

# **Analyst Briefing Notes**

## **Budget Committee Review**

### **(February 8, 2007)**

Page

## **PART 1: CAPITAL PROGRAM**

Executive Summary .....	2
Recommendations .....	4
2006 Capital Variance Review .....	5
5-Year Capital Plan (2007 Recommended Budget, 2008-2011 Plan) .....	6
5-Year Capital Plan Overview .....	7
Recommended Changes to 5-Year Plan .....	9
Total 2007 Recommended Cash Flow & Future Year Commitments .....	11
Operating Budget Impact .....	13

## **PART II: ISSUES FOR DISCUSSION**

2007 Issues .....	14
5-Year Capital Plan Issues .....	15

## **APPENDICES**

<b>Appendix 1:</b> 2007 Rec'd Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates .....	A1 to A5
<b>Appendix 2:</b> 2007 Recommended Cash Flow & Future Year Commitments .....	A6 to A9
<b>Appendix 3:</b> 2007 Recommended Capital Projects with Financing Details .....	A10 to A12
<b>Appendix 4:</b> Reserve / Reserve Fund Review .....	N/A

**Contacts:** Judy Skinner, Manager, Financial Planning  
Tel: (416) 397-4219  
  
Peter Remedios, Senior Financial Planning Analyst  
Tel: (416) 392-8095

January 31, 2007

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

- The 2006 Approved Capital Budget of \$9.0 million was 48% spent as at September 30, 2006. Actual expenditures by year-end are anticipated to be \$7.1 million, or 79% of the Approved Budget, resulting in projected 2006 cash flow funding of \$1.9 million being carried into 2007.
- The Recommended 5-Year Capital Plan is driven by the Zoo's Strategic Plan, its Capital Master Plan of 1990 and a number of site studies, including the North Zoo Site Redevelopment Study and the Animal Health Facilities Study.
- The 2007 Recommended Capital Budget and 2008-2011 Capital Plan calls for a total debt of \$23.5 million. The Plan meets the Zoo's aggregate and annual debt targets. Furthermore, the Plan also anticipates fundraising of \$19.8 million for the Zoo's priority service improvements. The Program may be challenged to raise such a significant sum by 2011.
- Aside from reducing the current SOGR backlog from \$105.3 million to \$70.6 million by 2011, the Recommended 5-Year Capital Plan sees the completion of the Tundra Biome exhibit, the first phase of the North Zoo Site Redevelopment Project. In addition, if sufficient external funding is secured, the Eurasia phase of the North Zoo Site Redevelopment Project as well as the Elephant Winter Holding/Paddock initiative are also scheduled for completion.
- Aside from inflationary adjustments, the Recommended 5-Year Capital Plan mirrors the 2006-2010 Capital Plan that Council approved in June 2006. The only exceptions are the re-phasing of the Mixed Woodland/Boreal Forest and Eurasia phases of the North Zoo Site Redevelopment Project, the deferral of the Animal Health Centre and the acceleration of the Elephant Paddock/Winter Holding initiative.
- The Recommended 5-Year Capital Plan, excluding one-year carry forwards, totals \$43.3 million, of which 29% of funding is allocated to State of Good Repair (SOGR) projects and 71% to Service Improvement (SI) initiatives. The latter is driven largely by the North Zoo Site Redevelopment Project and the Elephant Paddock initiative. Although both of these projects are categorized as service enhancements, their completion will in effect greatly reduce the Zoo's SOGR backlog.
- The Toronto Zoo has accumulated a current SOGR backlog of approximately \$105.3 million by the end of 2006. Implementation of the Recommended 5-Year Plan will result in the SOGR backlog being reduced to \$70.6 million by 2011.

- The Toronto Zoo's Recommended 5-Year Capital Plan would result in new debt service costs of \$0.186 million in 2007 and incremental costs of \$0.833 million in 2008, \$0.680 million in 2009, \$0.570 million in 2010 and \$0.574 million in 2011.
- The 2007 Recommended Capital Budget for the Toronto Zoo, excluding funding being carried forward from 2006 to 2007, is \$8.2 million. This includes \$6.6 million for previously approved commitments and \$1.6 million for new initiatives. Moreover, future year commitments of \$3.3 million result from the 2007 Recommended Capital Budget.
- The 2007 Recommended Capital Budget, which aligns precisely with the Zoo's \$6.2 million debt target, allocates \$2.8 million (34%) to SOGR work and the remaining \$5.4 million (66%) to priority service enhancements, specifically the North Zoo Site Redevelopment Project (Tundra).

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for the Toronto Zoo with a total project cost of \$1.659 million and a 2007 cash flow of \$8.190 million and future year commitments of \$3.322 million be approved. The 2007 Recommended Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 9 new/change of scope sub-projects with a 2007 total project cost of \$1.659 million that requires cash flow of \$1.597 million in 2007 and a future year commitment of \$0.062 million in 2008;
    - ii) 4 previously approved sub-projects with a 2007 cash flow of \$6.593 million and a future year commitment of \$3.260 million in 2008; and
  - b) 2007 approved cash flow for 4 previously approved sub-projects with carry forward funding from 2006 to 2007 totalling \$3.632;
2. new debt service costs of \$0.186 million in 2007 and incremental costs of \$0.781 million in 2008, and \$0.365 million in 2009 resulting from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future year operating budgets;
3. operating impacts of \$0.020 million for 2008 and \$0.124 million for 2009 emanating from the approval of the 2007 Capital Budget be considered within the overall scope of the Toronto Zoo's 2007 and future years' operating budget submissions; and
4. the 2008-2011 Capital Plan for the Toronto Zoo totaling \$35.083 million in project commitments and estimates, comprised of \$5.060 million in 2008; \$6.125 million in 2009; \$11.125 million in 2010; and \$12.773 million in 2011 be approved.

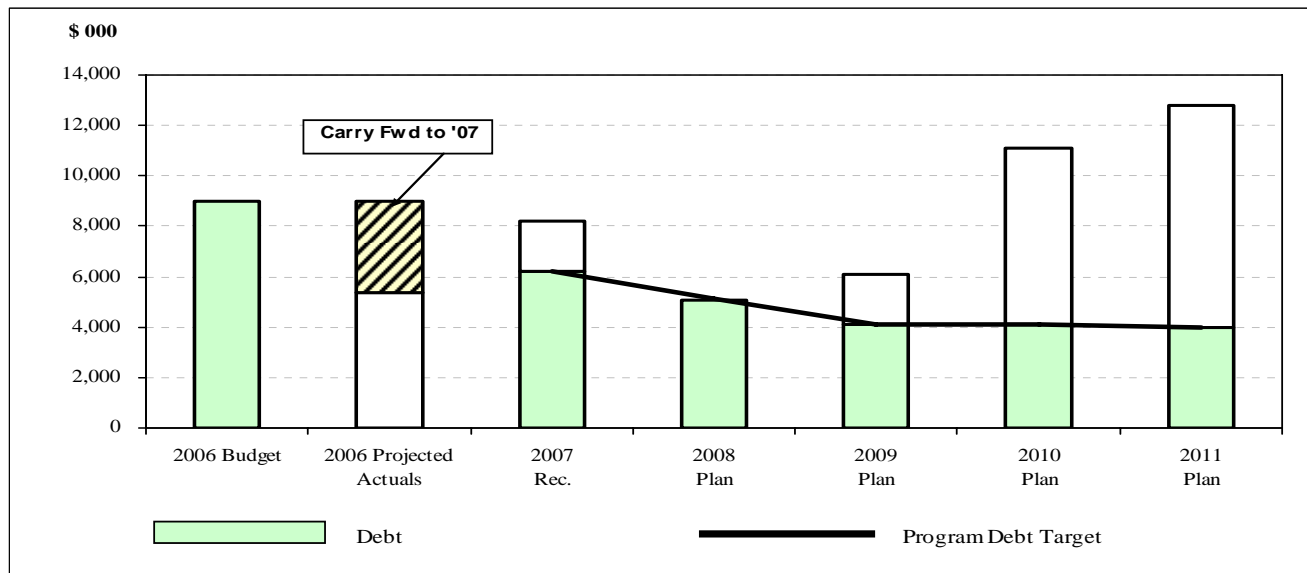
### 2006 Capital Variance Review

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
9,010	4,306	48	7,095	79	1,915

#### Comments / Issues:

- The Toronto Zoo has spent 48% (\$4.3 million) of its 2006 Approved Capital Budget of \$9.0 million as of September 30, 2006. The Program is projecting a year-end spending rate of 79% for 2006 approved projects in its 3rd Quarter Variance Report.
- The 2006 projected spending rate of 79% would represent a marked improvement over the 61% and 34% spending rates achieved in 2005 and 2004, respectively.
- The Zoo did note in its Third Quarter Variance Report that it is projecting \$1.9 million of its 2006 approved cash flow to be unspent by year's end. The Program has indicated that these funds will need to be carried forward into 2007.
- Almost all of the \$1.9 million gross/debt that is projected to be unspent in 2006 relate to three projects: \$0.5 million is required to continue implementing various information system modules, \$0.4 million is needed to complete the North Zoo Site Detailed Design, and \$0.723 million will be carried forward into 2007 for the renovation of the Australasia Exhibit.
- Due to the unique nature of the Zoo's facilities and exhibits, tendering delays are sometimes encountered, thereby impeding the Program from spending its allotted funds in a timely manner. For instance, bids to refurbish the Australasia exhibit came in higher than expected this past September. The Zoo was therefore forced to review and revise the scope of the project and has now re-issued the tender.
- Spending delays are also caused by a constrained (eight month) construction cycle. Facility development and repairs largely occur in the Zoo's off-peak period from September to March, so as not to interfere with visitor enjoyment.

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



			5-Year Plan						
			2006	2007 Rec.	2008	2009	2010	2011	2007-2011
			Budget	Projected Actual					
<b>Gross Expenditures:</b>									
Capital Budget & Future Year Commitments	9,010	5,378	8,190	3,322					11,512
New Plan Estimates				1,738	6,125	11,125	12,773		31,761
1-Year Carry Forward to 2007		3,632	➡						
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>9,010</b>	<b>9,010</b>	<b>8,190</b>	<b>5,060</b>	<b>6,125</b>	<b>11,125</b>	<b>12,773</b>		<b>43,273</b>
<b>Program Debt Target</b>			<b>6,200</b>	<b>5,100</b>	<b>4,100</b>	<b>4,100</b>	<b>4,000</b>		<b>23,500</b>
<b>Financing:</b>									
Recommended Debt	9,010		6,190	5,060	4,125	4,125	4,000		23,500
<b>Other Financing Sources:</b>									
Reserves/Reserve Funds									
Development Charges									
Federal									
Provincial									
Other Revenue			2,000		2,000	7,000	8,773		19,773
<b>Total Financing</b>	<b>9,010</b>		<b>8,190</b>	<b>5,060</b>	<b>6,125</b>	<b>11,125</b>	<b>12,773</b>		<b>43,273</b>
<b>By Category:</b>									
Health & Safety									
Legislative									
SOGR	5,183		2,788	1,341	3,374	2,080	2,994		12,577
Service Improvement	3,827		5,402	3,719	2,751	9,045	9,779		30,696
Growth Related									
<b>Total By Category</b>	<b>9,010</b>		<b>8,190</b>	<b>5,060</b>	<b>6,125</b>	<b>11,125</b>	<b>12,773</b>		<b>43,273</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)			1,845	1,791	1,709	1,530	1,317		8,192
Accumulated Backlog Estimate (end of year)		105,297	98,952	96,080	91,664	82,069	70,613		70,613
<b>Operating Impact on Program Costs</b>			20	124	20	0	335		499
<b>Debt Service Costs</b>			186	833	680	578	574		2,850

\* Note that the 1-Year Carry Forward is estimated.

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

- Excluding funding being carried forward from 2006 to 2007, the Toronto Zoo's Recommended 2007-2011 Capital Plan calls for \$43.3 million in funding over the next five years. This requires a cash flow funding of \$8.2 million for 2007, an amount that is \$2.7 million greater than the Program's 2006 Approved Capital Budget of \$5.5 million (excluding one-year carryforward funding). This 49% increase is largely driven by the continued implementation of the Tundra Construction phase of the North Zoo Site Redevelopment Project. The savings from the OMERS contribution holiday (see Issues section) funds \$2.0 million of this incremental expenditure and additional debt financing will fund the remaining \$0.7 million.
- The Recommended 5-Year Plan for the Toronto Zoo attempts to strike a balance between strategic service improvements and capital refurbishments. Of the \$43.3 million in funding proposed for 2007-2011, the Plan earmarks \$12.6 million (29%) for state-of-good repair (SOGR) initiatives while the remaining \$30.7 million is reserved for service improvements (SI). Much of the latter, however, will replace existing exhibits that are deteriorating, thereby in effect significantly reducing the Zoo's current SOGR backlog. For instance, the North Zoo Site Redevelopment Project and the Elephant Winter Holding/Paddock initiative, though classified as service enhancements, will alone diminish the backlog by a over \$34.0 million once completed.
- The Recommended 5-Year Capital Plan for the Toronto Zoo proposes a total debt of \$23.5 million, an amount that aligns precisely with the Program's aggregate debt target. Furthermore, the recommended annual debt levels conform to the yearly debt targets assigned to the Toronto Zoo. The majority of the overall recommended debt funding is earmarked for SOGR initiatives (\$12.6 million) while the residual is to be spent on SI items (\$10.9 million), most notably the North Zoo Site Redevelopment Project.
- It is anticipated that most of the Zoo's Service Improvements will not be funded from debt. Of the \$30.7 million recommended for service improvements over the next five years, \$19.8 million is to be secured from "other" sources.
- In its Recommended 5-Year Capital Plan, the Zoo projects to fundraise \$9 million by 2010 and an additional \$8.8 million by 2011. The vast majority of these funds are earmarked for the outstanding phases of the North Zoo Site Redevelopment Project as well as for its Elephant Paddock project. The concern, however, is that such an ambitious fundraising target may be overly optimistic, particularly given the short timeline.
- The Toronto Zoo's inventory of hard assets is valued at more than \$115 million. Due to past funding constraints, the Toronto Zoo has accumulated a SOGR backlog of approximately \$105.3 million by the end of 2006 (see Issues section). Implementation of the Recommended 5-Year Plan will result in the SOGR backlog being reduced to \$70.6 million by 2011. Although the Plan addresses approximately 33% (\$34.0 million) of the current deficit, the fact is that over \$10.5 million would be required annually, over the next ten years, to eliminate the backlog entirely. This yearly amount alone is more than double the Program's average five-year debt target of \$4.7 million per annum.

- The Toronto Zoo's Recommended 5-Year Capital Plan would result in new debt service costs of \$0.186 million in 2007 and incremental costs of \$0.833 million in 2008, \$0.680 million in 2009, \$0.570 million in 2010 and \$0.574 million in 2011.

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

The Toronto Zoo's Recommended 2007-2011 Capital Plan has met the Council approved debt affordability targets for each of the five years. This has been achieved by deferring initiatives into future years, revising the scope of planned projects and incorporating anticipated external funding.

Over the course of the Recommended 5-Year Capital Plan, debt comprises a smaller percentage of annual financing in the final years of the Plan. While the first two years of the 2007-2011 Plan are completely debt funded (excluding the OMERS savings), the final three years include considerable non-debt financing. For instance, the Program plans to debt finance only 37% and 31% of its respective 2010 and 2011 cash flow requests.

### **Capacity**

Although the Zoo is projecting to carry-forward \$3.6 million in funding from 2006 to 2007, this will not impact the Program's ability to proceed with the new projects recommended for 2007. The carry-forward funding resulted from unforeseen tendering delays. These funds are expected to be fully spent in 2007. Likewise, new project funding of \$8.2 million is also anticipated to be fully spent by the end of the year.

Due to the unique nature of the Zoo's exhibits, as well as the need to limit construction and renovations to the non-peak summer months in order that the visitor experience will not be adversely impacted, the Program must limit its cash flow requests to what it can realistically spend. In line with this principle, the Program has put forward a 5-Year Plan that can be feasibly achieved within the time period set out.

### **State of Project Readiness**

The Zoo's Recommended 2007-2010 Capital Plan reflects its future direction as documented in a number of site studies including the Building Audit Report and Site Services Study, the North Zoo Site Redevelopment Feasibility Study, and the Toronto Zoo's 2001 Strategic Plan. The proposed capital works program is also informed to a large extent by the Zoo's twenty-five year Capital Master Plan of 1990.

Over the years, the Zoo has reviewed and refined its cost estimates as well as re-phased projects in an attempt to comply with the City's diminished debt targets. The Program is confident that it has the means to achieve the Recommended 5-Year Capital Plan within the specified timelines and the funding targets that have been established.

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

City Council adopted the 2006-2010 Capital Plan at its meeting of July 25, 26 and 27, 2006. Aside from an increase in the cost of each individual project, due to the application of a 2% inflation factor, the only significant changes to the Zoo's Recommended 5-Year Plan are:



- Animal Health Centre – the detailed design of a new hospital and research facilities was originally scheduled to commence in 2008, with construction to follow in 2009. However, the Zoo has now elected to push back this initiative to 2011. Of the \$8.1 million planned to complete this project, the Zoo expects to secure \$3.0 from outside sources.
- Mixed Woodland Biome/Boreal Forest Biome – In the Zoo's 2006-2010 Capital Plan, cash flow for this phase of the North Zoo Site Redevelopment Project was initially estimated at \$0.4 million in 2009 and \$2.9 million in 2010. The 2007-2011 Recommended Capital Plan now calls for the initiative to begin in 2010 at a cost of \$2.0 million and to be fully completed in the following year with an additional \$8.7 million. Although the cost of this phase has not changed, the Zoo will be in a better position to secure sufficient external funding for the initiative by deferring its start to 2010.
- Eurasia – Like the Mixed Woodland/Boreal Forest initiative, this stage of the North Zoo Site Redevelopment Project had planned cash flow of \$0.350 million and \$2.9 million for 2009 and 2010 respectively. Now, however, the Recommended 5-Year Plan proposes \$0.7 million and \$4.0 million for those years, with an additional \$0.6 million required in 2011 to complete the project. While the overall project cost for these two items was known at the time of the 2006-2010 Plan, the timing of cash flows was yet to be determined. The Project as a whole has now been re-phased in line with the adopted feasibility study, and the expenditure estimates for both initiatives have been confirmed. Nevertheless, it is likely that as a result of inflationary pressures, the costs for both the Eurasia and Mixed Woodland phases will need to be revisited in the future before either initiative can begin.
- Elephant Winter Holding/Paddock Expansion – this initiative was not included in the Zoo's 2006-2010 5-Year Capital Plan. This past summer, though, the Program concluded that modifications to the elephant exhibit (one of the Zoo's top three most popular animal attractions) are needed earlier than originally planned. Given the large size of the Zoo's herd, as well as heightening standards and public expectations, an enlarged indoor exercise space is required. Hence, the 2007-2011 Recommended Capital Plan includes \$0.100 million to perform the necessary feasibility study and concept review in 2007, with construction to occur from 2009-2010, at a cost of \$2.0 million and \$3.1 million respectively. The Zoo plans to fundraise almost 75% (\$3.8 million) of the project's total cost.

### State of Good Repair Backlog and Unmet Needs

The Toronto Zoo is more than 30 years old. As a result of the City's fiscal challenges, limited capital funding has been available for the Zoo's growing state of good repair needs:

Toronto Zoo Debt Funding Levels (\$M)			
	1991-1997	1998-2006	2007-2011
1990	Avg	Avg.	Avg.
8	7.5	4.8	4.7

Despite the effects of inflation, debt funding for the Zoo has fallen from \$8.0 million in 1990 to an average of \$4.8 million since amalgamation. Furthermore, the Zoo's debt target over the next five years averages only \$4.7 million.

With funding having been cut by 40% since 1990, it is not surprising that the Zoo's SOGR backlog now sits at \$105.3 million. Nevertheless, in spite of the City's continuing funding restrictions as well as the clear need for service enhancements, the Zoo's 5-Year Plan will result in this deficit being reduced to \$70.6 million by 2011 (see Issues section, p. 16).

### **Operating Impact of Capital**

The following operating impacts will result from the approval of the 5-Year Capital Plan:

- \$0.060 million to upgrade current IT over the next three years;
- \$0.124 million for two additional keepers as well as service requirements associated with the North Zoo Site Redevelopment Tundra Biome initiative; and
- \$0.335 million for eight additional staff as well as corresponding supplies and materials upon the completion of the Mixed Woodland/Boreal Forest phase of the North Site Redevelopment Project in 2011.

### **Pre-approvals**

City Council, at its meeting of December 5 and 6, 2006, approved the "*Pre-Approval of 2007 Capital Projects Commitment and Spending*" report from the Deputy City Manager and Chief Financial Officer. The report noted that the recommended pre-approval cash flow for the Toronto Zoo is \$3.020 million. This includes \$1.630 million in carry forward funding for one 2006 project as well as \$1.390 million for three previously approved projects. No commitment or spending pre-approval for any new projects was included.

The approved carry forward cash flow funding is for the North Zoo Site Redevelopment Project (Tundra Construction). Funding is required in order for work that is currently underway to continue without interruption. With respect to the three previously approved projects, the recommended partial cash flow is needed for the Program to continue with state of good repair work that needs to occur in the off-season. This will allow the revamped exhibits to be operational by the summer, the Zoo's peak period.

### 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		6,593		6,593		3,632	10,225	3,260					13,485
Change in Scope			126	126			126	62					188
New			1,471	1,471			1,471						1,471
New w/Future Year													
<b>Total Expenditure</b>	<b>0</b>	<b>6,593</b>	<b>1,597</b>	<b>8,190</b>		<b>3,632</b>	<b>11,822</b>	<b>3,322</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,144</b>
<b>Financing</b>													
Debt		4,593	1,597	6,190	<b>6,200</b>	3,132	9,322	3,322					12,644
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other		2,000		2,000		500	2,500						2,500
Federal Grants													
Reserves/Res Funds													
<b>Total Financing</b>	<b>0</b>	<b>6,593</b>	<b>1,597</b>	<b>8,190</b>		<b>3,632</b>	<b>11,822</b>	<b>3,322</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,144</b>

#### Comments / Issues:

- The 2007 Recommended Capital Budget for the Toronto Zoo is \$8.2 million. This includes \$3.6 million in funding being carried forward from 2006, \$6.6 million for previously approved commitments and \$1.6 million for new/change of scope initiatives.
- Approval of the 2007 Recommended Capital Budget will result in a commitment of \$3.3 million in 2008 for the continued implementation of the North Zoo Site Tundra Construction project.
- The total 2007 Recommended Capital Budget of \$8.2 million breaks out as follows: SOGR - \$2.8 million (34%), and Service Improvements - \$5.4 million (66%).
- The 2007 Recommended Capital Budget, which is 76% funded from debt, aligns with the Zoo's affordability target of \$6.2 million. The \$2.0 million in "other" funding reflects the utilization of OMERS savings to finance the North Zoo Site Tundra Construction project.

## **2007 Recommended Capital Budget**

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

The 2007 debt affordability guideline for the Toronto Zoo is set at \$6.2 million. This target represents a 13% increase above the \$5.5 million in new debt that was approved for 2006 and a 24% increase over the Zoo's 2005 approved new debt level of \$5.0 million. The higher target is in recognition of the Zoo's SOGR backlog requirement

The recommended debt level of \$6.2 million for new 2007 initiatives aligns with the corporate debt target. Of this proposed amount, 74% (\$4.6 million) relates to previously approved projects while 26% (\$1.6 million) is allocated towards new projects.

In keeping with the corporate guidelines, the 2007 Recommended Capital Budget accommodates the Zoo's highest priority needs. Of the \$6.2 million in new debt funding recommended, 45% (\$2.8 million) is slated for SOGR projects while the remaining 55% (\$3.4 million) is earmarked for Service Improvements, in particular the continuation of the North Zoo Site Redevelopment Project. This initiative, however, will not only improve the visitor experience and quality of animal accommodation once completed, but address State of Good Repair backlog deficiencies as well as.

### **Capacity /Readiness**

Over the past two years, the Toronto Zoo has experienced difficulty in spending its authorized capital allocation on a timely basis. For instance, the Program's spending rates for the 2004 and 2005 fiscal years were 34% and 61% respectively. However, in its 3rd Quarter Variance Report, the Zoo is projecting its 2006 Approved Capital Budget of \$9.0 million to be 79% spent by year's end. All projects are anticipated to be completed within the year or are, in the case of its North Zoo Site (Tundra Construction) and Australasia Exhibit Refurbishment, well underway.

As a result of the distinct nature of the Zoo's exhibits, the Program has had difficulty in securing competitive tenders in the current tight construction market. In anticipation of escalating project costs, an inflationary adjustment of 2% has been applied to all new and previously approved projects. With this provision, the Zoo maintains that its 2007 Capital Budget reflects firm estimates and that it has made every effort to fairly represent the true cost of its plans for 2007 and beyond. Furthermore, with the use of dedicated project management staff, the Program is confident that it has the capacity to proceed and complete all planned initiatives within the prescribed timelines.

## Operating Budget Impact

### Incremental Operating Impact Summary

Incremental Operating Budget Impact	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	20.0	124.0			
Debt Service Charges (\$000s)	185.7	780.6	365.4		
Approved Positions		2			

### Program Incremental Operating Costs

The 2007 Recommended Capital Budget for the Toronto Zoo will increase the Program's Operating Budget, with incremental impacts in 2007 and future years as a result of the following capital projects/subprojects:

2007 Capital Projects/Sub-Projects	2007 (\$000s)	2007 approved position change	2008 (\$000s)	2007 approved position change
Information Systems 2007	20.0			
North Zoo Site Tundra Construction			124.0	2.0
<b>TOTAL</b>	<b>20.0</b>	<b>0.0</b>	<b>124.0</b>	<b>2.0</b>

The incremental operating costs outlined above include the following:

- \$0.020 million to upgrade current IT infrastructure in order to ensure computing demand does not exceed capacity; and
- \$0.124 million for two additional keepers as well as service requirements associated with the North Zoo Site Redevelopment Tundra Biome initiative. This phase of the North Zoo Site Redevelopment Project phase has been incorporated into the 2007 Recommended Capital Budget for the Toronto Zoo and is scheduled to be completed by 2008.

**PART II: ISSUES FOR DISCUSSION****2007 Capital Budget Issues**

The Zoo's 2007 Recommended Capital Budget matches those 2007 expenditures that were planned for in the Program's 2006-2010 Capital Plan. The only variation is the inclusion now of the Elephant Winter Holding/Paddock Expansion project and the addition of a 2% inflation factor.

**Elephant Winter Holding/Paddock Expansion**

The Elephant Holding/Paddock project was not forecasted in the Zoo's 2006-2010 Capital Plan for 2007. This initiative was not scheduled to begin until 2011 at the earliest. Presently, however, the Zoo has accelerated this initiative and now requires \$0.1 million in debt funding to commence design work in 2007.

In June 2006, the Zoo's Elephant Strategic Plan Committee recommended that, in order to meet or exceed Association of Zoos and Aquariums (AZA) standards and public visitor expectations", a high priority be given to expand and modify the elephant exhibit. Although this exhibit, which was built in 1974, is presently acceptable, it is "likely to become inadequate in the future. Increased indoor housing space is strongly needed given the amount of time the elephants spend inside". Current housing does not provide the optimum environment for these animals.

With the express purpose of maintaining its leadership position in the captive management, research and conservation of elephants, while at the same time providing a proper viewing environment for the public, the Zoo elected to bring forward into its 2007-2011 Capital Plan improvements to the Elephant exhibit.

Since the rationale for this decision is sound, the acceleration of this project into the 5-Year Plan is recommended for two reasons:

- 1) Changes are allowed to the 2006-2010 Capital Plan within the Program's annual debt targets. Since the addition of this project has been accommodated with the Program's annual affordability guideline, it is acceptable. To meet this higher priority need, the Zoo has elected to scale back on some general building/mechanical refurbishment work.
- 2) The Zoo expects to raise \$3.8 million to complete the construction of the elephant facility in 2010. However, there are reasonable concerns that the Zoo may not be able secure this level of outside funding in such a short-period of time, especially given that the Program is also seeking considerable non-debt financing over the next five years for its North Zoo Site Redevelopment Project. The prospect of fundraising a total of \$17.8 million by 2011 for these two initiatives may prove to be overly ambitious. Accordingly, assuming that the North Zoo Site Redevelopment Project is deemed to be of greater significance, approval is limited to the design phase of this initiative. The Zoo will not commit to the remaining stages of the Elephant Winter Holding/Paddock Expansion until adequate external funds are on hand to complete the project within the Zoo's prescribed debt envelope.

## 5-Year Capital Plan Issues

### North Zoo Site Redevelopment Project

The loss of the monorail train in 1994 necessitated a review of the previous plans for rehabilitation of the Canadian Domain exhibit that were contained in the Zoo's 1990 Capital Master Plan and its Master Plan for Site Development. The Canadian Domain is situated at the bottom of the Rouge Valley which is not accessible by zoomobile. The area's long walk and steep hill have generated many visitor complaints. Thus, the Canadian Domain's undesirable location and the need to update its old exhibits have made its relocation a high priority.

In 2003, staff and consultants completed the North Zoo Site Redevelopment Feasibility Study. The report resulted in a recommendation for a major reorganization of this area, including a re-definition of the Canadian Domain into three bio-zones and its relocation up onto the tableland where it can be integrated within the current zoomobile circulation route. The study also called for the overhaul and relocation of the Eurasia and Americas exhibits.

In total, the Recommended 5-Year Capital Plan for the Toronto Zoo includes funding of approximately \$25 million to follow thorough on the first three phases of this initiative. Due to the Program's reduced debt targets in the outer years, the Tropical Americas exhibit (Phase IV) project was deferred to past 2011:

(\$ millions)	2007	2008	2009	2010	2011	Total
North Zoo Site Detailed Design	0.703					<b>0.703</b>
I. Tundra Biome	5.302	3.322	0	0	0	<b>8.624</b>
II. Eurasia Redevelopment	0	0	0.713	4.010	0.568	<b>5.291</b>
III. Woodland / Boreal Forest	0	0	0	1.978	8.701	<b>10.679</b>
IV. Tropical Americas	0	0	0	0	0	<b>0</b>
<b>Totals*</b>	<b>6.005</b>	<b>3.322</b>	<b>0.713</b>	<b>5.988</b>	<b>9.269</b>	<b>25.297</b>
<b>Debt</b>	<b>4.005</b>	<b>3.322</b>	<b>0.013</b>	<b>1.488</b>	<b>0.496</b>	<b>9.324</b>

\*excludes carry forward funding

The North Zoo Site Redevelopment Project is a means for the Zoo to refresh and update its attractions. This is necessary in order for the Program to stay relevant for Toronto residents and tourists. City Council recognized this fact when, in December 2005, it permitted the Zoo to apply \$2 million of its OMERS contribution holiday savings towards the Project.

The application of the OMERS savings was predicated on the notion that the Zoo would be able to complete the Tundra Biome and Detailed Design phases of the North Zoo Site Redevelopment Project, without committing the Program to the rest of the Project. Completing this initial phase would, instead, provide the Zoo with sufficient lead time to evaluate potential external financing sources and to initiate fundraising efforts for future phases of the Project.

Now, the Recommended 2007-2011 Capital Plan for the Toronto Zoo incorporates the next two phases: Eurasia and Mixed Woodland/Boreal Forest. Of the \$16.0 million required by 2011 to complete these stages of the Project, the Zoo plans on raising almost 88% (14.0 million) from private sources.

Although the Program has carried out an assessment of its fundraising potential, and is confident that it can adequately augment the City's investment in its capital improvements, securing such a significant amount of non-City funding over the next five years may be extremely challenging. The Zoo has never conducted a capital fundraising campaign of this magnitude in the past. With a growing number of public institutions looking to private sources to fund their capital requirements, competition for donations is becoming increasingly intense. It may therefore be a challenge for the Zoo to raise the \$14.0 million for the Project, along with the \$3.8 million slated for its elephant initiative, in such a relatively short time span. While such large successful fundraising appeals are not without precedent, for instance in 1994 the St. Louis Zoo commenced a four-year campaign that raised \$70 million U.S. (\$7 million more than its original goal) specifically for its capital needs, the Program's own consultants have cautioned that it takes "3-5 years to develop mature revenue generation operations".

With the view that the Zoo's fundraising forecasts might be exceedingly optimistic, the Recommended 5-Year Capital Plan only binds the Program to completing the Tundra Biome exhibit. While committing to this crucial phase of the North Zoo Site Redevelopment Project provides compelling assurances to potential sponsors and donors that the City and the Zoo are truly dedicated to revamping its offerings, if private funding is not forthcoming, available debt could then be re-allocated to other SOGR work. Nevertheless, it is hoped that such a commitment will bolster efforts to fundraise for the remaining phases of the North Zoo Site Redevelopment Project as well as the Elephant Paddock initiative.

## **Future Year Targets**

Like most City Programs, the Toronto Zoo's five-year debt funding levels are insufficient to address all of its competing demands. To exacerbate matters, the Program's yearly debt allocation steadily decreases from \$6.2 million in 2007 to \$4.0 million in 2011. Such constraints clearly preclude the Zoo from engaging in much needed service improvements while simultaneously tackling its sizeable SOGR backlog. In the current fiscal environment, the Program has revised its spending plans in order for the City to achieve its debt affordability objectives.

The Toronto Zoo's Recommended 2007-2011 Capital Plan would commit the Program to a few major initiatives beyond this period. In particular, the refurbishment of the Orangutan and Giraffe Exhibits, as well as preliminary work on the Animal Health Centre, are all scheduled to begin in 2011. These and other projects, however, may need to be deferred if the Program is not able to accommodate such pressures within its future year debt targets.

## **Categorization of Projects**

The categorization of facility renewal projects, such as the North Zoo Site Redevelopment Project, has become an issue of concern. These projects are shown in the Service Improvement category; yet upon completion, they will reduce the State of Good Repair backlog. The Zoo has proposed that a proportional categorization be considered. Further review of this issue will be undertaken.



## State of Good Repair Backlog and Unmet Needs

In its 1990 Capital Master Plan, the Zoo identified \$125.5 million worth of projects that were in need of good repair and that were to be addressed over the next 25 years. Due to budgetary constraints, however, a number of projects have been continuously deferred. The result is an inflation-adjusted current backlog of \$105.3 million and includes projects that were originally scheduled for renovations over 10 years ago.

CURRENT PROJECT BACKLOG	AMOUNT (000)	YEAR ORIGINALLY SCHEDULED	CAPITAL WORKS PROJECTS SCHEDULED 2007-2016	AMOUNT (000)	YEAR SCHEDULED
Main Entrance I	4,000.0	1994	Ride & Revenue	4,928.0	2012-2013
Main Entrance II	4,358.0	1995			
Orangutan	7,168.0	1996/2001	Orangutan II & III	5,387.0	2011-2013
Fish & Marine	510.0	1990-1995	Australasia Exhibits Refurbishment (Fish - Great Barrier Reef)	510.0	2006-2007
Giraffe (left over from Af. Savanna)	1,146.0	1998	Giraffe House	866.0	2011-2012
African Seal (African Savanna)	500.0	1998	African Seal (African Savanna)	-102.0	
Elephant Paddock (African Savanna)	5,195.0	1998	Elephant Winter Holding / Paddock Expansion	4,903.0	2007-2010
Canadian Domain		1996-1998			
Eurasia I & II		2000-01			
Polar Outdoor Ex.	28,884.0	2005	North Site Redevelopment	26,641.00	2007-2015
South America Pav.		2008-09			
Gorilla II	3,200.0	1998	Gorilla II Outdoor	1,781.0	2013-2014
IndoMalaya Pavilion	3,000.0	2000-01	IndoMalaya Pavilion	-609.2	
Animal Health Centre	8,116.0	2001-02	Animal Health Centre	6,094.0	2011-2013
Indo-Africa Bridge	250.0	2001	Indo-Africa Bridge	-50.8	
Main entrance III	2,070.0	2003	Main entrance III	-420.3	
Australasia Pavilion Renovations	1,000.0	2004-05	Exhibit Refurbishment - Edge of Night	42.0	2006-2007
Australasia Paddocks	1,000.0	2005	Australasia Paddocks	-203.0	
Main Entrance IV	4,450.0	2006	Main Entrance IV	-904.0	
Africa Pavilion Renovations	5,000.0	2007-08	Exhibit Refurbishment - Africa	-1,015.0	
Americas Desert	2,050.0	2014	Americas Desert	-416.0	
Paving/resurfacing	831.0	2000-2004	Paving/resurfacing	-169.0	
<b>S. TOTAL BACKLOG</b>	<b>82,728.0</b>		<b>BACKLOG SCHEDULED</b>	<b>47,262.8</b>	

POST MASTERPLAN PROJECT ADDITIONS					
Building & Services Refurbishment:			Building & Services Refurbishment:		
Electrical, Mechanical	3,129.0		Electrical, Mechanical	2,997.0	2007-2011
Roof & Skylight repairs	3,335.0		Roof & Skylight repairs	3,159.0	2007-2011
General Building & Services	7,033.0		General Building & Services	5,204.0	2012-2016
Information Systems	1,652.0		Information Systems	1,430.0	2007-2012
Exhibit Refurbishment	4,191.0		Exhibit Refurbishment	3,482.0	2007-2016
Grounds & Visitor Improvement	3,229.0		Grounds & Visitor Improvement	2,650.0	2007-2016
<b>TOTAL BACKLOG</b>	<b>105,297.0</b>		<b>TOTAL BACKLOG SCHEDULED</b>	<b>66,184.8</b>	

In light of this considerable maintenance deficit, it is clear that preserving the physical integrity of the Zoo's facilities must remain the focus of any current and future capital expenditures. The Zoo's Recommended 5-Year Capital Plan and 10-Year Forecast recognizes this fact by attempting to tackle \$66.2 million (63%) of this backlog, including \$34.6 million between 2007-2011.

Appendices not available online.