assessment was identified from within existing 2006 Approved Operating and Capital Budgets. A Master Plan Implementation Working Group has been established and will report on a strategy to fund and implement the future District Plan initiatives.

### ***Union Station South Access Project***

The Union Station South Access Project will provide for the construction of a southern entrance to the train station with connections to Harbourfront, the Air Canada Centre and the CN Tower. GO Transit is undertaking work that will include some tunnelling under the rail corridor and will incorporate the additional tunnelling work to create the south entrance. The City's 5-Year Capital Plan, endorsed by City Council in July, 2006 included the \$6.0 million in additional debt to fund this project (\$3.0 million in 2007 and \$3.0 million in 2008). However, no debt target was established for this project. Subsequent to the approval of the report in July, staff advised that Section 37 funding was available to offset 50% or \$3.0 million of the total cost of this project. Therefore, the 2007 Recommended Capital Budget includes \$3.0 million gross and \$1.5 million net in each of 2007 and 2008; resulting in the total Union Station 2007 Recommended Capital Budget being over target by \$1.5 million in of the years 2007 and 2008.

***Northwest Path Connection Project***

The North-West Path Extension Project currently is required to determine the preferred routing for a north-west Path extension and to commence environmental assessments. Funding was identified within the Approved 2006 Capital Budgets for Transportation (\$0.120 million) and City Planning (\$0.094 million) totalling \$0.214 million. Funding was also included as part of the 5-Year Capital Plan for GO Transit (\$0.214 million in 2007) and Transportation (\$0.120 million Carry forward from 2006 to 2007) totalling \$0.334 million in 2007; for a net zero impact. This project and its funding have been transferred to the Union Station Capital Budget.

**Union Station – Security Project**

The Government of Canada, through Transport Canada, has established a funding program called Transit-Secure which provides 75% of one-time funding for approved terrorism-specific security upgrades to rail transit systems. Funding has been approved for Union Station. Facilities and Real Estate staff have developed a security strategy as a preventive measure against terrorism and recovery considerations in case of an attack. The current model includes the following seven specific areas for enhancement:

- 1. Security Centre** - include a twenty-four hour Security Centre for central monitoring control
- 2. Detection Systems** - to increase overall surveillance.
- 3. Barriers/Controls** - making unauthorized access more difficult
- 4. Passenger Evacuation** – to enable passengers to move easily and safely during an emergency
- 5. Responder Communications** - to upgrade systems with a radio frequency reserved for emergency use only
- 6. Plans** - emergency plans will be enhanced to provide terrorist-specific information
- 7. Training** - training against terrorism will be provided to tenants and employees

The total cost of this project is \$5.707 million with cash flow requirements of \$3.995 million in 2007 and \$1.712 million in 2008. Funding in the amount of \$4.280 million or 75% will be contributed from Transport Canada and \$1.427 million or 25% from the City, totalling \$5.707 million.

**Mayor's Mandate**

The 5 – Year Capital Plan is directly advances the following priority outlined in the Mayor's Mandate.

- ***A Cleaner and More Beautiful City - Developing a comprehensive public space beautification plan for public spaces that require refurbishment and improvement***

The Union Station District Plan, as approved by City Council, supports the revitalization of Union Station and surrounding area that will complement its continued role as the busiest inter-modal transit hub in Canada. The 5-Year Capital Plan for Union Station includes two sub-projects that begin to address the Plan. These are the South Entrance Project and the North-West Path Extension Project. Total gross funding in the amount of \$6.344 million gross and net funding of \$3.000 million are recommended for approval.



**Multi Year Debt Affordability Target**

The 2007-2011 state of good repair plan is consistent with the debt targets originally established for this Program. However, as mentioned above, the transfer of the Union Station District Plan South Entrance project, which did not have a debt target assigned to it, results in the total 2007 Recommended Capital Budget and 2008-2011 Capital Plan being over target by \$1.5 million in 2007 and \$1.5 million in 2008.

**Capacity/State of Project Readiness**

The state of good repair projects are underway. The 2007 components of the projects are ready to proceed. The timing of the completion of the South Access project is dependant on GO's ability to proceed. The Security Upgrade project will begin by late 2007. The terrazzo flooring in the Great Hall project is ready to proceed. Further design work is required for the copper roof project. It is anticipated that construction on the Pedestrian Bridge will start in the first quarter of 2007.

**Recommended Changes to the 5-Year Plan**

State of good repair funding in the amount of \$0.410 million has been re-allocated to fund the Building Condition Assessment Project and \$1.427 million to fund the new Security Enhancement Program as these two projects have emerged as having high priority. The South Access Project was included as a separate program in the 5-Year Plan, endorsed by City Council in July, 2006, and has been transferred to this Program budget.

**State of Good Repair Backlog and Unmet Needs**

The extent of state of good repair backlog for Union Station is not known at this time. City staff will undertake a building condition assessment of Union Station during 2007. An estimate of backlogged state of good repair work will be available following the assessment, in time for the 2008 Budget process.

**Operating Impact of the 5-Year Capital Plan**

There are currently no operating impacts associated with this Program. However, with the completion of the building condition audit and the development of the Union Station Revitalization work plan, future operating impacts will be reviewed during the 2008 budget process.

**Pre-approvals**

City Council on December 5 and 6, 2006, adopted the recommended pre-approval cash flow for Union Station in the amount of \$0.800 million and is comprised of the 2007 phase of two previously approved projects. One is the on-going replacement of the pedestrian bridge along Front Street (\$0.600 million) and the other is funding that will be required early in 2007 for contracted services for the Copper Roof Repairs (\$0.200 million).

**Total 2007 Recommended Cash Flow & Future Year Commitments  
(\$000s)**

	2005 & Prior Year Carry Forward	2007 Previously Approved Cash Flow Commitments	2007 New Cash Flow Recommended	2007 Total Cash Flow Recommended	2007 Debt Target	2006 Carry Forward	Total 2007 Cash Flow (Incl 2006 C/Fwd)	2008	2009	2010	2011	2012-2016	Total Cost
<b>Expenditures</b>													
Previously Approved		2,110		2,110		1,776	3,886	3,114	623	228			7,851
Change in Scope													
New			7,315	7,315			7,315	4,979	108				12,402
New w/Future Year													
<b>Total Expenditure</b>		<b>2,110</b>	<b>7,315</b>	<b>9,425</b>		<b>1,776</b>	<b>11,201</b>	<b>8,093</b>	<b>731</b>	<b>228</b>			<b>20,253</b>
<b>Financing</b>													
Debt		1,896	3,247	5,143	<b>3,643</b>	1,656	6,799	4,881	731	228			12,639
Subsidy (SCPT)													
Prov. Subsidy/Grant													
Development Charges													
Other		214	4,068	4,282		120	4,402	3,212					7,614
Federal Grants													
Reserves/Res Funds													
<b>Total Financing</b>		<b>2,110</b>	<b>7,315</b>	<b>9,425</b>	<b>3,643</b>	<b>1,776</b>	<b>11,201</b>	<b>8,093</b>	<b>731</b>	<b>228</b>			<b>20,253</b>

**Comments / Issues:**

- Approval of the 2007 Recommended Capital Budget of \$11.201 million will result in future year commitments of \$8.093 million in 2008, \$0.731 million in 2009 and \$0.228 million in 2010. The 2008 – 2010 commitments are required to fund the multi-year copper roof repair project, the replacement of the pedestrian bridge project, the Union Station south access tunnel, the replacement of expansion joints, the Northwest Path Connection study and the Union Station Security project to combat terrorism.
- The recommended 2007 total cash flow of \$9.425 million is comprised of funding from debt (\$5.143 million), Federal funding through the new Transit Secure Program (\$4.068 million) and from GO Transit (\$0.214 million).

**2007 Recommended Capital Budget****2007 Recommended Capital Budget versus Debt Target**

The 2007 Recommended Capital Budget requires \$5.143 million debt which is \$1.500 million over target. This is due to the addition of the Union Station South Access Project.

**Operating Budget Impact**  
**Incremental Operating Impact Summary**

<b>Incremental Operating Budget Impact</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Program Costs (net) (\$000s)	0.0	0.0	0.0	0.0	0.0
Debt Service Charges (\$000s)	97.4	410.2	197.6	11.9	0.0
Approved Positions	0	0	0	0	0

**Program Incremental Operating Costs**

There are currently no incremental operating impacts associated with this Program, however future operating impacts are pending the decision and implementation of the Union Station District Plan Project.

**PART II: ISSUES FOR DISCUSSION****5-Year Capital Plan Issues****Revitalization of Union Station**

At its meeting of July, 25, 26 and 27, 2006, City Council adopted the report entitled ‘Union Station Revitalization – Termination of Master Agreement with the Union Pearson Group and Next Steps’. The report authorized City staff to convene an interdivisional team to be lead by the Chief Corporate Officer to review options for a revitalization strategy for the future of Union Station.

The report confirmed three public policy objectives that were established when the City purchased Union Station in June 2000. These are:

- “1. promote Union Station as a multi-modal transportation hub first and foremost;
2. preserve it as a heritage building; and
3. revitalize Union Station as a destination in order to ensure its ongoing financial stability.”

These policy objectives will be considered by the interdivisional team when assessing the options for revitalization. In addition, staff will review and recommend financing sources, including a potential federal government commitment of \$25 million. This report is anticipated to be completed by June 2007.

Appendices not available online.